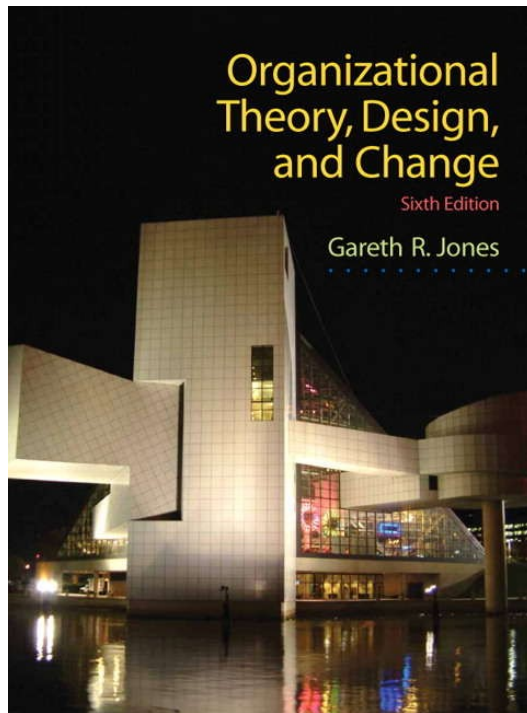


# *Organizational Theory, Design, and Change*

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*Sixth Edition*

*Gareth R. Jones*



## Chapter 7

# Creating and Managing Organizational Culture

# *Learning Objectives*

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1. Differentiate between values and norms and understand the way culture is shared by an organization's members
2. Describe how individuals learn culture both formally and informally
3. Identify the four building blocks or foundations of an organization's culture

# *Learning Objectives (cont.)*

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1. Understand how an organization's culture, like its structure, can be designed or managed
2. Discuss an important outcome of an organization's culture: corporate social responsibility

# *What is Organizational Culture?*

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- **Organizational culture:** the set of shared values and norms that controls organizational members' interactions with each other and with people outside the organization
  - Can be a source of competitive advantage
  - Can be used to increase organizational effectiveness

# *What are Organizational Values?*

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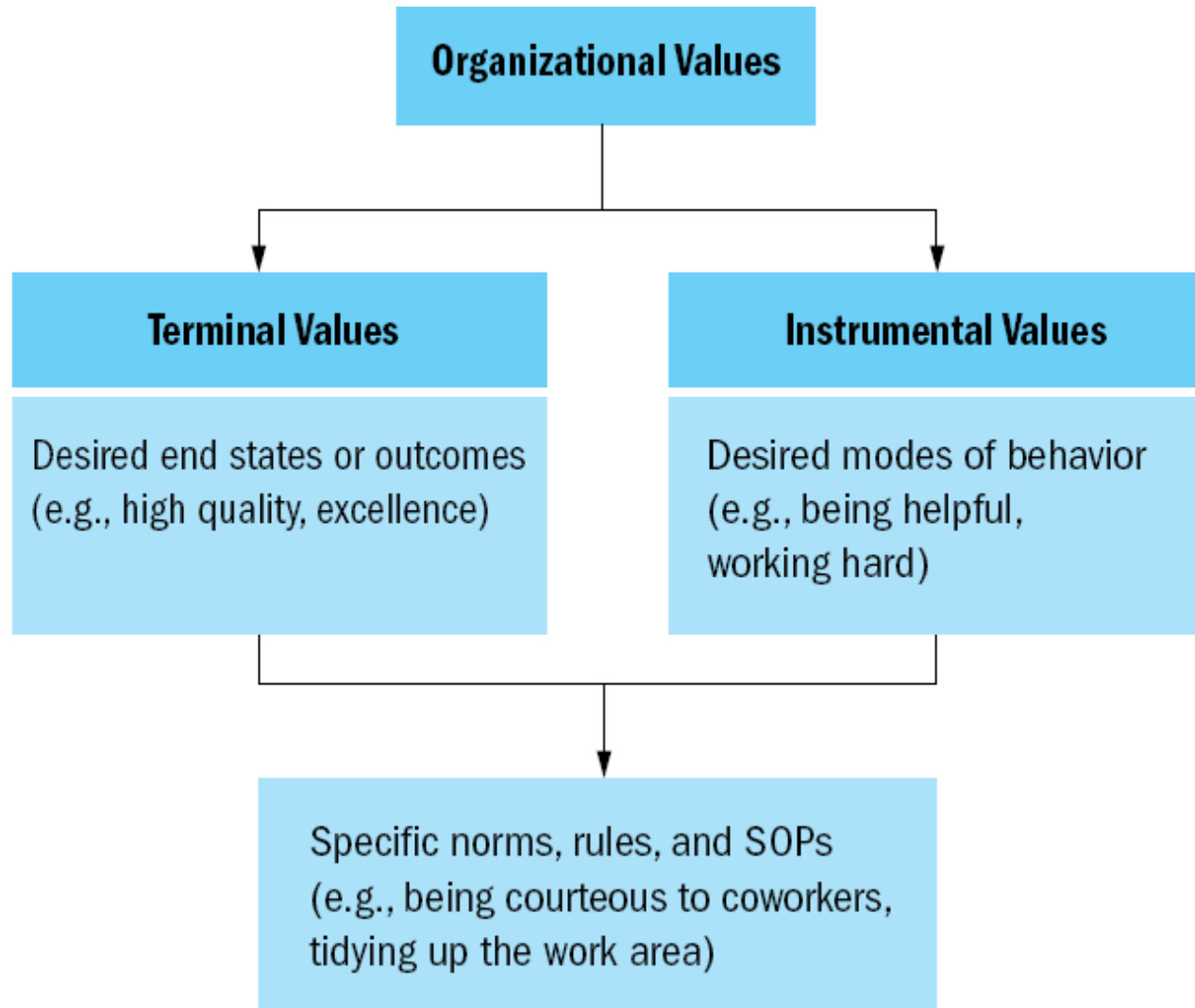
- **Values:** general criteria, standards, or guiding principles that people use to determine which types of behaviors, events, situations, and outcomes are desirable or undesirable
  - **Terminal value:** a desired end state or outcome that people seek to achieve
  - **Instrumental value:** a desired mode of behavior

# *Organization's Values Embedded in Formal and Informal Structure*

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- **Norms:** standards or styles of behavior that are considered acceptable or typical for a group of people
- **Formal Structure:** values are embedded in a company's SOPs, rules, and goals

# Figure 7.1: Terminal and Instrumental Values in an Organization's Culture



# *Organizational Culture*

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- Based on enduring values embodied in organizational norms, rules, standard operating procedures, and goals
- People draw on these cultural values to guide their actions and decisions when faced with uncertainty and ambiguity
- Important influence on members' behavior and response to situations



# *Differences in Global Values and Norms*

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- A country's culture can affect the values and norms of a company or a company's culture
- Differences in communication styles, attitude toward competing tasks, and different approaches to decision making can impact a company's culture and executives working abroad need to be sensitive to both the country's culture and the company's culture

# *Recognizing Differences in Organizational Cultures*

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- Many mergers between companies have failed because of differences in their organizational cultures
- Merger teams now exist to help smooth the transition between the two cultures

# *How is an Organization's Culture Transmitted to its Members?*

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- **Socialization:** the process by which members learn and internalize the values and norms of an organization's culture

# *How is an Organization's Culture Transmitted to its Members? (cont.)*

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- **Role orientation:** the characteristic way in which newcomers respond to a situation
  - **Institutionalized role orientation:** results when individuals are taught to respond to a new context in the same way that existing organizational members respond to it
  - **Individualized role orientations:** results when individuals are allowed and encouraged to be creative and to experiment with changing norms and values

# *Table 7.1: How Socialization Tactics Shape Employees' Role Orientation*

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TACTICS THAT LEAD  
TO AN INSTITUTIONALIZED ORIENTATION

Collective  
Formal  
Sequential  
Fixed  
Serial  
Diverstiture

TACTICS THAT LEAD  
TO AN INDIVIDUALIZED ORIENTATION

Individual  
Informal  
Random  
Variable  
Disjunctive  
Investiture

# *How is an Organization's Culture Transmitted to its Members? (cont.)*

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- Collective vs. individual
  - **Collective tactics:** provide newcomers with common learning experiences designed to produce a standardized response to a situation
  - **Individual tactics:** each newcomer's learning experiences are unique, and newcomers can learn new, appropriate responses for each situation

# *How is an Organization's Culture Transmitted to its Members? (cont.)*

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## ■ Formal vs. informal

- **Formal tactics:** segregate newcomers from existing organizational members during the learning process
- **Informal tactics:** newcomers learn on the job, as members of a team

# *How is an Organization's Culture Transmitted to its Members? (cont.)*

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- Sequential vs. random
  - **Sequential tactics:** provide newcomers with explicit information about the sequence in which they will perform new activities or occupy new roles as they advance in an organization
  - **Random tactics:** training is based on the interests and needs of individual newcomers because there is no set sequence to the newcomers' progress in the organization



# *How is an Organization's Culture Transmitted to its Members? (cont.)*

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- Fixed vs. variable
  - **Fixed tactics:** give newcomers precise knowledge of the timetable associated with completing each stage in the learning process
  - **Variable tactics:** provide no information about when newcomers will reach a certain stage in the learning process

# *How is an Organization's Culture Transmitted to its Members? (cont.)*

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- Serial vs. disjunctive
  - **Serial tactics:** employed, existing organizational members act as role models and mentors for newcomers
  - **Disjunctive processes:** require newcomers to figure out and develop their own way of behaving

# *How is an Organization's Culture Transmitted to its Members? (cont.)*

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- Divestiture vs. investiture
  - **Divestiture:** newcomers receive negative social support and existing organizational members withhold support until newcomers learn the ropes and conform to established norms
  - **Investiture:** newcomers immediately receive positive social support from other organizational members and are encouraged to be themselves

# *Stories, Ceremonies, and Organizational Language*

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- Organization rites
  - **Rites of passage:** mark an individual's entry to, promotion in, and departure from the organization
  - **Rites of integration:** shared announcements of organizational success, office parties, and cookouts
  - **Rites of enhancement:** public recognition and reward for employee contributions

# *Table 7.2: Organizational Rites*

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TYPE OF RITE	EXAMPLE OF RITE	PURPOSE OF RITE
Rite of passage	Induction and basic training	Learn and internalize norms and values
Rite of integration	Office Christmas party	Build common norms and values
Rite of enhancement	Presentation of annual award	Motivate commitment to norms and values

# *Where Does Organizational Culture Come From?*

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- Comes from interaction of four factors:
  - The personal and professional characteristics of people within the organization
  - Organizational ethics
  - The property rights that the organization gives to employees
  - The structure of the organization

# Figure 7.2: Where an Organization's Culture Comes From



# *Where Does Organizational Culture Come From? (cont.)*

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- Characteristics of people within the organization
  - Through a process of hiring people that match existing culture and attrition, people become more and more similar over time
- Organizational ethics
  - The moral values, beliefs, and rules that establish the appropriate way for organizational stakeholders to deal with one another and with the environment
    - Derived from the personality and beliefs of the founder and top management



# *Figure 7.3: Factors Influencing the Development of Organizational Ethics*



# *Where Does Organizational Culture Come From? (cont.)*

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- **Property rights:** rights that an organization gives to members to receive and use organizational resources
- The distribution of property rights to different stakeholders determines:
  - How effective an organization is
  - The culture that emerges in the organization

# *Table 7.3: Common Property Rights Given to Managers and the Workforce*

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## MANAGERS' RIGHTS

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Golden parachutes  
Stock options  
Large salaries  
Control over organizational resources  
Decision making

## WORKFORCE RIGHTS

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Notification of layoffs  
Severance payments  
Lifetime employment  
Long-term employment  
Pension and benefits  
Employee stock ownership plans  
Participation in decision making.

# *Where Does Organizational Culture Come From? (cont.)*

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## ■ **Property rights** (cont.)

- Top managers are in a strong position to establish the terms of their own employment and the property rights received by others
- Changing property rights changes the corporate culture by changing the instrumental values that motivate and coordinate employees
- Strong property rights may harm the organization

# *Where Does Organizational Culture Come From? (cont.)*

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- Organizational structure
  - Mechanistic vs. Organic
    - Mechanistic – predictability and stability are desired goals
    - Organic – innovation and flexibility are desired end states
  - Centralized vs. Decentralized
    - Decentralized – encourages and rewards creativity and innovation
    - Centralized – reinforces obedience and accountability

# *Can Organizational Culture be Managed?*

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- Changing a culture can be very difficult
  - Hard to understand how the previous four factors interact
  - Major alterations are sometimes needed
- Some ways culture can be changed:
  - Redesign structure
  - Revise property rights used to motivate people
  - Change the people – especially top management

# *Social Responsibility*

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- **Social responsibility:** refers to a manager's duty or obligation to make decisions that nurture, protect, enhance, and promote the welfare and well-being of stakeholders and society as a whole

# *Approaches to Social Responsibility*

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- **Obstructionist approach:** the low end of the organization's commitment to social responsibility
  - Managers choose to behave unethically and illegally
- **Defensive approach:** a minimal commitment to ethical behavior
  - Managers attempt to stay within the law but do not attempt social responsibility beyond what is required by law



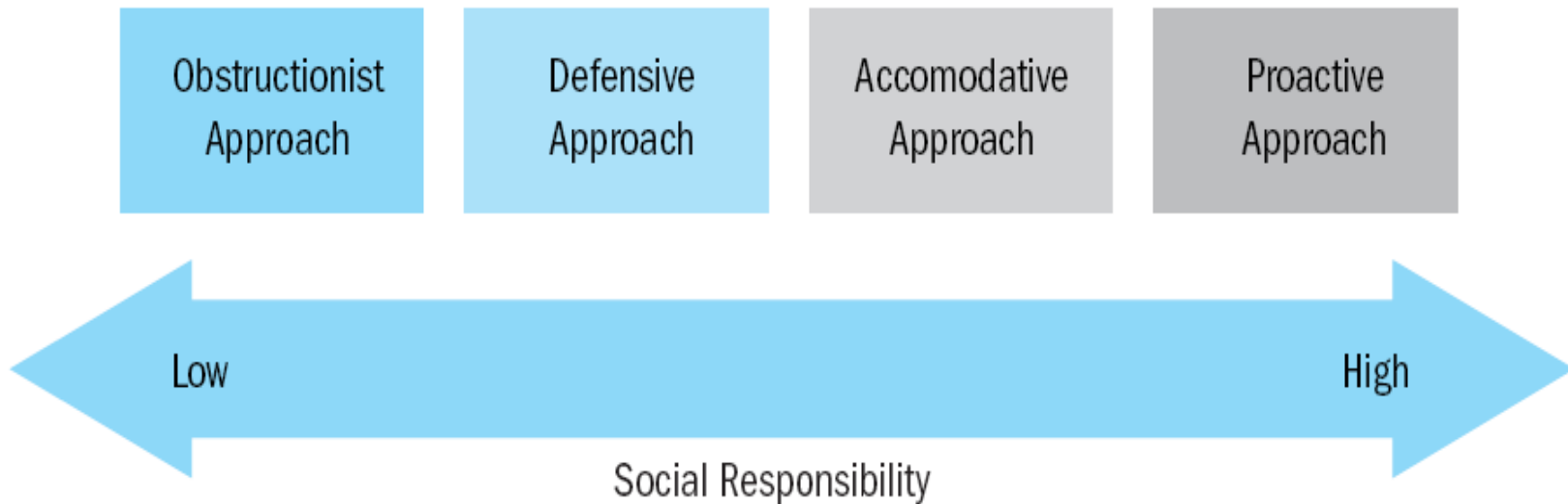
# *Approaches to Social Responsibility (cont.)*

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- **Accommodative approach:** the acknowledgment of the need to support social responsibility
  - Managers want to make the right choices when called on to do so
- **Proactive approach:** actively embrace the need to behave in socially responsible ways
  - Managers go out of their way to learn about the needs of different stakeholder groups
  - Willing to utilize organizational resources to promote the interests not only of stockholders, but of other stakeholders

# Figure 7.4: Approaches to Social Responsibility

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# *Why Be Socially Responsible?*

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- Workers and society benefit directly because organizations bear some of the costs of helping workers
- Quality of life as a whole would be higher as a climate of caring is encouraged
- It is the right thing to do
- Companies that act responsibly toward their stakeholders benefit from increasing business and see their profits rise

# *Why Be Socially Responsible?*

## *(cont.)*

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- **Whistle-blower:** a person who reports illegal or unethical behavior
  - Takes a stand against unscrupulous managers or other stakeholders
- Evidence suggests that managers who behave socially responsibly will, in the long run, benefit all organizational stakeholders