

HL IB Business Management



Your notes

2.5 Organisational (Corporate) Culture

Contents

- * Types of Culture
- * Cultural Clashes



Your notes

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 and Operational Features in a Business with a Strong Culture

Visual Features	Operational Features
<ul style="list-style-type: none"> ▪ 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 	<ul style="list-style-type: none"> ▪ 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

- 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

 **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



Your notes



Your notes

Charles Handy's Gods of Management

- Handy argued that **different cultures 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

<p style="text-align: center;">Zeus</p> <p style="text-align: center;">Power Culture</p>	<p style="text-align: center;">Apollo</p> <p style="text-align: center;">Role Culture</p>
	
<ul style="list-style-type: none"> Decision-making is carried out by one or a small number of powerful individuals usually at the top of the business hierarchy <ul style="list-style-type: none"> Few rules exist to determine decision-making procedure A competitive atmosphere between workers vying for power Most communication is by personal contact It is argued that Alan Sugar's Amstrad adopted a power culture with Sugar as its powerful decision-maker 	<ul style="list-style-type: none"> Key decisions are made by those with specific job roles <ul style="list-style-type: none"> Power lies with those with particular job titles rather than those with desirable skills There is usually a very clear hierarchical structure Employees are expected to adhere to rules and understand their place in the hierarchy It may be difficult to adapt to rapidly changing market conditions Large public sector organisations such as the NHS are considered to have highly structured role cultures
<p style="text-align: center;">Athena</p> <p style="text-align: center;">Task Culture</p>	<p style="text-align: center;">Dionysus</p> <p style="text-align: center;">Person Culture</p>
	



Your notes

- 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 an example of a business that has a task culture

- 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 decision-making procedures** and often **work autonomously**
 - Organisations with person cultures are very common in professional services such as **accountancy and law**

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'**?



Your notes

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

Examples of Cultural Gaps when Organisations Change

Change in Business Organisation	Impact on Business Culture
Organic growth	<ul style="list-style-type: none"> ▪ Organisational structure often becomes increasingly hierarchical ▪ Higher levels of bureaucracy distance leaders from the workforce
Mergers & takeovers	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Differences in national/regional cultures are not always fully understood ▪ Language and tradition/cultural norms may create additional barriers
Leadership	<ul style="list-style-type: none"> ▪ New leaders bring different ideas and vision ▪ Different strategic direction can lead to conflict especially if communicated poorly

Consequences of Culture Clashes

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



Your notes

Negative Consequences of Culture Clashes

Consequence	Explanation
Communication Breakdown	<ul style="list-style-type: none"> ▪ Different communication styles can lead to misunderstandings ▪ Quality and quantity of output may be reduced
Demotivation	<ul style="list-style-type: none"> ▪ If employees' cultural values are not respected/understood it can lead to low morale ▪ This can lower productivity and cause negativity
Resistance to Change	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Innovation can thrive when employees bring unique perspectives/ideas ▪ Without diverse viewpoints creative thinking and problem-solving may decline