Organization Design And Control

Second Semester 2024/2025

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Chapter 7: Creating and Managing Organizational Culture

Textbook:

Jones, G. R., Organizational Theory, Design, and Change Prentice Hall Inc., 7th edition

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Learning Objectives

- Differentiate between values and norms, understand the way culture is shared by an organization's members, and why organizations have different types of culture

- Describe how individuals learn culture both formally (that is, the way an organization intends them to learn it) and informally (that is, by seeing what goes on in the organization)

- Identify the four building blocks or foundations of an organization's culture that account for cultural differences among organizations

- Understand how an organization's culture, like its structure, can be designed or managed

- Discuss an important outcome of an organization's culture: its stance on corporate social responsibility

What is Organizational Culture?

- **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
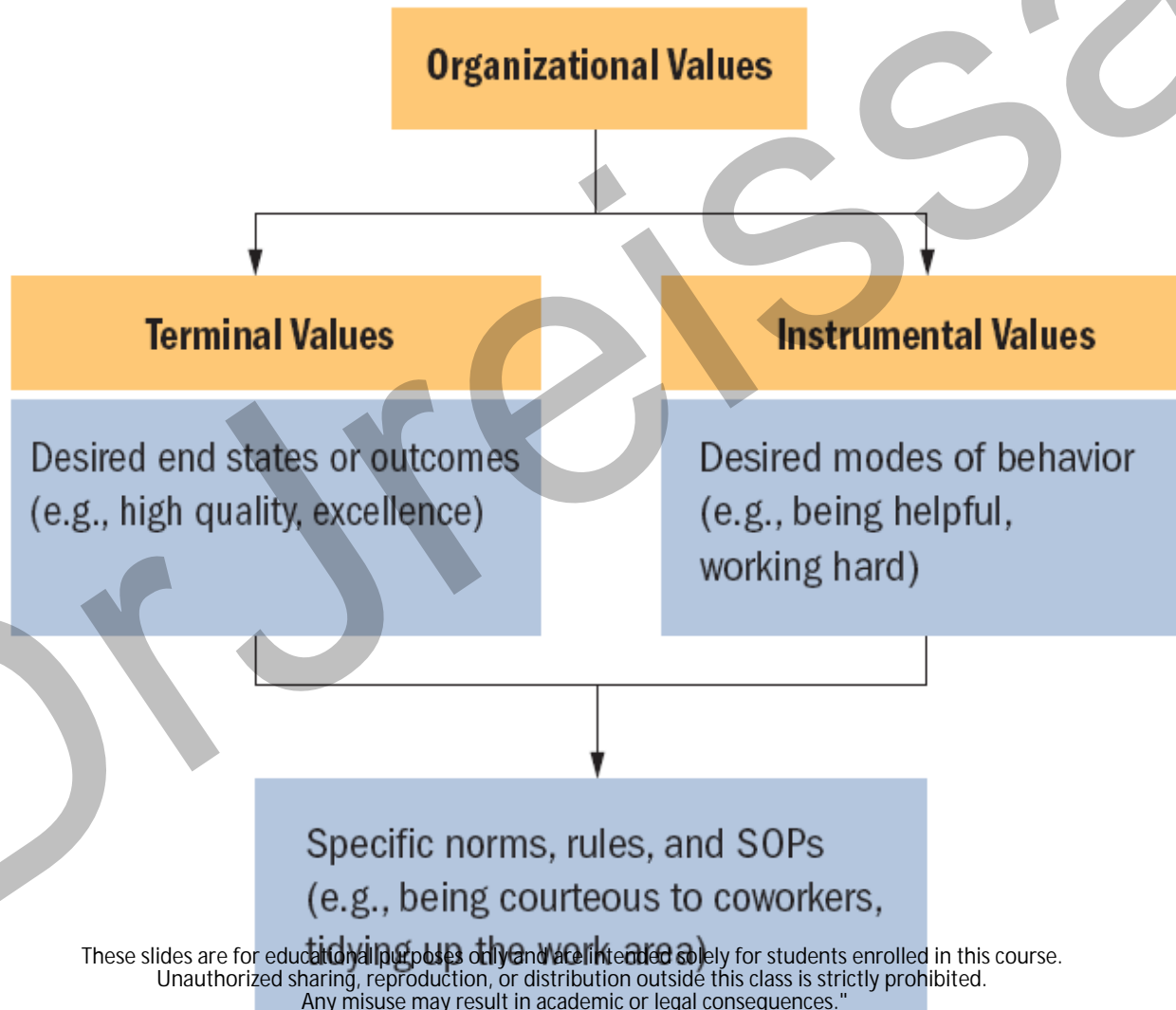 - Can be used to increase organizational effectiveness

What is Organizational Culture?

- **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

- **Norms**: Standards or styles of behavior that are considered acceptable or typical for a group of people

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

Organizational Values

Terminal Values
Desired end states or outcomes (e.g., high quality, excellence)

Instrumental Values
Desired modes of behavior (e.g., being helpful, working hard)

Specific norms, rules, and SOPs (e.g., being courteous to coworkers, tidying up the work area)

Organizational Culture

- 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

- 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
- Executives working abroad need to be sensitive to both the country's culture and the company's culture

Recognizing Differences in Organizational Cultures

- 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?

- **Socialization:** Members learn and internalize the values and norms of an organization's culture

- **Role orientation:** The characteristic way in which newcomers respond to a situation
  - Institutionalized role orientation
  - Individualized role orientations

Table 7.1 – How Socialization Tactics Shape Employees' Role Orientation

Tactics that Lead to an Institutionalized Orientation	Tactics that Lead to an Individualized Orientation
Collective	Individual
Formal	Informal
Sequential	Random
Fixed	Variable
Serial	Disjunctive
Divestiture	Investiture

Source: G. R. Jones, "Socialization Tactics, Self-Efficacy, and Newcomers' Adjustments to Organizations," *Academy of Management Review* 29 (1986); pp. 262–279.

Table 7.2 – Organizational Rites

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

Figure 7.2 – Where an Organization's Culture Comes From

Figure 7.3 – Factors Influencing the Development of Organizational Ethics

Societal Ethics or Organizational Ethics

Organizational Ethics
The moral values, beliefs, and rules that establish the appropriate way for organizational stakeholders to deal with one another and with the organization's environment.

Professional Ethics

Individual Ethics

Where Does Organizational Culture Come From?

- **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

Managers' Rights	Workforce Rights
Golden parachutes	Notification of layoffs
Stock options	Severance payments
Large salaries	Lifetime employment
Control over organizational resources	Long-term employment
Decision making	Pension and benefits
	Employee stock ownership plans
	Participation in decision making

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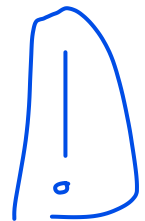
Where Does Organizational Culture Come From? (cont.)

- 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?

- Some ways culture can be changed:
  - Redesign structure
  - Revise property rights used to motivate people
 - Change the people – especially top management

Social Responsibility

- 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

- **Obstructionist approach**: The low end of the organization's commitment to social responsibility

- **Defensive approach**: Indicates a commitment to ethical behavior

- **Accommodative approach**: The acknowledgment of the need to support social responsibility

- **Proactive approach**: Actively embrace the need to behave in socially responsible ways

Figure 7.4 – Approaches to Social Responsibility

Obstructionist Approach — Defensive Approach — Accommodative Approach — Proactive Approach

Low — High

Social Responsibility
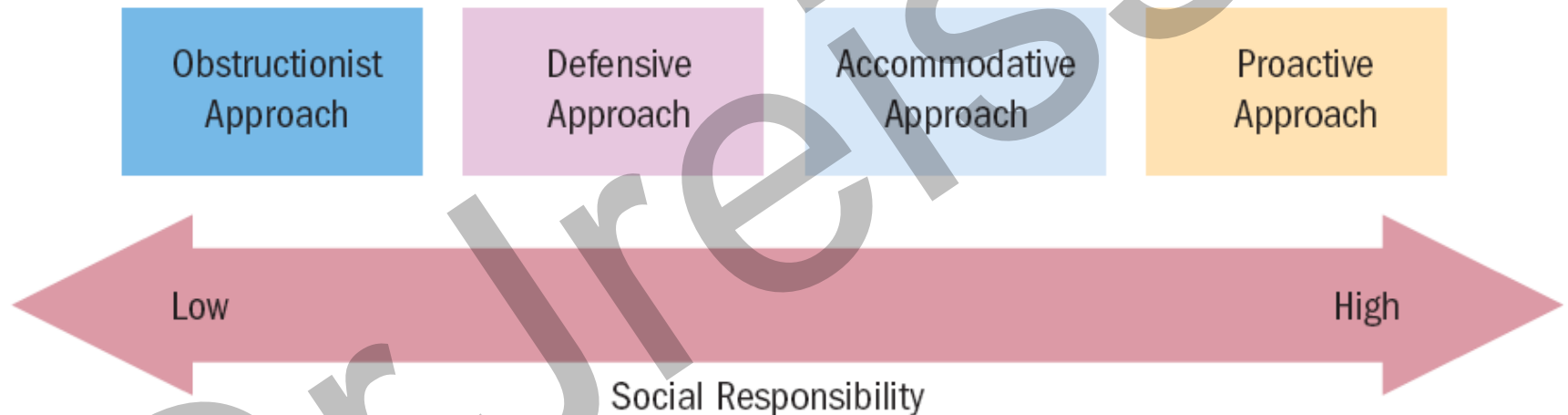
Why Be Socially Responsible?

- 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.)

- Whistle–blower: Informing (by an employee) an outside person or agency, about an organization's illegal or immoral behavior
- Managers' own ethics influence their behavior
  - Their own values strongly influence whether they will take a proactive approach to social responsibility