


Subject: Human Resource Management

Production of Courseware

 - Content for Post Graduate Courses



Paper 06: Managing Culture & Diversity
Module 02: Organisational Culture



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Items	Description of Module
Subject Name	Human Resource Management
Paper Name	Managing Culture and Diversity
Module Title	Organizational Culture
Module Id	Module No. 2
Pre- Requisites	Basic understanding of Concept of Culture & Cultural Change
Objectives	To develop an understanding of organizational culture and corporate culture
Keywords	Culture, organizational culture, corporate culture

QUADRANT-I

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2. Learning Outcomes
3. Creating a Concept for Cultural Change
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1. Module 2: Organizational Culture

2. Learning Outcomes

By the end of this module, students will be able to

- Understand the concept of organizational culture/ corporate culture
- Understand the ice-berg analogy of organizational culture
- Understand the overt and covert components of organizational culture and types of culture

3. Creating a Concept for Cultural Change

Organizations worldwide are facing an enormous degree of change due to the changing environment, competition, technology, new perceptions, changing attitudes of people and for plethora of other reasons. To combat with this massive change in the overall society, organizations too have to change...so as not to become obsolete! Thus, an effective organizational climate and a realistic vision of the future are both essential for organizational success. Cultural change does not just happen in an organization; it is usually the result of a complex change strategy implemented by the management and its leaders. It is often being concluded that 'culture' is the key to organization's success...as research shows that companies with outstanding financial performance often have powerful corporate cultures.

Thus, organizations today are striving for a constant change as well as are in a process of constant renewal. As said by Robert Waterman, an author and consultant, "Somehow there are organizations that effectively manage change, continuously adapting their bureaucracies, strategies, systems, products and cultures to survive the shocks and prosper from the forces that decimate their competition....They are masters of renewal". This indirectly calls in for a cultural change at the work-place, leading towards a new organization culture.

Exhibit 1: Definition of Organizational Culture

- *"Organisational Culture is defined as the way in which members of an organisation relate to each other, their work and the outside world in comparison to other organisations. It can enable or hinder an organisation's strategy. "*
– Geert Hofstede
- *"Organizational culture is a relatively uniform perception held by the organization, it has common characteristics, it is descriptive, it can distinguish one organization from another & it integrates individual, group & organization system variables".*
- Stephen Robbins

4. Understanding Organizational Culture

Organizational culture can broadly be defined as the values and behaviours that contribute to the unique social and psychological environment of an organization. It includes variants like an organization's philosophy, values, expectations, experiences and is expressed in its self-image as well as way of functioning, responsiveness, delivery, service and its 'social behaviour'. It is also reflected via its way of ethical conformance to rules and regulations in the true spirit, its governance system as well as its corporate social responsibility. It develops and forms over time and is based on shared attitudes, customs, norms, written as well as unwritten rules and regulations. It affects organizational effectiveness, performance, productivity as well as sustainability. It gets reflected by the way organization behaves with or takes care of its customers as well as employees, quality of product and service, punctuality as well as concern for the society and sustainability.

Each organization has its unique organizational culture, just as people have their own individual personalities...and each individual is unique. Industry wide as well cultures vary from each other to a great extent. For example, the organizational culture of Mc Donalds, a customer-centric culture, ought to be quite different from the culture of India's biggest private bank, which needs to be very conservative in terms of its rules and regulations. It changes the behaviour of people over time.

Organizational culture is a system of shared values, assumptions 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, perform their duties, exhibit their behaviour and display their attitude. Culture guides the behaviour of its people in the organization. A conducive work-culture will enable its members to take correct decisions, enable risk-taking abilities among members, encourage taking calculated risks, developing problem-solving skills among its members and develop team-work among its members.

Figure 1: Organizational Culture



Figure 2: Understanding Organizational Culture



(Source: <http://www.nhorizons.ca/>)

Organization culture and **corporate culture** are used synonymously and interchangeably, however, there is a line of difference between the two. Both refer to the collective values and approaches within an organization, as well as the way it interacts with the society at large. However, the term Corporate Culture focuses mainly on for-profit corporations, while organizational culture extends to all forms of organizations including non-profit organizations, small business, privately held companies, government organizations as well as Public Sector Units. Thus, in a nutshell, organizational culture is used in a broader connotation encompassing all types of organizations, irrespective of for-profit or not-for-profit organizations as well.

5. Characteristics of Organizational 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 particular organization's unique culture. Members of the organization assign value or makes judgements based on the value their organization places on these main characteristics; they over time adjust their behavior to match these perceived set of values and behave.

Let's examine each of these seven characteristics mentioned below:

- **Risk Orientation and Innovation:** Companies with cultures which emphasises on innovation encourage their employees to take calculated risks and innovate in the performance of their jobs. In a nutshell, they instil risk-taking ability among its members. As In contrast to this, companies with cultures which gives low emphasis on innovation expect their employees to do their jobs in the same way as they have been continuing to do over the years. They do not put much emphasis on finding the means and ways to improve their performance.
- **Collaboration Orientation and Teamwork:** Companies which puts emphasis on work activities around 'teams' instead of 'individuals' place a high value on this characteristic of organizational culture. Members of the organization who work in a 'collaborative kind of culture' tend to have a positive relationship with their co-workers and managers, which positively helps in growth and development of the organization.

- **Precision Orientation and Attention to Detailing:** This characteristic of organizational culture dictates the degree to which employees are expected to be precise and accurate in their work. A culture that places a high value on attention to detail expects their employees to be perfect and focus on being systematic, time-bound and perfectionists as well as being committed.
- **Fairness Orientation and Emphasis on People:** Companies that place a high value on people orientation emphasises on treating their employees fairly and with respect as well as dignity. They place a great deal of importance on how their decisions will affect the people in their organizations.
- **Achievement Orientation and Emphasis on Outcome:** Companies that focus on results, but not on how the results are achieved, place a high emphasis on this value of organizational culture. Cut-throat competition can lead to a cultural orientation like this, wherein the organization may instruct its sales force to do whatever it takes to generate leads and get sales orders. This is an example of culture that places a high value on the emphasis on results and outcome characteristic.
- **Competitive Orientation and Aggressiveness:** This characteristic reflects whether members are expected to display aggressive behaviour or react with assertiveness and are easy-going....especially when they are in the market and are dealing alongwith their competitors. An aggressive work culture would place a high value on competitiveness and outperforming the competition at all costs.
- **Rule Orientation and Stability:** Companies or cultures which are rule-oriented usually place a high value on stability. They are usually bureaucratic in nature and are quite predictable. These types of cultures thus provide consistent and predictable levels of output and operate best in stable market conditions, rather than hyper-turbulent environments.

6. Organizational Culture and Environment

Organizational Culture and environment or society are inter-related and work in sync. We know that business is an integral part of the society and it influences other elements of the social system. This in turn affects business. The entire sphere of business activities are thus influenced by the social structure and culture of a society. The social system in turn is influenced by the way the business operates and functions as well as new innovations taking place. Business activities have greatly influenced values, traditions, perceptions, social attitudes, outlooks and traits. Business works in a social system and what is functional is a socio-technical system. Socio-cultural environment refers to the influence exercised by certain social factors which are functional beyond the boundaries of the organization. Some examples are family, need for work-life balance, education, religion, social responsibility, ethics etc.

Figure 3 shows this inter-play of the organizational culture and the environment. Leadership development, Team dynamics and Strategic planning depends and are affected by the organizational culture. This inter-play in turn facilitates change, cultivates awareness as well as results in growth and sustainability of the organization.

Figure 3: Organizational Culture and Environment



(Source: www.managementguru.net)

7. Ice-berg Analogy of Organizational Culture

The ice-berg analogy of organizational culture opines that there are some **observable symbols** reflecting the organizational culture, which are visible; as well as some **invisible aspects**, which are deep-rooted and are underlying....not visible. The observable symbols are the **overt components** like behavior, slogans and organizational mission, dress-code, physical settings, hierarchical levels, organizational structure, policy etc. Whereas the invisible aspects are the **covert components**, which are deep rooted and includes components like underlying values, beliefs, attitudes, assumptions, group sentiments and norms, emotional feelings, trust, openness, patterns of communication etc.

It has to be realized that like an ice-berg, whose actual portion under the water is about 2/3 of what is visible above the surface of water.....the overt components which are visible comprises of only about 1/3 of the entire organizational culture. It is to be understood that the covert components and the invisible aspects are very deep-rooted and comprise of the 'real' organizational culture. Often an organizational diagnosis examines only the overt and more visible aspects and usually ignores the invisible deep-rooted aspects. Figure 3 helps to show a diagrammatic visualization of the analogy.

Figure 4: The Ice-berg Analogy



(Source: www.slideplayer.com)

To sum, examples of external culture (overt) are language, customs, typical food and dress. They can be acquired through observation and education/ training. It can be easily learnt as well it can be changed. On the other hand, internal culture (covert) includes non-verbal communication, values, way of thinking; it is overtly learnt through formal or implicitly learnt through socialization process.

8. Organizational Culture for Different Types of Organizations

Industries and corporate display varied cultural mixes and usually display different ways to meet strategies that work for them and are very peculiar to their industry. For example, companies in industries like IT, ITes, BPOs, Advertising Agencies, Creative Marketing often display an organization culture which is quite open, and displays freedom, flexibility and creativity. This is because these industries work in quite a turbulent environment for top talent and rely on employees' creativity and motivation to bring in excellence. Meanwhile, the banking industry tends toward more serious and structured cultures as they are like the custodian and advocates of peoples' money. Financial institutions must keep strict controls and follow detailed protocols to comply with regulations, work in their customers' interests and safeguard financial assets, hence maintaining quite a structured culture.

- **Small & Medium Enterprises (SMEs) or Large Enterprises**

Micro, Small and Medium Enterprises forms the major backbone of any economy, whether it be a developed or developing economy. Research shows that in most of the SMEs, the culture caters around the entrepreneur and Founder Directors of the organization. Family-owned businesses, for example, may prefer to do business in a manner which is quite consistent with their orientation, family culture and tradition...which over time percolates at the organizational level. The cultures created by them percolates and is usually carried forward to the next generations..

- **Non-profit Organizations**

Objectives and interests of Non-profit Organizations like NGOs and the like, are quite different from their for-profit counterparts. Their culture's emphasis would perhaps not be profitability...but personal and social values. A culture of personal dedication and passion based on beliefs may drive a nonprofit organization. Nonprofit employees may not be striving towards dead-lines or lead generation...but rather face less pressure and enjoy the fact that their work serves a social or charitable cause.

- **Government Agencies**

Government agency cultures vary widely from highly bureaucratic to very forceful as many law enforcement agencies are. A government's main objective being 'welfare of the society', its values emphasis on 'efficiency, productivity and financial performance' may be less as compared to welfare and social well-being.

9. Types of Culture

No two individuals are same....in the same way it is very difficult to find two organizations with almost the same type of culture.

Types of culture may be the following:

- **Charismatic Vs. self-sufficient culture:** Dramatic managerial personality dependent Vs. culture with emphasis on independence, initiative and achievement

- **Paranoid Vs. Trusting culture:** A style based on suspicion and distrust Vs. sense of trust, fairness, openness towards others etc
- **Avoidant Vs. Achievement culture:** Seeking to avoid change & resist change as it can threaten the current organizational values Vs. culture giving emphasis on logical analysis & rational process
- **Politicised Vs. Focused culture:** Culture lacking leadership leading to small coalitions & under-currents Vs. culture where members share similar perspectives about sense of direction
- **Bureaucratic Vs. Creative culture**

Figure 5



Some examples of corporate culture are as follows with the 'dominant' value or culture of the organization being a part of the organization's mission/ vision/ company's tag-line:

- IBM has a customer-service oriented corporate culture
- Apple has a techo-savvy corporate culture...as well as innovation-oriented & employee-oriented corporate culture
- Coca cola group has a customer-taste oriented corporate culture, through its diversified products across different markets and according to taste of specific country
- HP (Hewlett Packard) has a very employee oriented corporate culture
- Federal Express-'fast-delivery' as its corporate culture
- ONGC, a Maharatna company, too has a very employee-oriented company with a social orientation as well

10. Key Factors to Improve Organizational Culture

Organizational culture plays a very important role in the overall performance of the organization. Research and experience shows that companies which have surpassed financially or have excelled in performance share a very unique self-driven culture. Organizations worldwide, thus try to improve their culture. It is a known fact that employees want to work with a company which trusts and respects them. The culture should emphasize on collaboration and co-operation among the employees.

Figure 6



Some of the key factors to improve organizational culture are:

- **Create vision for the future:** A shared vision involving all across all levels, in striving towards the common goals, vision & mission is imperative for improvement of culture. A shared vision provides focus, commitment of members as well as gives a sense of direction. For example, a vision like ‘one person, one computer’ of Steve Jobs at Apple Computers, helped to bring a phenomenal change in the cultural architecture of Apple which worked with a clear vision towards this drive. Thus, focusing on a clear vision, and working ardently to move towards the vision plays a vital role to improve or build the culture.
- **Team-work and collaboration:** Organizations which values and encourages team-work by way of rewards or recognition, sets the stage towards an improved cultural orientation. Management needs to foster team-work and lead-by-example to improve the culture of the organization. Some of the strategies to achieve this objective may be introducing team-work projects, team-incentives, team performance management key areas, 360 degree Performance Management System, 360 degrees feedback mechanism, team events, out-bound activities etc.
- **Reward mechanism:** People respond to rewards, recognition and reinforcement. The organization should find ways and means to embrace the ‘new culture’ by rewarding the changed culture as well as the people who have helped to embrace ‘change’. At Apple, rewards and recognition were used to gain employee involvement and people were ready to work for extended hours to bring new products in the market. This encouraged a culture of commitment towards deadlines. The reward and recognition system should instill innovation and excitement among the employees which will ultimately build a culture which fosters creativity and growth. Ken Robinson has rightly proclaimed: *“Creativity is putting your imagination to work, and it’s produced the most extraordinary results in human culture”*.
- **Open communication:** Setting clear direction and open communication is the key to reinforce a strong company culture. Encouraging a participative decision-making process and sharing of information with employees helps to build a culture of ‘inclusiveness’. The leader must be able to share knowledge and ideas to transmit a sense of urgency and enthusiasm to others.
- **Develop a model:** Developing a model involves initiating the changes or strategies targeted towards cultural change from a small unit and then make it large by replicating it. In other words, moving from departmental to organization-wide. The success of implementation of new strategies in one department and creating success stories of the particular department, makes the implementation easier in other departments or across the whole organization.

Figure 7



11. Summary

In short, the corporate culture begins at the top and therefore sharing the vision of the company's future with the employees is very important. Treating all employees equally and with respect is an important aspect of a 'good' culture which proclaims equality or equity. Open communication and two-way communication, encouraging feedback, is essential for prevailing corporate culture in the right direction. Collaborative work and working in teams is the key to managerial excellence to and this should be reflected in the culture as well. Freedom should be given in the decision-making process and new ideas should be generated.

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