CHAPTER 11
ORGANIZATIONAL CULTURE ANE ETHICAL VALUES

Organizational Culture

- **Organizational culture** is the set of values, norms, guiding beliefs and understandings that is shared by members of an organization and is taught to new members.

  - It represents the largely unwritten, feeling part of the organization.

- Organizational culture exists at two levels:

  - *Observable symbols*

  - *Underlying values*

Levels of Corporate Culture

Emergence and Purpose of Culture

- Culture provides a sense of organizational identity.
- Two critical functions in organizations:

  - To integrate members so they know how to relate to one another.

  - To help organization adapt to external environment.
- *Internal integration* means that members develop a collective identity and know-how to work together effectively.
- *External integration* refers to how the organization meets goals and deals with outsiders.

Interpreting Culture

- **Rites and ceremonies** – special occasions that reinforce specific values, and create a bond among people.

  - Rites of passage, rites of enhancement, rites of renewal and rites of integration.

- **Stories** are narratives based on true events that are frequently shared among employees.

  - Some stories are *myths*.

- A **Symbol** – something that represents another thing.

- **Language** – many companies use a specific saying, slogan or other form of language to convey special meaning to employees.

Organization Design and Culture

- Managers want a corporate culture that reinforces the strategy and structural design that the organization needs to be effective within environment.
- Culture can be assessed along many dimensions.
- Two specific dimensions are:

(1) The extent to which the competitive environment requires flexibility or stability.

(2) The extent to which the organization's strategic focus and strength are internal or external.

Environment and Strategy to Corporate Culture

Organizational Design and Culture

- **Adaptability culture** – focuses on external environment through flexibility and change to meet customer needs.
  - Not only reacts quickly to change, it actively create change.
- **Mission culture** – emphasis on a clear vision of the organization's purpose and on the achievement of goals.
- **Clan culture** – focuses on the involvement and participation of the employees and on external expectations.
- **Bureaucratic culture** – an internal focus and a consistency orientation for a stable environment.
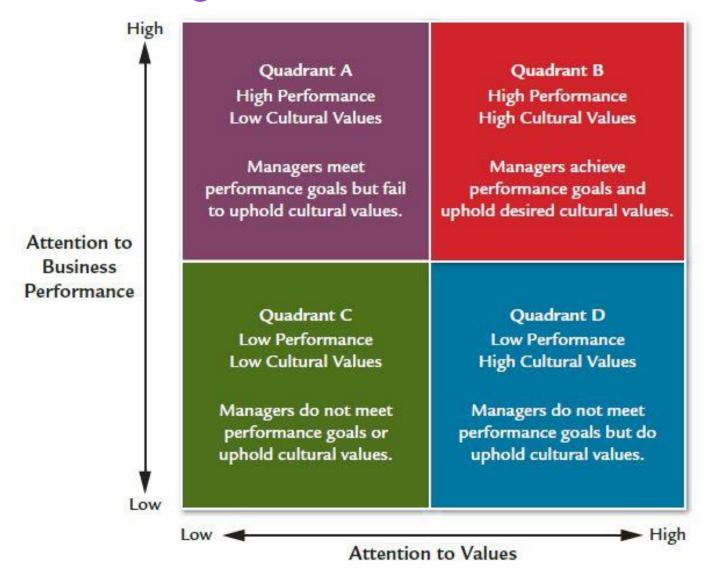
Culture Strength and Organizational Subcultures

- **Culture strength** refers to the degree of agreement among members of an organization about the importance of specific values.
- Culture is not always uniform throughout the organization, particularly in large organizations.
- **Subcultures** develop to reflect the common problems, goals and experiences that members of a team or department share.

Organizational Culture, Learning and Performance

- Culture is important to learning and innovation during challenging times.
- The right culture can drive high performance.
- Non-adaptive cultures encourage rigidity and stability.
- Strong adaptive cultures often incorporate the following values:

  (1) The whole is more important than the parts.

  (2) Equality and trust are primary values.

  (3) The culture encourages risk taking, change, and improvement.

Combining Culture and Performance

Attention to Business Performance (vertical axis: Low to High)

Attention to Values (horizontal axis: Low to High)

Quadrant A
High Performance
Low Cultural Values

Managers meet performance goals but fail to uphold cultural values.

Quadrant B
High Performance
High Cultural Values

Managers achieve performance goals and uphold desired cultural values.

Quadrant C
Low Performance
Low Cultural Values

Managers do not meet performance goals or uphold cultural values.

Quadrant D
Low Performance
High Cultural Values

Managers do not meet performance goals but do uphold cultural values.

Ethical Values and Social Responsibility

- **Source of individual ethical principles**

  - Ethics refer to the code of moral principles and values that governs the behaviours of a person or group with respect to what is right or wrong.

  - Ethics are personal and unique to each individual.

- **Managerial ethics and social responsibility**

  - Ethical decisions go far beyond behaviours governed by *law*.

  - *Managerial ethics* guide the decisions and behaviours of managers.

  - *Social responsibility* refers to management's obligation to make choices and take action to that the organization contributes to the welfare and interest of all organizational stakeholders.

Sources of Individual Ethical Principles and Actions

Does It Pay to Be Good?

- Customers and the public are paying closer attention to what organizations do.

- Social responsibility can enhance a firm's reputation.

- Companies that adopt high ethical standards tend to win out in the longer term.

Source of Ethical Values in Organizations

- **Personal ethics**

  - Every individual brings a set of personal beliefs and values into the workplace.

- **Organizational culture**

  - Companies should make ethics an integral part of the organization's culture.

- **Organizational systems**

  - Formal organizational system can reinforce ethical values that exist in the informal culture.

- **External stakeholders**

  - Organizations are part of a larger community.
  - Important external stakeholders are government agencies, customers and special-interest groups.

How Leaders Shape Culture and Ethics

- **Values-based leadership**

  - A relationship between a leader and followers based on shared, strongly internalized values that are advocated and acted upon by the leader.

  - Organizational values are developed and strengthened primarily through values-based leadership.

- Managers play a key role in providing leadership and examples of ethical behaviour.

- Values-based leaders engender a high level of trust and respect from employees.

Formal Structure and Systems

- **Structure**
  - **-** Ethics committee.
  - - Chief ethics officer.
  - - Ethics hotline.
- **Disclosure mechanisms**
  - **-** Whistle-blowing.
- **Code of ethics**
  - **-** A formal statement of the company's values concerning ethics and social responsibility.
- **Training programmes**
- These formal structures and systems alone are not sufficient to build and sustain an ethical company.
- Ethics should be integrated into the organizational culture.

Corporate Culture and Ethics in a Global Environment

- The global environment presents tough ethical challenges.
- Countries have varied attitudes and beliefs.
- Components that characterize a global culture:
  - Multicultural rather than national values.
  - Basing status on merit rather than nationality.
- Managers must think broadly about ethics.
- *Social audits* measure and report ethical, social and environmental impact of a company's operation.

Summary and Interpretation

- The right cultural and ethical values can contribute to organizational success.
- Culture is the key values, beliefs, and norms shared by members of an organization.
- Organizational culture reinforces strategy and structure.
- Four types of cultures may exist in organizations.
- Strong cultures can be adaptive or non-adaptive.
- Managerial ethics is a critical issue for organizations.
- Ethical decision making is shaped by many factors.
- Leaders influence culture and ethical values.
- The global environment presents new ethical challenges.