1.5 ORGANIZATION CULTURE AND ENVIRONMENT

1.5.1 ORGANIZATIONAL CULTURE

Organizational culture is a system of shared assumptions, values, and beliefs, which governs how people behave in organizations. These shared values have a strong influence on the people in the organization and dictate how they dress, act, and perform their jobs. Every organization develops and maintains a unique culture, which provides guidelines and boundaries for the behavior of the members of the organization. Let's explore what elements make up an organization's culture.

Organizational culture is composed of seven characteristics that range in priority from high to low. Every organization has a distinct value for each of these characteristics, which, when combined, defines the organization's unique culture. Members of organizations make judgments on the value their organization places on these characteristics, and then adjust their behavior to match this perceived set of values. Let's examine each of these seven characteristics.

Organizational culture includes an organization's expectations, experiences, philosophy, and values that hold it together, and is expressed in its self-image, inner workings, interactions with the outside world, and future expectations. It is based on shared attitudes, beliefs, customs, and written and unwritten rules that have been developed over time and are considered valid. Also called corporate culture,

It's shown in

1. The ways the organization conducts its business, treats its em

The extent to which freedom is allowed in decision making, developing new ideas, and personal expression

How power and information flow through its hierarchy, and

1. How committed employees are towards collective objectives.

It affects theorganization's productivity and performance,and provides guidelines on customer care and service, product quality and safety, attendance and punctuality and concern for the environment.

It also extends to production-methods, marketing and advertising practices, and to new product creation. Organizational culture is unique for every organization and one of the hardest things to change.

CHARACTERISTICS OR DIMENSION OF ORGANIZATIONAL CULTURE

Fig 1 shows the seven characteristics of organizational culture. That are:

a) INNOVATIVE CULTURES

Companies that have innovative cultures are flexible and adaptable, and experiment with new ideas. These companies are characterized by a flat hierarchy in which titles and other status distinctions tend to be downplayed

For example, W. L. Gore & Associates Inc. is a company with innovative products such as GORE-TEX® (the breathable fabric that is windproof and waterproof), Glide dental floss, and Elixir guitar strings, earning the company the distinction of being elected as the most innovative company in the United States by Fast Company magazine in 2004.

b) AGGRESSIVE CULTURES

Companies with aggressive cultures value competitiveness and outperforming competitors: By emphasizing this, they may fall short in the area of corporate social responsibility. For example, Microsoft Corporation is often identified as a company with an aggressive culture. The company has faced a number of antitrust lawsuits and disputes with competitors over the years.

Recently, Microsoft founder Bill Gates established the Bill & Melinda Gates foundation and is planning to devote his time to reducing poverty around the world.

c) OUTCOME-ORIENTED CULTURES

Outcome-oriented cultures as those that emphasize achievement, results, and action as important values. A good example of an outcome-oriented culture may be Best Buy Co. Inc. Having a culture emphasizing sales performance, Best Buy tallies revenues and other relevant figures daily by department. Employees are trained and mentored to sell company products effectively, and they learn how much money their department made every day

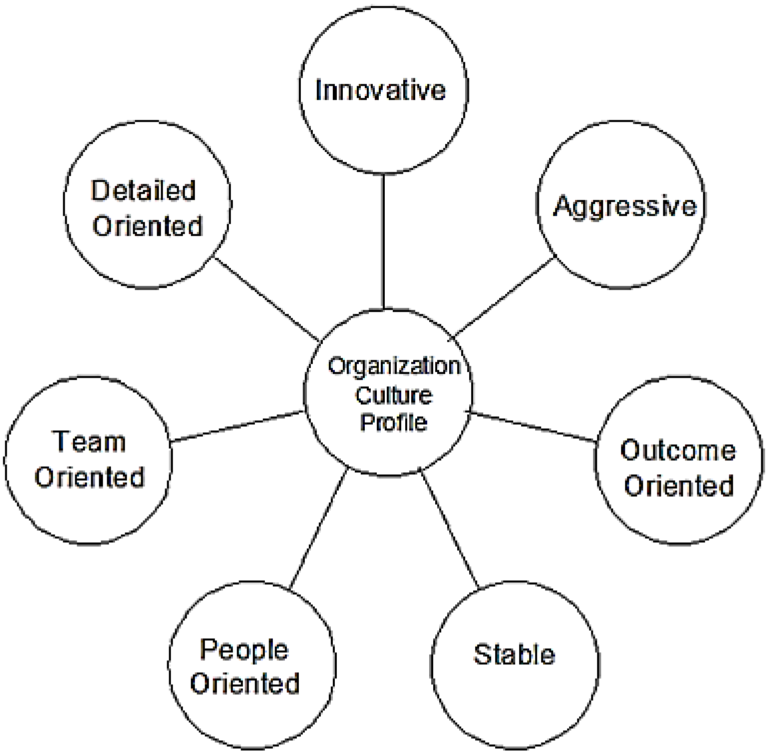

Fig : 1 Characteristics Of Organizational Culture

Source: Robert Kreitner & Mamata Mohapatra, ― Management‖, Biztantra, 2008

a) STABLE CULTURES

Stable cultures are predictable, rule-oriented, and bureaucratic. These organizations aim to coordinate and align individual effort for greatest levels of efficiency. When the environment is stable and certain, these cultures may help the organization be effective by providing stable and constant levels of output. These cultures prevent quick action, and as a result may be a misfit to a changing and dynamic environment.

b) PEOPLE-ORIENTED CULTURES

People-oriented cultures value fairness, supportiveness, and respect for individual rights. These organizations truly live the mantra that "people are their greatest asset." In addition to having fair procedures and management styles, these companies create an atmosphere where work is fun and employees do not feel required to choose between work and other aspects of their lives. In these organizations, there is a greater emphasis on and expectation of treating people with respect and dignity

c) TEAM-ORIENTED CULTURES

Companies with team-oriented cultures are collaborative and emphasize cooperation among employees. For example, Southwest Airlines Company facilitates a team-oriented culture by cross-training its employees so that they are capable of helping each other when needed. The company also places emphasis on training intact work teams. Employees participate in twice daily meetings named "morning overview meetings" (MOM) and daily afternoon discussions (DAD) where they collaborate to understand sources of problems and determine future courses of action. In Southwest's selection system, applicants who are not viewed as team players are not hired as employees. In team-oriented organizations, members tend to have more positive relationships with their coworkers and particularly with their managers.

d) DETAIL-ORIENTED CULTURES

Organizations with detail-oriented cultures are characterized in the OCP (Organization culture Profile) framework as emphasizing precision and paying attention to details. Such a culture gives a competitive advantage to companies in the hospitality industry by helping them differentiate themselves from others. For example, Four Seasons Hotels Ltd. and the Ritz-Carlton Company LLC are among hotels who keep records of all customer requests, such as which newspaper the guest prefers or what type of pillow the customer uses. This information is put into a computer system and used to provide better service to returning customers. Any requests hotel employees receive, as well as overhear, might be entered into the database to serve customers better. Recent guests to Four Seasons Paris who were celebrating their 21st anniversary were greeted with a bouquet of 21 roses on their bed. Such clear attention to detail is an effective way of impressing customers and ensuring repeat visits. McDonald's Corporation is another company that specifies in detail how employees should perform their jobs by including photos of exactly how French fries and hamburgers should look when prepared properly.

1.5.2 Organization Environment

The organizational environment is the set of forces surrounding an organization that have the potential to affect the way it operates and its access to scarce resources. The organization needs to properly understand the environment for effective management.

Scholars have divided these environmental factors into two main parts as,

a) Internal Environment,

b) External Environment.

Internal Environment

The internal environment consists of the organization's owners, board of directors, regulators, physical work environment and culture. In the internal environment include strength and weakness of an organization.

Elements of internal environment are:

1. Trade union
2. Management

3. Current employee
4. Shareholders.

External Environment:

As per the Daft theory (1997) , An organization's environment is defined as all the elements existing outside the boundary of the organization that have the potential to affect all or part of the organization Examples include government regulatory agencies, competitors, customers, suppliers, and pressure from the public.

Daft (1997) identified 10 environmental sectors that may have an impact on particular organizations:

1) industry, 2) raw materials, 3) human resources, 4) financial resources, 5) markets, 6) technology, 7) general economy, 8) government/legal, 9) sociocultural, 10) international.

Each of these sectors may be divided into two basic components. They are:

1) Task (Specific) Environment: 2) General Environment.

Task Environment:

Task environment is composed of the specific dimensions of the organization's surrounding that are very likely to influence of the organization. It also consists of five dimensions: Competitors, Customers, and Employees, Strategic, Planners and suppliers.

General Environment:

General environment is composed of the nonspecific elements of the organization's surrounding the might affect its activities. It consists of five dimensions:

(a) Economic Factor

Economic factors refer to the character and direction of the economic system within which the firm operates. Economic factors include

- The balance of payments,
- The state of the business cycle,
- The distribution of income within the population, and

Governmental monetary and fiscal policies.

The impact of economic factors may also differ between industries.

BALANCE OF PAYMENTS.

The balance of payments of a country refers to the net difference in value of goods bought and sold by citizens of the country. To decrease the value of goods imported into a country, it is common practice to construct barriers to entry for particular classes of products. Such practices reduce competition for firms whose products are protected by the trade barriers.

Example : Mexico has limited the number of automobiles that can be imported. The purpose of this practice is to stimulate the domestic automobile market and to allow it to become large enough to create economies of scale and to create jobs for Mexican workers. A side effect of the import restriction, however, has been an increase in the price and a decrease in the quality of automobiles available to the public.

Another potential consequence of import restrictions is the possibility of reciprocal import restrictions. Partially in retaliation to import restriction on Japanese televisions and automobiles by the United States, the Japanese have limited imports of agricultural goods from the United States.

Lowering trade restrictions as a means of stimulating the economy of a country may meet with mixed results. The North American Free Trade Agreement (NAFTA) has opened the borders between the United States, Canada, and Mexico for the movement of many manufacturers. Government officials in the United States argue the results have been positive, but many local communities that have lost manufacturing plants question the wisdom of the agreement.

BUSINESS CYCLE

The business cycle is another economic factor that may influence the operation of a firm. Purchases of many durable goods (appliances, furniture, and automobiles) can be postponed during periods of recession and depression, as can purchases of new equipment and plant expansions. Economic downturns result in lower profits, reductions in hiring, increased borrowing, and decreased productivity for firms adversely affected by the recession. Positive consequences of recessions may include reductions in waste, more realistic perceptions of working conditions, exit of marginally efficient firms, and a more efficient system.

INCOME DISTRIBUTION

The distribution of income may differ between economic systems. Two countries with the same mean (per capita) income levels may have dramatically different distributions of income. The majority of persons in the country are considered middle income, with only a relatively small number of persons having exceptionally high or low incomes.

Many developing countries have citizens who are either extremely wealthy or extremely poor. Only a few persons would qualify as middle class. Therefore, although both countries had the same mean income, opportunities to market products to the middle class would be greater in the United States.

TRANSFER PAYMENTS.

Transfer payments (e.g., welfare, social security) within the country change the distribution of income. Transfer payments provide money to individuals in the lower income brackets and enable them to purchase goods and services they otherwise could not afford. Such a redistribution of income may not be the practice in other economic systems. Thus, large numbers of people in need of basic goods and services do not assure that those people will be able to purchase such goods and services.

MONETARY AND FISCAL POLICIES.

Monetary and fiscal policies utilized by the federal government also influence business operations. Monetary policies are controlled by the Federal Reserve System and affect the size of the money supply and interest rates. Fiscal policies represent purchases made by the federal government.

Example : Allocation of funds to defense means expenditures for weapons and hardware. If appropriations had gone to the Health and Human Services and Education Departments instead, much of the money would have constituted transfer payments. The primary beneficiaries of such a fiscal policy would be firms in the basic food and shelter businesses. No matter how government expenditures are reallocated, the result is lost sales and cut budgets for some companies and additional opportunities for others.

(b) Technological Factor

Technology is another aspect of the environment a firm should consider in developing strategic plans. Changing technology may affect the demand for a firm's products and services, its production processes, and raw materials. Technological changes may create new opportunities for the firm, or threaten the survival of a product, firm, or industry. Technological innovation continues to move at an increasingly rapid rate.

DEMAND

Technology can change the lifestyle and buying patterns of consumers. Recent developments in the field of microcomputers have dramatically expanded the potential customer base and created innumerable opportunities for businesses to engage in business via Internet. Whereas computers were traditionally used only by large organizations to handle data processing needs, personal computers are commonly used by smaller firms and individuals for uses not even imagined fifteen years ago. Similarly, new developments in technology led to a reduction in prices for computers and expanded the potential market. Lower prices allow computers to be marketed to the general public rather than to business, scientific, and professional users—the initial market.

Technology may also cause certain products to be removed from the market. Asbestos-related illnesses have severely limited asbestos as a resource used in heat-sensitive products such as hair dryers. Further, a number of chemicals that have been commonly used by farmers to control insects or plants are prohibited from use or require licensure as a consequence of those chemicals appearing in the food chain.

PRODUCTION PROCESSES

Technology also changes production processes. The introduction of products based on new technology often requires new production techniques. New production technology may alter production processes. Robotics represents one of the most visible challenges to existing production methods. Robots may be used in positions considered hazardous for people or that require repetitive, detailed activities.

The consequences for other jobs currently occupied by people are not clear. When production was first automated, although some workers were displaced, new jobs were created to produce and maintain the automated equipment. The impact of robotics on jobs is in large part a function of the uses made of the technology and the willingness of workers to learn to use new technology.

In some industries, use of robots during the early 2000s increased production and efficiency but resulted in significant numbers of job losses. However, technological innovation can also result in increased job growth.

Example : Ford Motor Company's $375-million technology update to its Norfolk assembly plant to build its 2004 F-150 resulted in the ability to build more models on its assembly line and consequently created about 270 new jobs, an 11 percent increase.

EVALUATING TECHNOLOGICAL CHANGES

There is little doubt that technology represents both potential threats and potential opportunities for established products. Products with relatively complex or new technology are often introduced while the technology is being refined, making it hard for firms to assess their market potential.

Example : When ballpoint pens were first introduced, they leaked, skipped, and left large blotches of ink on the writing surface. Fountain pen manufacturers believed that the new technology was not a threat to existing products and did not attempt to produce ball-point pens until substantial market share had been lost

Another technology, the electric razor, has yet to totally replace the blade for shaving purposes. Perhaps the difference is that the manufacturers of blades have innovated by adding new features to retain customers. Manufacturers of fountain pens did not attempt to innovate until the ballpoint pen was well established.

It is quite difficult to predict the impact of a new technology on an existing product. Still, the need to monitor the environment for new technological developments is obvious. Attention must also be given to developments in industries that are not direct competitors, since new technology developed in one industry may impact companies and organizations in others.

(c) Sociocultural

The sociocultural dimensions of the environment consist of customs, lifestyles, and values that characterize the society in which the firm operates. Socio-cultural components of the environment influence the ability of the firm to obtain resources, make its goods and services, and function within the society.

Sociocultural factors include anything within the context of society that has the potential to affect an organization. Population demographics, rising educational levels, norms and values, and attitudes toward social responsibility are examples of sociocultural variables.

POPULATION CHANGES

Changes in population demographics have many potential consequences for organizations. As the total population changes, the demand for products and services also changes. For instance, the decline in the birthrate and improvement in health care have contributed to an increase in the average age of the population in the country. Many firms that traditionally marketed their products toward youth are developing product lines that appeal to an older market.

Example : Clothing from Levi Strauss & Co. was traditionally popular among young adults. While its popularity in this market has waned, the firm has been able to develop a strong following in the adult market with its Dockers label.

Other firms are developing strategies that will allow them to capitalize on the aging population. Firms in the health-care industry and firms providing funeral services are expected to do well give the increasing age of the country population.

RISING EDUCATIONAL LEVELS.

Rising educational levels also have an impact on organizations. Higher educational levels allow people to earn higher incomes than would have been possible otherwise. The increase in income has created opportunities to purchase additional goods and services, and to raise the overall standard of living of a large segment of the population. The educational level has also led to increased expectations of workers, and has increased job mobility. Workers are less accepting of undesirable working conditions than were workers a generation ago. Better working conditions, stable employment, and opportunities for training and development are a few of the demands businesses confront more frequently as the result of a more educated workforce.

NORMS AND VALUES

Norms (standard accepted forms of behavior) and values (attitudes toward right and wrong) are differ across time and between geographical areas. Lifestyles differ as well among different ethnic groups. As an example, the application in the United States of Japanese-influenced approaches to management has caused firms to reevaluate the concept of quality. Customers have also come to expect increasing quality in products. Many firms have found it necessary to reexamine production and marketing strategies to respond to changes in consumer expectations.

SOCIAL RESPONSIBILITY

Social responsibility is the expectation that a business or individual will strive to improve the welfare of society. From a business perspective, this translates into the public expecting businesses to take active steps to make society better by virtue of the business being in existence. Like norms and values, what is considered socially responsible behavior changes over time.

In the 1970s agreeing action was a high priority. During the early part of the twenty-first century prominent social issues were environmental quality (most prominently, recycling and waste reduction) and human rights, in addition to general social welfare. More than just philanthropy, social responsibility looks for active participation on the part of corporations to serve their communities.

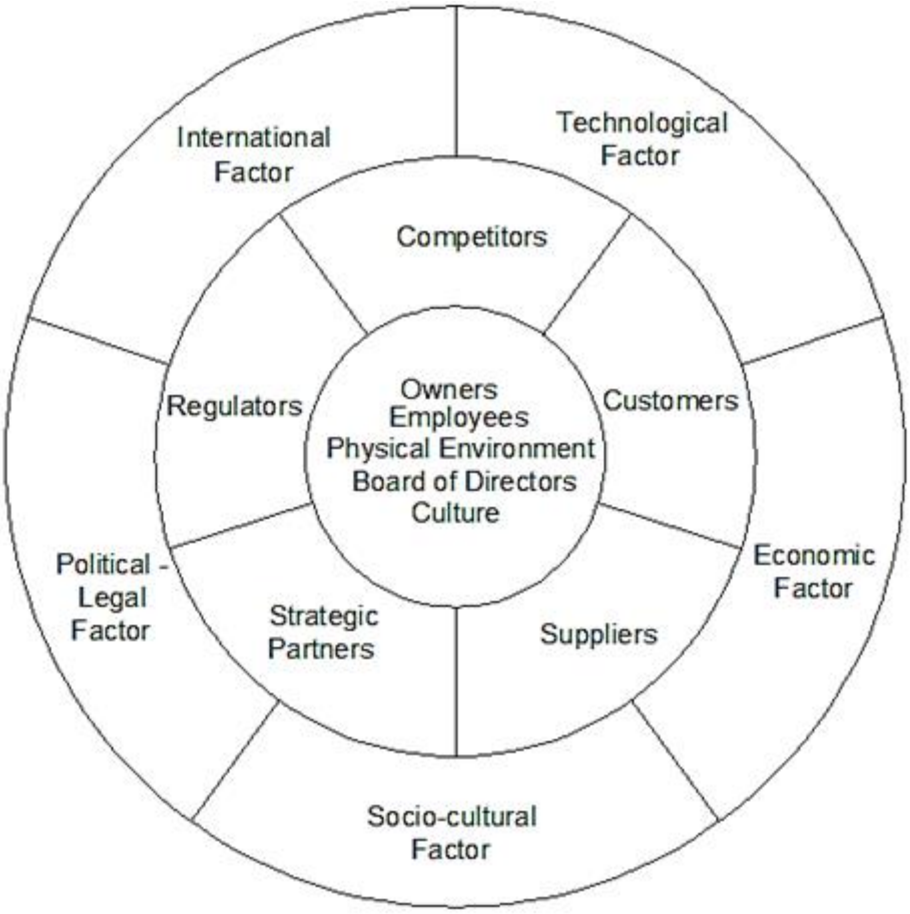

Fig 2 Environment Factors

Source: Robert Kreitner & Mamata Mohapatra, ― Management‖, Biztantra, 2008

(d) Political-Legal Factor

The above figure 2 shows the Environment Factors. The political-legal dimension of the general environment also affects business activity. The philosophy of the political parties in power influences business practices. The legal environment serves to define what organizations can and cannot do at a particular point in time.

ATTITUDES TOWARD BUSINESS

A pro-business attitude on the part of government enables firms to enter into arrangements that would not be allowed under a more anti-business philosophy. The numerous joint ventures between U.S. and Japanese automobile manufacturers could have been termed anticompetitive by a less pro-business administration. The release of many acres of government land for business use (logging, mining) angered many environmentalists who had been able to restrict business use of the land under previous administrations.

Changes in sentiments toward smoking and its related health risks have altered the public's attitude toward the tobacco industry. These changes have been reflected in many organizations by limiting smoking to designated areas or completely prohibiting it at work. The transformation in attitude has also caused firms within the tobacco industry to modify marketing strategies, encouraging many to seek expansion opportunities abroad.

LEGISLATION

The legal environment facing organizations is becoming more complex and affecting businesses more directly. It has become increasingly difficult for businesses to take action without encountering a law, regulation, or legal problem. A very brief listing of significant laws that affect business would include legislation in the areas of consumerism, employee relations, the environment, and competitive practices.

Many of the laws also have an associated regulatory agency. Powerful U.S. regulatory agencies include

- The Environmental Protection Agency (EPA)
- The Occupational Safety and Health Administration (OSHA)
- The Equal Employment Opportunity Commission (EEOC)
- The Securities and Exchange Commission (SEC).

Estimates of the cost of compliance vary widely; many of these costs are passed to consumers. However, costs of legal expenses and settlements may not be incurred for years and are not likely to be paid by consumers of the product or owners of the company when the violation occurred. Still, potential legal action often results in higher prices for consumers and a more conservative attitude by business executives.

LEVELS OF GOVERNMENT INFLUENCE

We generally speak about "the government" as referring to the federal government. It is the federal government that passes and enforces legislation concerning the entire country. Actions by the federal government affect a large number of firms and are consistent across state boundaries. Environmental analysis, however, should not overlook actions by both state and local governments.

Regulations concerning many business practices differ between states. Tax rates vary widely. Laws regarding unionization (e.g., right-to-work states) and treatment of homosexual workers differ between states.

Local governments have the potential to affect business practices significantly. Some local governments may be willing to provide incentives to attract business to the area. Some may build industrial parks, service roads, and provide low-interest bonds to encourage a desirable business to move into the community.

Regulatory measures such as building codes and zoning requirements differ significantly between communities. Infrastructure such as electric and sewer services, educational facilities, and sewage treatment capabilities may not be able to accommodate the increased demand associated with certain industries, making that locale unsuitable for establishing some businesses.

(e) International Factor

A final component of the general environment is actions of other countries or groups of countries that affect the organization. Governments may act to reserve a portion of their industries for domestic firms, or may subsidize particular types of businesses to make them more competitive in the international market.

Some countries may have a culture or undergo a change in leadership that limits the ability of firms to participate in the country's economy.

ECONOMIC ASSOCIATIONS

One of the most recent joint efforts by governments to influence business practices was NAFTA. The agreement between the United States, Canada, and Mexico was intended to facilitate free trade between the three countries. The result has been a decrease in trade barriers between them, making it easier to transport resources and outputs across national boundaries. The move has been beneficial to many businesses, and probably to the economies of all three countries. In most economic associations, preference is also given to products from member countries at the expense of products from nonmembers.

Probably the best-known joint effort by multiple countries to influence business practices is the Organization of Petroleum Exporting Countries (OPEC). The formation of OPEC, an oil cartel including most major suppliers of oil and gas, led to a drastic increase in fuel prices. Rising fuel prices had a significant effect on the demand for automobiles worldwide. The increases in oil prices also contributed to inflation all over the world. OPEC's early success encouraged countries producing other basic products (coffee beans, sugar, bananas) to attempt to control the prices of their products.

INTERGOVERNMENTAL RELATIONS

Changing relationships between the United States and other countries may alter the ability of firms to enter foreign markets. The United States' establishment of trade relations with China in the 1970s created opportunities for many firms to begin marketing their products in China.

The rise of Ayatollah Ruhollah Khomeini to power in Iran altered the lives of many Iranian citizens. Wine, vodka, music, and other forms of entertainment were prohibited. Black markets provided certain restricted items. Other products, such as wine, began to be produced at home.

1.6 CURRENT TRENDS AND ISSUES IN MANAGEMENT

1.6.1 TRENDS AND CHALLENGES OF MANAGEMENT IN GLOBAL SCENARIO

The management functions are planning and decision making, organizing. leading, and controlling — are just as relevant to international managers as to domestic managers. International managers need to have a clear view of where they want their firm to be in the future; they have to organize to implement their plans: they have to motivate those who work lot them; and they have to develop appropriate control mechanisms.

a) Planning and Decision Making in a Global Scenario

To effectively plan and make decisions in a global economy, managers must have a broad-based understanding of both environmental issues and competitive issues. They need to understand local market conditions and technological factor that will affect their operations.

At the corporate level, executives need a great deal of information to function effectively. Which markets are growing? Which markets are shrinking? Which are our domestic and foreign competitors doing in each market? They must also make a variety of strategic decisions about their organizations. For example, if a firm wishes to enter market in France, should it buy a local firm there, build a plant, or seek a strategic alliance? Critical issues include understanding environmental circumstances, the role of goals and planning in a global organization, and how decision making affects the global organization.

b) Organizing in a Global Scenario

Managers in international businesses must also attend to a variety of organizing issues. For example, General Electric has operations scattered around the globe.The firm has made the decision to give local managers a great deal of responsibility for how they run their business.

In contrast, many Japanese firms give managers of their foreign operations relatively little responsibility. As a result, those managers must frequently travel back to Japan to present problems or get decisions approved. Managers in an international business must address the basic issues of organization structure and design, managing change, and dealing with human resources.

c) Leading in a Global Scenario

We noted earlier some of the cultural factors that affect international organizations. Individual managers must be prepared to deal with these and other factors as they interact people from different cultural backgrounds .Supervising a group of five managers, each of whom is from a different state in the United States, is likely to be much simpler than supervising a group of five managers, each of whom is from a different culture. Managers must understand how cultural factors affect individuals.

How motivational processes vary across cultures, how the role of leadership changes in different cultures, how communication varies across cultures, and how interpersonal and group processes depend on cultural background.

d) Controlling in a Global Scenario

Finally, managers in international organizations must also be concerned with control. Distances, time zone differences, and cultural factors also play a role in control. For example, in some cultures, close supervision is seen as being appropriate, whereas in other cultures, it is not Like-wise, executives in the United States and Japan may find it difficult to communicate vital information to one another because of the time zone differences.

Basic control issues for the international manager revolve around operations management productivity, quality, technology and information systems.