HL IB Business Management



2.5 Organisational (Corporate) Culture

Contents

- ✤ Types of Culture
- ✤ Cultural Clashes

Types of Culture

An Introduction to Corporate Culture

- Culture refers to the **personality** of an organisation
 - This includes shared values, beliefs, attitudes and practices that shape the way people work together within an organisation
 - A strong organisational culture exists where these factors are **easily recognised** and **embedded** into the **way that a business operates**
 - Businesses with strong cultures are likely to possess a range of **visual** and **operational features**

Visual Features	Operational Features
 Business specific artefacts e.g. uniforms A well know figurehead as a role model Ceremonies, rituals and customs e.g. awards evenings Layout of business premises e.g. open plan offices The training culture e.g induction and on-going 	 Core organisational values e.g. staff wellbeing Workplace procedures e.g meeting etiquette Business specific language e.g. calling workers 'team members' or 'partners' Repeating stories that focus on business values and history

Visual and Operational Features in a Business with a Strong Culture

- In businesses with a strong culture it is likely that employees
 - Are **united** and **support the mission** of the business
 - Have a 'can do' attitude and are enthused by their work
 - Have a strong **belief** that the business is a force for good

In a business with a weak culture, these signs may be difficult to identify

- A 'them and us' attitude may exist between workers and management
- Employees may doubt the sincerity of the corporate mission
- High levels of **staff turnover** and **low commitment** amongst staff may exist



Page 2 of 7

Examiner Tip

It is possible for a business to have an official culture, indicated by visual signs such as mission statements, as well as one or more subcultures that form the day to day working experiences of employees

Subcultures can be equally positive and their importance should not be ignored



Charles Handy's Gods of Management

- Handy argued that different cultures are needed are needed for different businesses and different situations
- He identified four types of organisational culture in his book The Gods of Management

Charles Handy's 'Gods of Management' Classification of Organisational Cultures



Page 4 of 7



🗲 Save My Exams

Head to <u>www.savemyexams.com</u> for more awesome resources

- In a task culture decisions are made by teams made up of employees with specific skills
 - Power lies with those with task-related skills (e.g. a finance specialist may make decisions related to funding within the group)
 - Teams are created and dissolved as projects are started and completed
 - There is an emphasis on adaptability and team-working
 - **PepsiCo** is in example of a business that has a task culture

💽 Examiner Tip

Case studies contain lots of clues about a firm's culture

Look for signs of a **strong** or **weak** culture. For example

- Does the business have a clear **figurehead**?
- Is there a particular way that the business carries out its activities?
- Are there obvious guiding principles?
- Are there visible signs of a culture e.g branding, uniforms?

The more clues you can identify, the more likely the business has a strong culture - but

- Do negative **subcultures** exist?
- Is communication effective?
- Is everyone 'on board'?

- In a person culture individuals with extensive experience and skills are loosely brought together
 - These individuals have significant levels of power to determine their own decisionmaking procedures and often work autonomously
 - Organisations with person cultures are very common in professional services such as accountancy and law



Cultural Clashes

Culture Clash and Business Change

Culture Clashes and Culture Gaps

- Cultural clashes in businesses often happen when people from different backgrounds come together in the workplace
 - Individuals may have diverse values, communication styles or work habits
 - Misunderstandings can occur due to different expectations, communication breakdowns and varying approaches to problem-solving
- A culture gap occurs when a businesses actual culture is not aligned with management's desired culture
- A range of changes in business organisation can create a culture gap

Change in Business Organisation	Impact on Business Culture
Organic growth	 Organisational structure often becomes increasingly hierarchical Higher levels of bureaucracy distance leaders from the workforce
Mergers & takeovers	 Successfully combining the cultures of two businesses is particularly difficult The dominant firm's culture often prevails A hybrid (combined) structure may emerge
Overseas growth	 Differences in national/regional cultures are not always fully understood Language and tradition/cultural norms may create additional barriers
Leadership	 New leaders bring different ideas and vision Different strategic direction can lead to conflict especially if communicated poorly

Examples of Cultural Gaps when Organisations Change

Consequences of Culture Clashes



• If culture clashes are allowed to persist in a business it may face a range of negative consequences

Negative Consequences of Culture Clashes



Consequence	Explanation
Communication Breakdown	 Different communication styles can lead to misunderstandings Quality and quantity of output may be reduced
Demotivation	 If employees' cultural values are not respected/understood it can lead to low morale This can lower productivity and cause negativity
Resistance to Change	 If a new strategy clashes with the existing culture employees may resist it This can lead to disengaged employees and increased labour turnover
Less Team Spirit	 Cultural differences can lead to the formation of subgroups within the organisation This can result in a lack of cohesion within teams and affect collaboration
Less Innovation	 Innovation can thrive when employees bring unique perspectives/ideas Without diverse viewpoints creative thinking and problem-solving may decline