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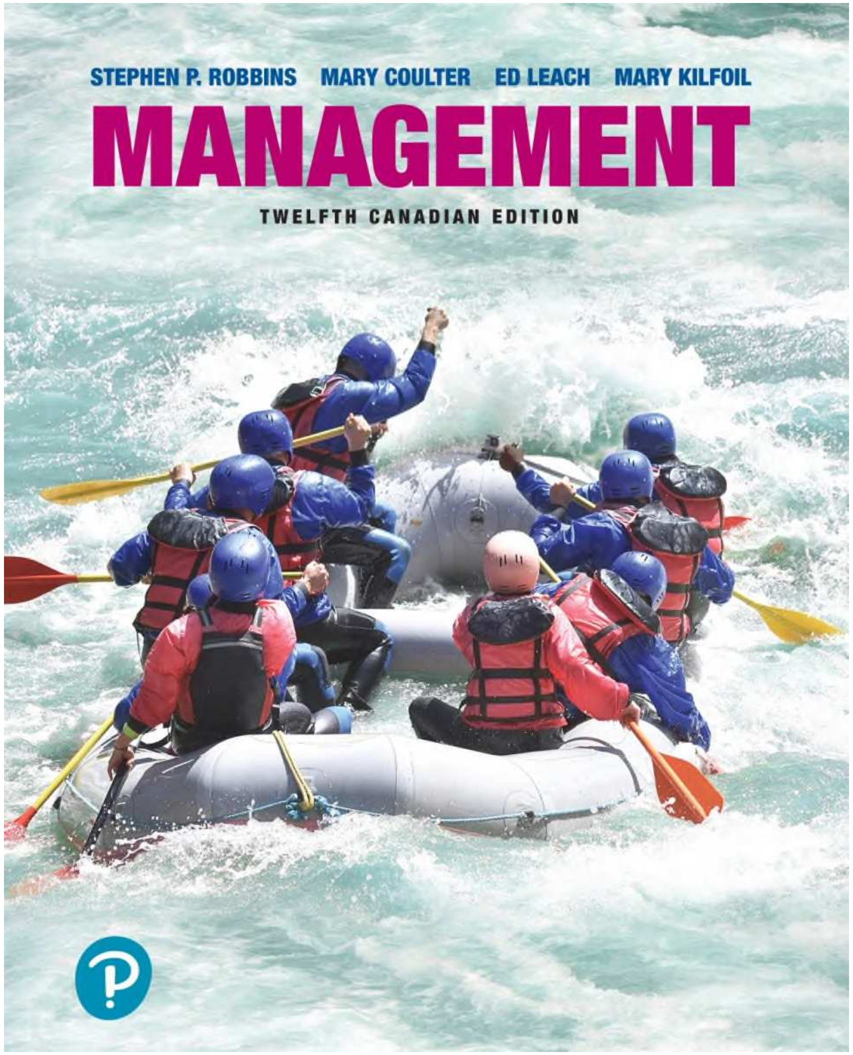
Management

Twelfth Canadian Edition



Chapter 2

Organizational Culture and the Organizational Environment

Learning Outcomes:

1. Compare and contrast the actions of managers according to the omnipotent and symbolic views.
2. Discuss the characteristics and importance of organizational culture.
3. Describe what kinds of cultures managers can create.
4. Describe the features of the organizational environment.

The Manager: Omnipotent or Symbolic? (1 of 2)

The Omnipotent View

The view that managers are **directly responsible** for an organization's success or failure.

The quality of the organization is determined by the **quality of its managers**.

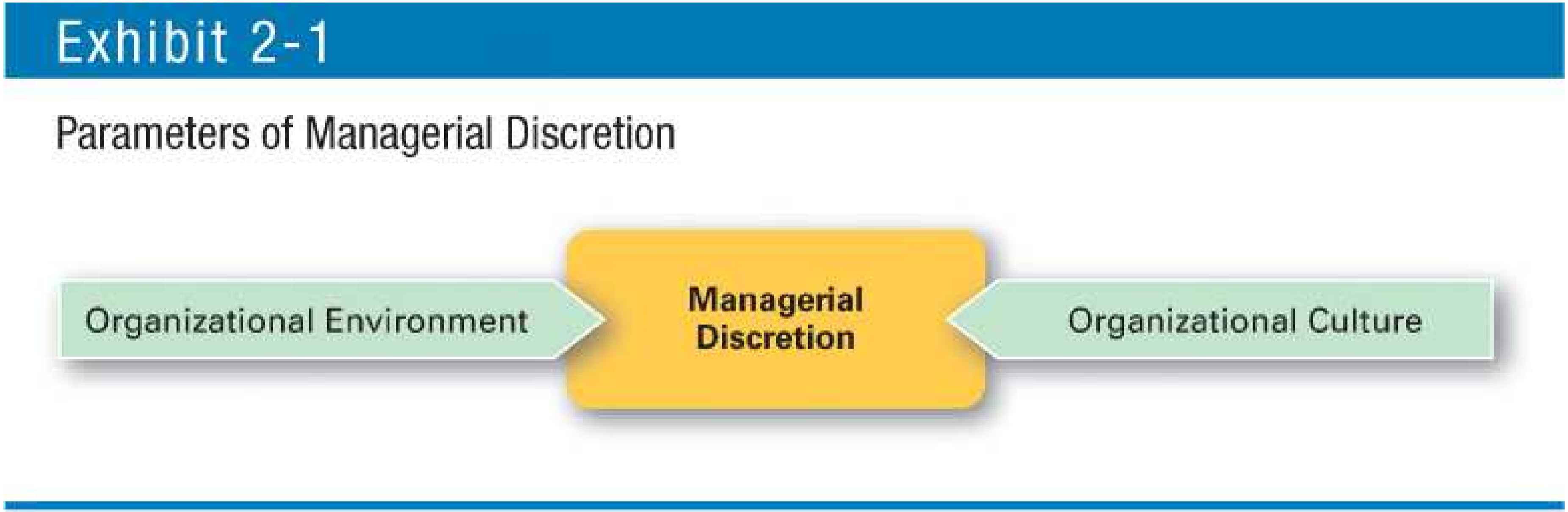
The Manager: Omnipotent or Symbolic? (2 of 2)

The Symbolic View

The ability of managers to affect outcomes is influenced and constrained by external factors:

- The economy, customers, governmental policies, competitors, industry conditions, technology, and the actions of previous managers

Exhibit 2-1 Parameters of Managerial Discretion



The Organization's Culture (1 of 13)

What Is Organizational Culture?

A system of shared meaning and beliefs held by organizational members that determines, to a large degree, how they act towards each other and outsiders.

"The way we do things around here"

- Values, symbols, rituals, myths, & practices

The Organization's Culture (2 of 13)

Implications of an Organizational Culture

- *Culture* is a **perception**
- *Culture* is **shared**
- *Culture* is a **descriptive term**

Exhibit 2-2 Dimensions of Organizational Culture

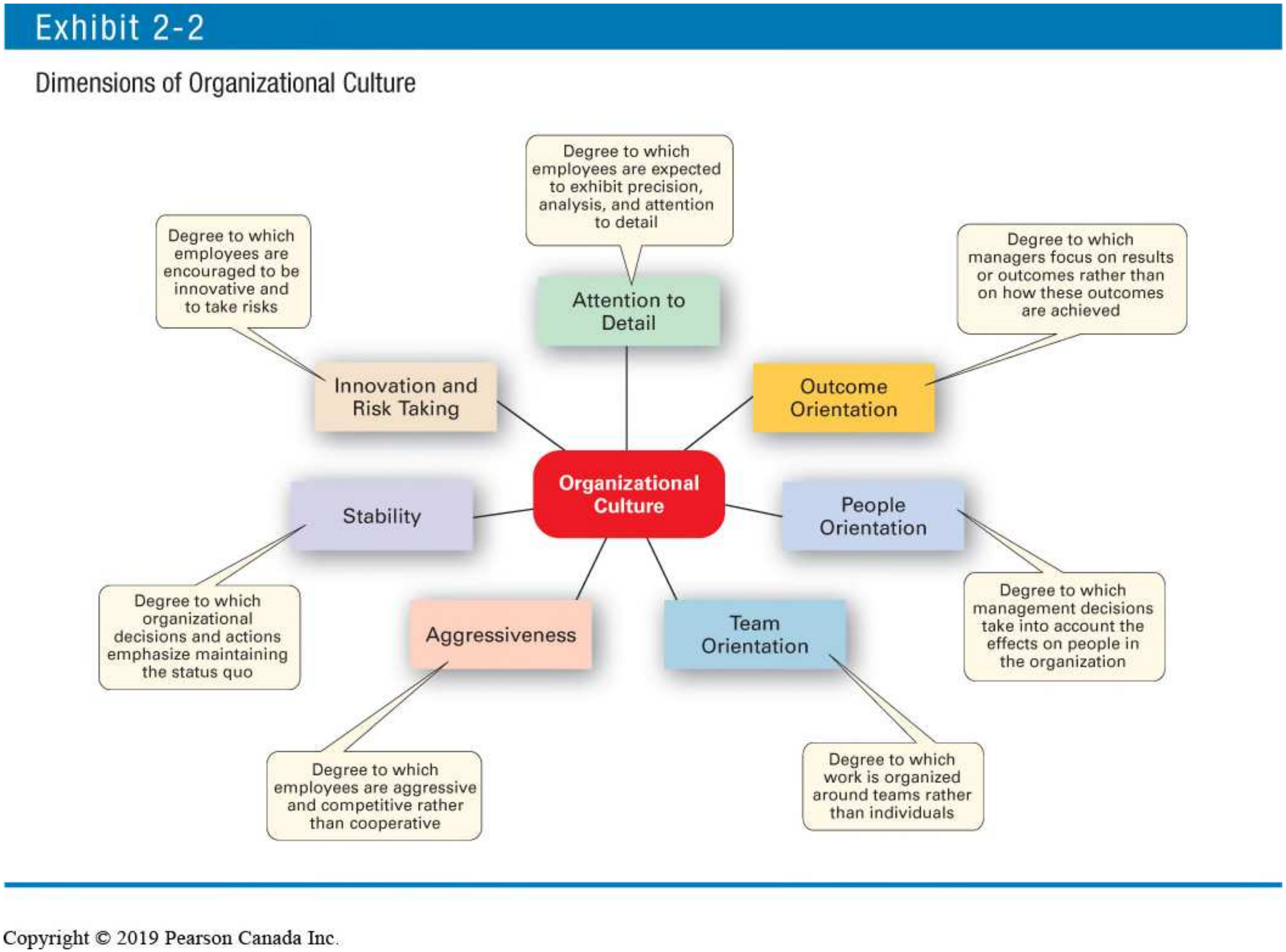
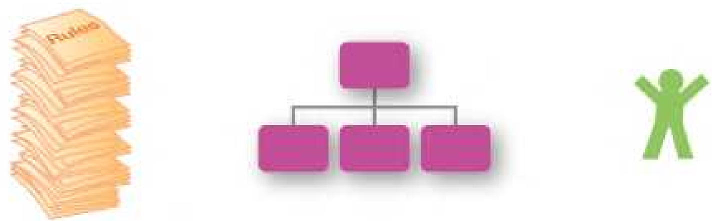


Exhibit 2-3 Contrasting Organizational Cultures (1 of 2)

Exhibit 2-3

Contrasting Organizational Cultures

Organization A



This organization is a manufacturing firm. Managers are expected to fully document all decisions, and “good managers” are those who can provide detailed data to support their recommendations. Creative decisions that incur significant change or risk are not encouraged. Because managers of failed projects are openly criticized and penalized, managers try not to implement ideas that deviate much from the status quo. One lower-level manager quoted an often-used phrase in the company: “If it ain’t broke, don’t fix it.”

Employees are required to follow extensive rules and regulations in this firm. Managers supervise employees closely to ensure there are no deviations. Management is concerned with high productivity, regardless of the impact on employee morale or turnover.

Work activities are designed around individuals. There are distinct departments and lines of authority, and employees are expected to minimize formal contact with other employees outside their functional area or line of command. Performance evaluations and rewards emphasize individual effort, although seniority tends to be the primary factor in the determination of pay raises and promotions.

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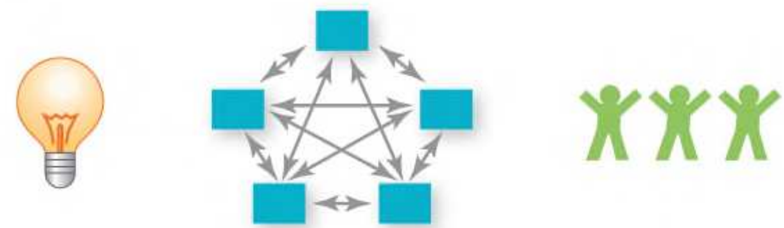
Exhibit 2-3 Contrasting Organizational Cultures (2 of 2)

Exhibit 2-3

Continued

Organization B



This organization is also a manufacturing firm. Here, however, management encourages and rewards risk taking and change. Decisions based on intuition are valued as much as those that are well rationalized. Management prides itself on its history of experimenting with new technologies and its success in regularly introducing innovative products. Managers or employees who have a good idea are encouraged to “run with it,” and failures are treated as “learning experiences.” The company prides itself on being market driven and rapidly responsive to the changing needs of its customers.

There are few rules and regulations for employees to follow, and supervision is loose because management believes its employees are hardworking and trustworthy. Management is concerned with high productivity but believes this comes through treating its people right. The company is proud of its reputation as a good place to work.

Job activities are designed around work teams, and team members are encouraged to interact with people across functions and authority levels. Employees talk positively about the competition between teams. Individuals and teams have goals, and bonuses are based on achievement of outcomes. Employees are given considerable autonomy in choosing the means by which the goals are attained.

The Organization's Culture (3 of 13)

Strong Cultures:

- **Key values** are deeply held and widely held.
- Have strong **influence** on organizational members.

The Organization's Culture (4 of 13)

Weak Cultures:

– Some organizations do not make clear what is important and what is not, and this lack of clarity is a characteristic of weak cultures. In such organizations, culture is unlikely to greatly influence managers.

The Organization's Culture (5 of 13)

Exhibit 2-4 Strong versus Weak Cultures

Strong Cultures	**Weak Cultures**
Values widely shared	Values limited to a few people—usually top management
Culture conveys consistent messages about what's important	Culture sends contradictory messages about what's important
Most employees can tell stories about company history or heroes	Employees have little knowledge of company history or heroes
Employees strongly identify with culture	Employees have little identification with culture
Strong connection between shared values and behaviours	Little connection between shared values and behaviours

The Organization's Culture (6 of 13)

Why have strong cultures:

- Employees are more loyal
- Are associated with high organizational performance

WARNING

Drawback to a strong culture also might prevent employees from trying new approaches, especially when conditions change rapidly

The Organization's Culture (7 of 13)

Subcultures:

- Organizations have dominant cultures and **subcultures**
- Subcultures are likely to be defined by **department designations** and **geographical separation**

The Organization's Culture (8 of 13)

- Subcultures include the **core values** of the **dominant culture**, plus additional values unique to members of the subculture.

The Organization's Culture (9 of 13)

Where Culture Comes From and how It continues:

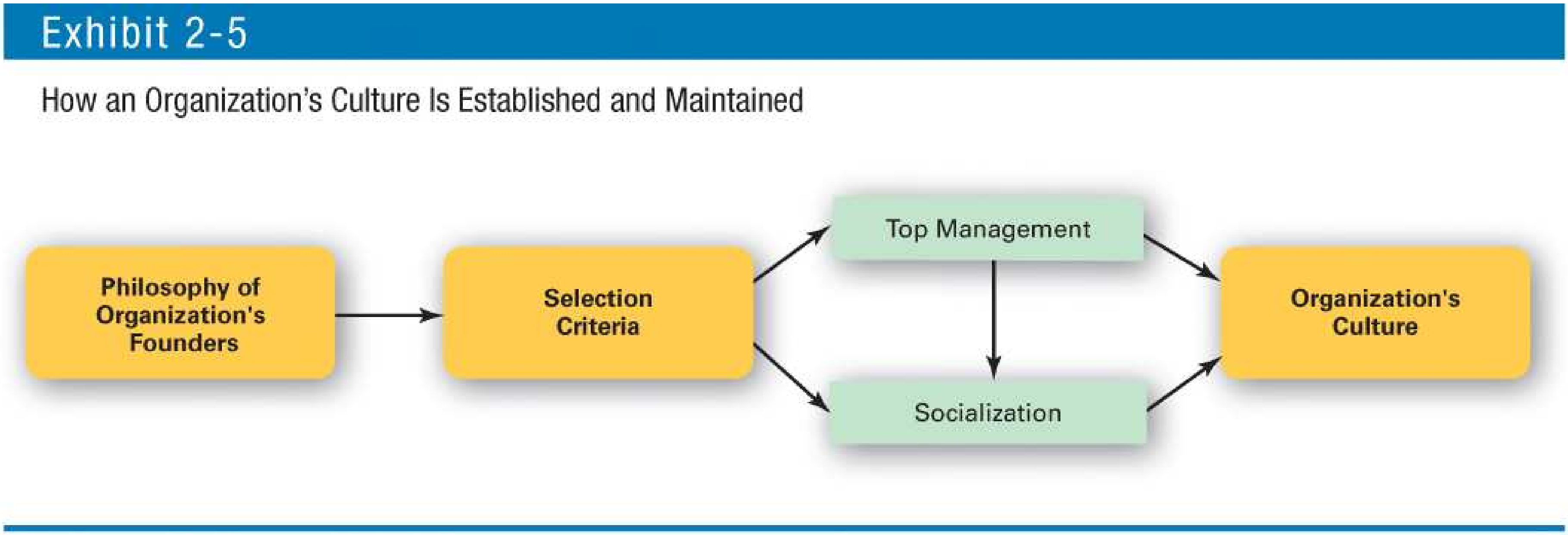
- **Vision and mission of** the organization's **founder**
- **Is passed on and modified** based on macro environmental factors.

The Organization's Culture (10 of 13)

How an Organization's Culture is Established and Maintained:

- **Recruitment** of employees who "fit"
- Actions of **top management**
- **Socialization** of new employees to help them adapt to the culture

Exhibit 2-5 How an Organization's Culture Is Established and Maintained



The Organization's Cultures (11 of 13)

How Employees Learn Culture:

Stories

- Narratives of significant events or actions of people that convey the spirit of the organization.

Rituals

- Repetitive sequences of activities that express and reinforce the values of the organization.

The Organization's Cultures (12 of 13)

Material Artifacts and Symbols

- Physical assets distinguishing the organization.

Language

- Acronyms and jargon of terms, phrases, and word meanings specific to an organization.

The Organization's Culture (13 of 13)

How Culture Affects Managers:

- Whatever managerial **actions** the organization recognizes as proper or improper on its behalf.
- Whatever organizational **activities** the organization values and encourages.
- The overall **strength** or **weakness** of the organizational culture.

Current Organizational Culture Issues Facing Managers (1 of 8)

Creating an Ethical Culture:

- High in **risk tolerance**
- Low to moderate **aggressiveness**
- Focus on **means** as well as **outcomes**

Current Organizational Culture Issues Facing Managers (2 of 8)

Creating an Innovative Culture:

- Challenge and involvement
- Freedom
- Trust and openness
- Idea time

Current Organizational Culture Issues Facing Managers (3 of 8)

More on Creating an Innovative Culture…..

- Playfulness/humour
- Conflict resolution
- Debates
- Risk-taking

Current Organizational Culture Issues Facing Managers (4 of 8)

Creating a Customer-Responsive Culture: Six Characteristics

- Outgoing and friendly employees
- Few rigid rules, procedures and regulations
- Widespread use of empowerment
- Good listening skills
- Role clarity
- Employees attentive to customer needs

Current Organizational Culture Issues Facing Managers (5 of 8)

Creating a Culture That Supports Diversity

Managers can do this by:

- showing that they value diversity through their decisions and actions.
- look for ways to reinforce employee behaviours that exemplify inclusiveness.

Current Organizational Culture Issues Facing Managers (6 of 8)

Workplace Spirituality

A culture where workplace values promote a sense of purpose through meaningful work that takes in the context of community

Current Organizational Culture Issues Facing Managers (7 of 8)

Workplace Spirituality

Cultural Characteristics of Spiritual Organizations:

- Strong sense of purpose
- Focus on individual development
- Trust and openness
- Employee empowerment
- Tolerance of employee expression

Current Organizational Culture Issues Facing Managers (8 of 8)

The Organizational Environment:

- Managers must keep a finger on the pulse of the macro environment….especially when dealing with competitors!

The Organizational Environment (1 of 6)

Defining the External Environment:

The forces and institutions outside the organization that potentially can affect the organization's performance.

The Organizational Environment (2 of 6)

Components of the External Environment

Specific environment: external forces that have a direct and immediate impact on the organization

General environment: broad economic, socio-cultural, political/legal, demographic, technological, and global conditions that may affect the organization

Global environment: a major factor affecting managers from organizations of all sizes.

The Organizational Environment (3 of 6)

How the Organizational Environment Affects Managers

Environmental Uncertainty:

The extent to which managers have knowledge of and are able to predict change.

The Organizational Environment (4 of 6)

Environmental Uncertainty:

An organization's external environment is affected by:

- **Degree of change:** how dynamic or stable the external environment is.
- **Environmental Complexity:** the number of components in an organization's external environment.

Exhibit 2-6 Environmental Uncertainty Matrix

Exhibit 2-6

Environmental Uncertainty Matrix

Degree of Complexity	Degree of Change: Stable	Degree of Change: Dynamic
Simple	**Cell 1** Stable and predictable environment Few components in environment Components are somewhat similar and remain basically the same Minimal need for sophisticated knowledge of components	**Cell 2** Dynamic and unpredictable environment Few components in environment Components are somewhat similar but are in continual process of change Minimal need for sophisticated knowledge of components
Complex	**Cell 3** Stable and predictable environment Many components in environment Components are not similar to one another and remain basically the same High need for sophisticated knowledge of components	**Cell 4** Dynamic and unpredictable environment Many components in environment Components are not similar to one another and are in continual process of change High need for sophisticated knowledge of components

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The Organizational Environment (5 of 6)

Managing Stakeholder Relationships

Stakeholders:

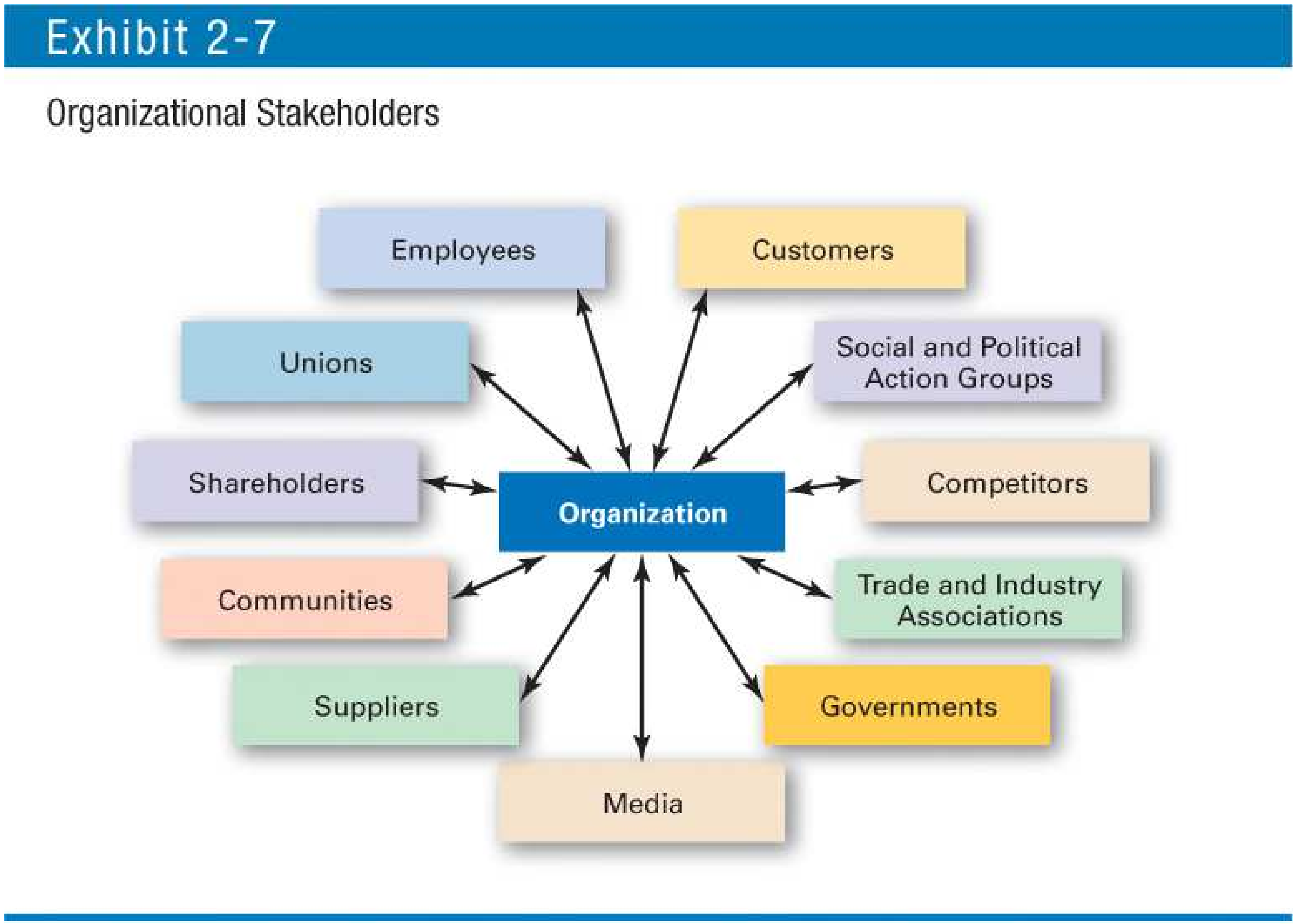
Any constituencies in the organization's external environment that are affected by the organization's decisions and actions.

The Organizational Environment (6 of 6)

Why is stakeholder relationship management important?

- Can lead to **improved organizational performance**
- It's the **"right" thing to do** given the interdependence of the organization and its external stakeholders

Exhibit 2-7 Organizational Stakeholders



Chapter 2
Organizational Culture and the Organizational Environment

Are managers free to do whatever they want? In this chapter, we'll look at the factors that limit the discretion managers have in doing their jobs. These factors are both internal (the organization's culture) and external (the organizational environment). Focus on the following learning outcomes as you read and study this chapter.

LEARNING OUTCOMES

2.1 Compare and contrast the actions of managers according to the omnipotent and symbolic views.
2.2 Discuss the characteristics and importance of organizational culture.
2.3 Describe what kinds of cultures managers can create.
2.4 Describe the features of the specific and general organizational environments.

CHAPTER VIGNETTE SUMMARY

3M is often used as the quintessential example of a traditional company that has embraced an innovative culture. In the opening vignette, students are asked to imagine themselves working for 3M and what their reaction might be. (Do not be surprised if many share that they would be very uncomfortable working in this environment.) Students are then asked to consider the impact of moving from and innovative culture to one driven by process improvement and then the challenges in 2006 of returning to the innovative values. This dilemma, process improvement versus innovation, is then raised again in the second vignette. In the third vignette, students are asked to consider the robustness of an innovative culture when faced with the 2008 financial collapse which was triggered by the sub-prime mortgage crisis.

CHAPTER OUTLINE

INTRODUCTION

Managers must be aware that organizational culture and organizational environments will influence both the way an organization is managed as well as its effectiveness. In this chapter, both organizational culture and organizational environment are explored in order to understand the complexities involved with each.

1. THE MANAGER: OMNIPOTENT OR SYMBOLIC?

Two positions on the role that managers play in an organization's success or failure have been proposed.

A. The **omnipotent view of management** says that managers are directly responsible for the success or failure of an organization.

1. This view of managers as omnipotent is consistent with the stereotypical picture of the take-charge executive who can overcome any obstacle in carrying out the organization's objectives.
2. When organizations perform poorly, someone must be held accountable. According to this view, that "someone" has been management.

B. The **symbolic view of management** takes the position that much of an organization's success or failure is due to external forces outside managers' control.

1. What managers do affect greatly are symbolic outcomes.
2. Organizational results are influenced by factors outside the control of managers: economy, market changes, governmental policies, competitors' actions, the state of the particular industry, the control of proprietary technology, and decisions made by previous manager in the organization.
3. The manager's role is seen as creating meaning out of randomness, confusion, and ambiguity.
4. According to the symbolic view, the actual part that management plays in the success or failure of an organization is minimal.

C. Reality suggests a synthesis. In reality, managers are neither helpless nor all powerful. Instead, it's more logical to look at the manager operating within constraints imposed by the organization's culture and environment. (See **Exhibit 2-1**.)

2. THE ORGANIZATION'S CULTURE

Just as individuals have a personality, so, too, do organizations. We refer to an organization's personality as its culture.

A. What is Organizational Culture?

Organizational culture is the shared values, principles, traditions, and ways of doing things that influence the way organizational members act and that distinguish the organization from other organizations.

This definition implies:

1. Culture is a perception. Individuals perceive the organizational culture on the basis of what they see, hear, or experience within the organization.
2. Culture is shared by individuals within the organization.
3. Culture is a descriptive term, it describes rather than evaluates.
4. **Exhibit 2-2** outlines the seven dimensions of an organization's culture.
   a. Innovation and risk taking (the degree to which employees are encouraged to be innovative and take risks)
   b. Attention to detail (the degree to which employees are expected to exhibit precision, analysis, and attention to detail)
   c. Outcome orientation (the degree to which managers focus on results or outcomes rather than on the techniques and processes used to achieve those outcomes)
   d. People orientation (the degree to which management decisions take into consideration the effect on people within the organization

e. Team orientation (the degree to which work activities are organized around teams rather than individuals)
f. Aggressiveness (the degree to which people are aggressive and competitive rather than easygoing and cooperative)
g. Stability (the degree to which organizational activities emphasize maintaining the status quo in contrast to growth)

5. **Exhibit 2-3** describes how the cultural dimensions can be combined to create significantly different organizations.

B. Strong Cultures
1. **Strong cultures** are possessed by those organizations in which the key values are deeply held and widely shared.
2. Whether an organization's culture is strong, weak, or somewhere in between will depend on organizational factors such as size, age, employee turnover rate, and intensity of original culture.
3. **Exhibit 2-4** makes the comparison between strong and weak cultures
4. Most organizations have moderate to strong cultures. There's high agreement on what's important, what defines "good" employee behaviour, and so forth.
5. An increasing body of research suggests that strong cultures are associated with high organizational performance.
6. Strong cultures seem to have employees that are more loyal than weak cultures.
7. Strong cultures do not always yield positive results, however, as strong culture might prevent employees from trying new approaches.

C. Subcultures
1. A **dominant culture** expresses the core values that are shared by a majority of the organization's members.
2. **Subcultures** tend to develop in large organizations to reflect common problems, situations, or experiences that members face. These miniculturеs are likely to be defined by department designations and geographical separation.
3. Subcultures include the **core values** (the primary, or dominant, values that are accepted throughout the organization) of the dominant culture, plus additional values unique to members of the subculture.

D. Where Culture Comes From
1. **Exhibit 2-5** illustrates how and organization's culture is established and maintained.
2. The original source of an organization's culture is usually a reflection of the vision or mission of the organization's founders. It results from the interaction between the founders' biases and assumptions and what the first employees subsequently learned from their own experiences.

E. How an Organization's Culture Continues?
1. Once a culture is in place, practices help maintain it. For example, hiring practices reflect the culture in terms of fit.
2. Actions of top executives impact the organization's culture as actions filter down through the organization.

3. Employees adapt to an organization's culture through **socialization**—where new employees learn the organization's way of doing things.

F. How Employees Learn Culture

Culture is transmitted principally through stories, rituals, material symbols, and language.

1. Stories - Organizational stories are one way that employees learn the culture. These stories typically involve a narrative of significant events or people.
2. Rituals - Rituals are repetitive sequences of activities that express and reinforce the key values of the organization, what goals are most important, which people are important, and which are expendable.
3. Material Artifacts and Symbols - The use of material symbols is another way in which employees learn the culture, learn the degree of equality desired by top management, and find out who is important and the kind of behaviour that is expected and appropriate.
4. Language - Language is often used to identify members of a culture. Learning this language indicates members' willingness to accept and preserve the culture. This special lingo acts as a common denominator that unites members of a given culture.

G. How Culture Affects Managers.

Because the organizational culture establishes constraints on what managers can and cannot do, it is particularly relevant.

1. The link between corporate values and managerial behaviour is fairly straightforward.
2. The culture conveys to managers what is appropriate behaviour.
3. An organization's culture, particularly a strong one, constrains a manager's decision-making options in all managerial functions.

3. CURRENT ORGANIZATIONAL CULTURE ISSUES FACING MANAGERS.

Four current cultural issues managers should consider:

A. Creating an Ethical Culture

1. Content and strength of an organization's culture influence its ethical climate and ethical behaviour of its members.
2. A strong organizational culture will exert more influence on employees than a weak one.
3. An organizational culture most likely to shape high ethical standards is one that is big in risk tolerance, low to moderate in aggressiveness, and focuses on means as well as outcomes.

B. Creating an Innovative Culture

This is a good place to connect the discussion with the 3M vignettes and to reference the need to build an adaptive culture.

1. What does an innovative culture look like? Swedish researcher Goran Ekvall provides these characteristics:
   a. Challenge and involvement
   b. Freedom
   c. Trust and openness
   d. Idea time
   e. Playfulness/humour
   f. Conflict resolution

g. Debates
h. Risk-taking

C. Creating a Customer-Responsive Culture
1. Research shows the following six characteristics that are routinely present:
a. Outgoing and friendly employees
b. Few rigid rules, procedures, and regulations
c. Widespread use of empowerment
d. Good listening skills
e. Role clarity
f. Employees attentive to customer needs

D. Creating a Culture that Supports Diversity
1. Today's organizations are characterized by workforce diversity that would include gender, race, age, and personality characteristics.
2. For managers, it is important to recognize the impact that homogeneous vs. a heterogeneous workforce impacts the culture of the organization.
3. Which culture is best for improving creative solutions and morale?

E. Spirituality and Organizational Culture
1. Workplace Spirituality is a culture in which organizational values promote a sense of purpose through meaningful work taking place in the context of community
2. Workplace spirituality is becoming important for many reasons:
a. Dealing with stress and pressure related to the pace of life
b. The contemporary lifestyle with single families, temporary jobs, economic uncertainty that can create distances between people – underscore the lack of community that many people feel
c. Baby-boomers are navigating mid-life issues and looking for something beyond their jobs
3. What differentiates spiritual organizations from non-spiritual ones?
a. Strong sense of purpose
b. Focus on individual development
c. Trust and openness
d. Employee empowerment
e. Tolerance of employee expression
4. A recent study suggests spirituality in the workplace can be captured by three factors:
a. Interconnection with a higher power
b. interconnection with human beings
c. interconnection with nature and living things
5. The concept can make employees feel uneasy and critics have stated that business have no business imposing spiritual values on employees considering the concept is defined as bringing religion into the workplace.
6. There is also the important issue of whether spirituality and profits are compatible as some studies have shown improvements in productivity and performance, and significantly reduced turnover.

7. THE ORGANIZATIONAL ENVIRONMENT
There are forces in the environment that play a major role in shaping manager's actions.

A. The Economic Environment.
The **economic environment** refers to the economic factors facing organizations,

1. The **Global Economy and the Economic Context** includes those forces that have a direct and immediate constraints on organizational decisions and actions.
    a. An example of this was the "Great Recession" with the turmoil in home mortgage markets in the United States.

2. Economic Inequality and the Economic Context
    a. Inequality and the ever-increasing income-gap is gaining more attention today than ever before.
    b. Given that economic growth has languished and sputtered (globally), social discontent over growing income gaps has increased
    c. Business leaders need to recognize how social attitudes in the economic context also may create constraints as they make decisions and manage their businesses.
    d. Demographic conditions and the overall composition of society shapes every aspect of civil life, from politics, economies and culture.
        1) *Baby-boomers* are those individuals born between 1946 and 1964 and still make up a large number.
        2) *Millennials* are those individuals born between 1978 and 1994 and are making an imprint on external environmental conditions.
        3) *Post-Millennials are those individuals born between the late 1990's and 2005 and have been brought up with technology.*
    e. Demographic age cohorts are important in studying management because large numbers of people at certain stages in the life cycle can constrain decisions and actions taken by businesses, governments, educational institutions and other organizations.
    f. Socio-cultural conditions include the changing expectations of society. Societal values, customs, and tastes can change, and managers must be aware of these changes.
    g. Demographic conditions, including physical characteristics of a population, such as gender, age, level of education, geographic location, income and family composition, can change, and managers must adapt to these changes.
    h. Technological changes impact the ways that organizations are structured and the way that managers manage.

B. How the Organizational Environment Affects Managers?

C. 1. Jobs and Employment

a. Change is one of the most powerful constraints managers face as it relates to changes on jobs and employment – both in poor conditions and in good conditions

b. Changes in the external conditions not only affect the types of jobs that are available, they also affect how those jobs are created and managed.

c. Temporary work, freelance work or job sharing have all come about as a result of the constraints from the external environment.

d. Managers need to recognize how these work arrangements affect their ability to plan, organize, lead and control.

2. Assessing Environmental Uncertainty

a. Environments are not all the same. They differ in the amount of environmental uncertainty, which is defined as the degree of change and complexity in an organization's environment. (See Exhibit 2-6.)

1. Degree of change is measured as dynamic or complex. If the components in an organization's environment change frequently, it is a dynamic environment. If change is minimal, the environment is called a stable one
2. The other dimension of uncertainty relates to the degree of **environmental complexity**, which is defined as the number of components in an organization's environment and the extent of the organization's knowledge about those components.
3. If the number of components is minimal and there is minimal need for sophisticated knowledge, the environment is classified as simple. If there are a number of components, they are not similar, and there is a high need for sophisticated knowledge, the environment is complex.
4. Because uncertainty is a threat to organizational effectiveness, managers try to minimize it
5. The more obvious and secure an organization's relationships become with external stakeholders, the more influence managers will have over organizational controls.
    a. **Stakeholders** are any constituencies in the organization's external environment that are affected by, or have a vested interest in, the organization's decisions and actions. (See **Exhibit 2-7** for an identification of some of the most common ones.)
    b. Stakeholder relationship management is important for two reasons:
        1) It can lead to improved predictability of environmental changes, more successful innovation, greater degrees of trust, and greater or- ganizational flexibility to reduce the impact of change.
        2) It is the "right" thing to do, because organizations are dependent on external stakeholders as sources of inputs and outlets for outputs and should be considered when making and implementing decisions.

ANSWERS TO REVIEW AND DISCUSSION QUESTIONS

1. *Contrast the actions of managers according to the omnipotent and symbolic views.*
   The omnipotent view of management believes that a manager's actions are directly responsible for an organization's success or failure. On the other hand, the symbolic view of management is that a manager's actions are not as relevant to an organization's success and failure – external forces play a greater role.

2. *Classrooms have cultures. Describe your classroom culture using the seven dimensions of organizational culture. Does the culture constrain your instructor? How?*
   The seven dimensions of organizational culture include; attention to detail, outcome orientation, people orientation, team orientation, aggressiveness, stability, and innovation and risk taking.

3. *What is the impact of a strong culture on organizations and managers? Can a strong culture be a liability to an organization? Explain*
   Strong cultures have a greater influence on employees and are associated with high organizational performance. A culture in which the organization exits (or the organization's culture) could be a liability in extreme cases. In a global environment one can see where this could have an impact. For example, if the society (and organizational cultures) discriminates against certain ethnic groups or on the basis of gender or engages in exploitation of workers, this could create a backlash from consumers in other nations (see for example Reebok and Nike's troubles regarding manufacturing in emerging nations).

4. *What is the source of an organization's culture? How does organizational culture continue?*
   The original source of an organization's culture usually reflects the vision or mission of the organization's founders. This, in turn, strongly influences the criteria used in hiring, the actions of top managers, and the socialization processes for new employees.

5. *How do employees learn an organization's culture?*
   Culture is transmitted to employees through stories, rituals, material symbols and language.

6. *What are the characteristics of an ethical culture, an innovative culture, an adaptable culture, a customer-responsive culture and a diversity-supportive culture?*
   An ethical culture is one that is high in risk tolerance, low to moderate in aggressiveness, and focuses on means as well as outcomes. An innovative or adaptive culture is characterized by challenge and involvement, freedom, trust and openness, idea time, playfulness/humour, conflict resolution, debates, and risk-taking. A customer-responsive culture is one that has outgoing and friendly employees, few rigid rules, widespread use of empowerment, good listening skills, role clarity, and employees are attentive to customer needs. In a diversity-supportive culture, managers show that they value diversity through their decisions and actions and look for ways to reinforce employee behaviours that exemplify inclusiveness.

7. *What forces influence the specific and the general environments? Describe an effective culture for (a) a relatively stable environment and (b) a dynamic environment. Justify your choices.*

   The specific environment is influenced by; customers, suppliers, competitors, and pressure groups. The general environment includes the broad economic, legal-political, socio-cultural, demographic, and technological conditions that may affect the organization. An effective culture for a relatively stable environment would likely emphasize outcomes such as quality and productivity and have strong attention to detail. It wouldn't need to have high levels of innovation and risk taking or aggressiveness. On the other hand, an effective culture for a dynamic environment would likely emphasize aggressiveness, innovation and risk taking, and team orientation. To stay on top of the continual environmental changes, this organization's culture would need to celebrate work behaviours that kept the organization on top.

8. *"Businesses are built on relationships." What do you think this statement means? What are the implications for managing the external organizational environment?*

   Organizations depend on their environment and their stakeholders as a source of inputs and a recipient of outputs. Good relationships can lead to organizational outcomes such as improved predictability of environmental changes, more successful innovations, greater degrees of trust among stakeholders, and greater flexibility in order to act to reduce the impact of change. Also, relationship management and the maintaining of good relationships have been proven by many researchers to have an effect on organizational performance. The high- performing companies tend to consider the interests of all major stakeholder groups as they make decisions.

ETHICS DILEMMA TEACHING SUGGESTIONS

In many ways, technology has made all of us more productive. However, ethical issues do arise in how and when technology is used. Take the sports arena. All kinds of technologically advanced sports equipment (swimsuits, golf clubs, ski suits, etc.) have been developed that can sometimes give competitors/players an edge over their opponents. We saw it in swim meets at the summer Olympics and on the ski slopes at the winter Olympics. What do you think? Is this an ethical use of technology? What if your school (or country) were competing for a championship and couldn't afford to outfit athletes in such equipment and it affected your ability to compete? Would that make a difference? What ethical guidelines might you suggest for such situations?

Teaching Suggestions:
This exercise can be used as a class discussion or students can be placed in small groups to discuss. In either situation, ask students to consider whether it seems fair that a school's ability to compete should be tied to their ability to afford the best equipment. If your school had the best equipment, and won a competition, would that diminish its achievement? How would you feel if the fact that your school had the best equipment, while others did not, was made public?

WORKING TOGETHER— TEAM-BASED EXERCISE TEACHING SUGGESTIONS

Developing Your Environmental Scanning Skill

The following suggestions are activities you can do to practice and reinforce the behaviours associated with scanning the environment.

1. Select an organization with which you're familiar either as an employee or perhaps as a frequent customer. Assume you're the top manager in this organization. What types of information from environmental scanning do you think would be important to you? Where would you find this information? Now assume you're a first-level manager in this organization. Would the types of information you would get from environmental scanning change? Explain.
2. Assume you're a regional manager for a large bookstore chain. Using the internet, what types of environmental and competitive information are you able to identify? For each source, what information did you find that might help you do your job better?

Teaching Suggestions:

1. *Decide which type of environmental information is important to your work.* Perhaps you need to know changes in customers' needs and desires, or perhaps you need to know what your competitors are doing. Once you know the type of information you'd like to have, you can look at the best ways to get that information.

2. *Regularly read and monitor pertinent information.* There is no scarcity of information to scan, but what you need to do is read pertinent information sources. How do you know information sources are pertinent? They're pertinent if they provide you with the information you identified as important.

3. *Incorporate the information you get from your environmental scanning into your decisions and actions.* Unless you use the information you're getting, you're wasting your time getting it. Also, the more you use information from your environmental scanning, the more likely it is that you'll want to continue to invest time and other resources into gathering it. You'll see that this information is important to your ability to manage effectively and efficiently.

4. *Regularly review your environmental scanning activities.* If you're spending too much time getting non-useful information, or if you're not using the pertinent information you've gathered, you need to make some adjustments.

5. *Encourage your subordinates to be alert to information that is important.* Your employees can be your "eyes and ears" as well. Emphasize to them the importance of gathering and sharing information that may affect your work unit's performance.

Assessing the Organization's Environment

All organizations are informed by the realities of their internal and external environments, yet the forces in their specific and general environments differ. Form a small group with three or four other class members and choose two organizations in different industries. Describe the specific and general environmental forces that affect each organization. How are your descriptions different for the two organizations? How are they similar? Now, using the same two organizations, see if you can identify their important stakeholders. Also, indicate whether these stakeholders are critical for the organization and why they are or are not. As a group, be prepared to share your information with the class and to explain your choices.

Teaching Suggestions:

1. To assist students in selecting two companies, the following examples are provided. Encourage them to explore others as well.

   - Innovative Cultures
     3M - http://www.3m.com/
     Apple - http://www.apple.com/
   - Automotive
     Ford—www.ford.com
     General Motors—www.gm.com
   - Athletic Wear
     Nike—www.nike.com
     Reebok—www.reebok.com
   - Beverages
     Coca-Cola—www.cocacola.com PepsiCo—www.pepsico.com
   - Electronics
     Panasonic—www.panasonic.com Sony—www.sony.com
   - Golf Equipment
     Maxfli—www.maxfli.com
     Titleist—www.titleist.com

2. Have students use the form below to identify the environmental factors for the two companies that they have selected.

Task Environmental Force/Factor	Company 1.	Company 2
Customers		
Competitors		
Suppliers		
Stakeholders		
Government		
Pressure Groups		
General Environmental Force/Factor	**Company 1**	**Company 2**
Economic Conditions		
Legal-Political Conditions		
Socio-cultural		
Technological Conditions		

Learning to Be a Manager

Pick two organizations you interact with frequently (as an employee or as a customer) and assess their cultures by looking at the following aspects:

- ***Physical Design*** (buildings, furnishings, parking lot, office or store design): Where are they located and why? Where do customers and employees park? What does the office/store layout look like? What activities are encouraged or discouraged by the physical layout? What do these things say about what the organization values?
- ***Symbols*** (logos, dress codes, slogans, philosophy statements): What values are highlighted? Where are logos displayed? Whose needs are emphasized? What concepts are emphasized? What actions are prohibited? Which are encouraged? Are any artifacts prominently displayed? What do those artifacts symbolize? What do these things say about what the organization values?
- ***Words*** (stories, language, job titles): What stories are repeated? How are employees addressed? What do job titles say about the organization? Are jokes/anecdotes used in conversation? What do these things say about what the organization values?
- ***Policies and Activities*** (rituals, ceremonies, financial rewards, policies for how customers or employees are treated; note that you may be able to assess these only if you're an employee or know the organization well): What activities are rewarded? Ignored? What kinds of people succeed? Fail? What rituals are important? Why? What events get commemorated? Why? What do these things say about what the organization values?

Teaching Suggestions:

1. Students may also want to choose organizations where they know someone who works there to be able to gain access to more detail as needed.
2. Suggest to students that they speak to someone in the human resources department of the organizations that they choose to discuss the degree to which the organizations' cultures have been aided by their physical design, symbols, words, policies and activities.

CASE APPLICATION 1 – ANSWER SUGGESTIONS

Going to Extremes

1. *Find a list of Zappos's corporate values. Pick two of the values, and explain how you think those values would influence the way employees do their work.*

   Students should locate the Zappos website and find the following values:
   - Deliver WOW through service
   - Embrace and Drive Change
   - Create Fun and A Little Weirdness.
   - Be Adventurous, Creative, and Open-Minded.
   - Pursue Growth and Learning.
   - Build Open and Honest Relationships with Communication.
   - Build a Positive Team and Family Spirit.
   - Do More with Less
   - "Be Passionate and Determined
   - "Be Humble"

   Students should be thinking about the positive nature of these values. That many of them are allowing employees to explore their own inner self and capabilities without fear.

2. *Using the list of corporate values, describe Zappos's organizational culture. In which areas would you say that Zappos's culture is very high (or typical)? Explain*

   For students, the first dimension of culture that should immediately stand out is "a not being afraid to do you work and be yourself." A class discussion could begin on how this quality has created a long standing image of the Zappos and how this value aided its growth and place in the market. However, while attention to detail is important, it will be necessary to shift gears and focus on Zappos's set of values which is based on camaraderie and maintaining and sustaining a commitment to the company.

3. *How did Zappos's corporate culture begin? How is Zappos' corporate culture maintained?*

   Zappos's leader Tony Hsieh went to his employees and asked them what the values of the company should be based on. By doing this, these values did not become his, but rather he allowed employees to own them by making them. By recognizing what was important, this would then translate into employees believing in them and "living them", which is exactly the culture – which is the "culture has to be lived". Zappos is able to maintain this culture through its values by surveying the company's "pulse" or "health". The questions focus on whether the company has a higher purpose rather than profits, whether their own role has meaning, whether they feel in control of their career path, whether colleagues feel like family and friends and finally, whether they are happy in their jobs. These are broken down by department and if one department is "veering off course", actions are taken to bring it back on track. Answers may include prizes or other incentives.

4. *The right culture with the right values will always produce the best organizational performance. Do you agree or disagree with this statement? Why?*
It is important for students to recognize that there is truth to this statement, but the challenge will be to find employees who are naturally good natured and will buy into the type of culture at Zappos. Recruiting the right employees is an important element of reinforcing this these values. Ask students how they would go about finding employees with this quality. Is everyone that you meet interested in or have the willingness to be interacting with others, being full of life and outgoing, and have this come naturally? Good values will improve performance, but consideration should be given as to whether a person is willing to personally buy into these values from the start.

5. *What could other organizations learn from Tony Hsieh?*
Zappos has always been focused on being a people oriented business; from the relationships they build with customers and how employees work together. been a company. They have been an outstanding example of how employee are included in participative decision making among their service employees to help build, maintain and sustain a positive work culture based on key values.. The idea that if employee is engaged and feel a sense of pride and accomplishment when they are arriving to work and are measured on this, that this will translate into a customer experience that will also translate into a highly profitable business. This is without driving or focusing on the concept of profit. This would be somewhat extraordinary, given many management tactics with employees continue to be one of focusing on profits and the tasks associated with it.

CASE APPLICATION 2 – ANSWER SUGGESTIONS

Not Sold Out

1. *Using Exhibit 2-2, what external components might be most important for managers in movie theatre chains to know about? Why?*
Using the dimensions listed in Exhibit 2-2, managers are having to deal with the overall experience that customers described as being drawbacks for attending the movie theatre. This would have a People Orientation focus whereby making decisions will be focused on improving that overall experience. The other consideration is the attention to detail which is the quality of the screen and making it more affordable. Managers would also want to ensure there is some focus on stability in that movie goers will want to be ensured that the quality of the picture, along with good sound and the expected ambiance of what is means to watch movies on the big screen continue to exist.

2. *According to the case, what external trends do managers at the movie theatre have to deal with?*
Managers need to be aware of the various options people can have their movies delivered to them. Convenience using mobile devices, watching at home with higher quality surround sound and large flat-screens or coming to the movie theatre to have the wide screens and high quality sound

systems. But managers, also have to consider the competitive nature within the theatre system as the larger IMAX theatres are elevating the movie theatre experience to yet another level. Finally, the access to movies and film through online streaming, which can minimize the consumers cost significantly, is also hampering the movie theatre managers. They must consider and find ways to ensure that even if movies can be streamed, the experience is nowhere near what can be achieved by visiting a movie theatre whereby the entire "movie watching experience" is achieved.

3. *How do you think these trends might constrain decisions made by managers at the movie theatre chains?*
Some trends may be out of the manager's controls; such as the access to streaming movies through YouTube and Netflix. Theatres can work at trying to improve the overall experience but it is up to the consumer to make the final decision. The economic environment and whether people are in a position to afford paying for the experience can come into question. Certainly during recessionary times, the data showed that people were simply not attending the movie theatres and attendance was down. Data also showed that even when the economy improved, trends were flat. More options of the online networks became more readily available and the competition for accessing movies widened.

4. *What stakeholders do you think might be most important to movie theatre chains? What interests might these stakeholders have?*
The stakeholders that would be most important movie theatres would include: customers, employees, shareholders, outside movie vendors, the government (managing legal access to movies online). Customers would be concerned about the quality and the cost of the movie experience. Employees would be concerned about the state of the industry and may also be customers themselves. Shareholders are concerned about the return on their investment dollars given the level of competitors and the changing economic environment. The government would also be interested in that they may be required to make decisions on the fairness rules in terms of how movies are streamed and the level of access people have to these movies.