

Learning Outcomes

Follow this Learning Outline as you read and study this chapter.

3.1 Contrast the actions of managers according to the omnipotent and symbolic views.

- Identify the two constraints on managerial discretion.

3.2 Discuss the characteristics and importance of organizational culture.

- Identify the seven dimensions of organizational culture.
- Discuss the impact of a strong culture on organizations and managers.
- Explain how a culture is formed and maintained.
- Describe how culture affects managers.

Learning Outcomes

3.3 Describe Current Issues in Organizational Culture

- Describe the characteristics of an ethical culture, an innovative culture, and a customer-responsive culture.
- Explain why workplace spirituality seems to be an important concern.
- Describe the characteristics of a spiritual organization especially in the Arab context.

Learning Outcomes

3.4 Identify the features of the specific and general environments.

- List the components of the specific and general environments.
- Explain the two dimensions of environmental uncertainty.
- Identify the most common organizational stakeholders.
- List the four steps in managing external stakeholder relationships.

LEARNING

OUTCOME 3.1 ▷

Contrast the Actions of Managers According to the Omnipotent and Symbolic Views

1. Identify the two constraints on managerial discretion.

The Manager: Omnipotent or Symbolic?

The Omnipotent View

Managers are directly responsible for an organization's success or failure.

- The quality of the organization is determined by the quality of its managers.
- Hence, managers are held accountable for an organization's performance.
- Yet, an issue with this view is that it is difficult to attribute good or poor organizational performance directly to the influence of managers.



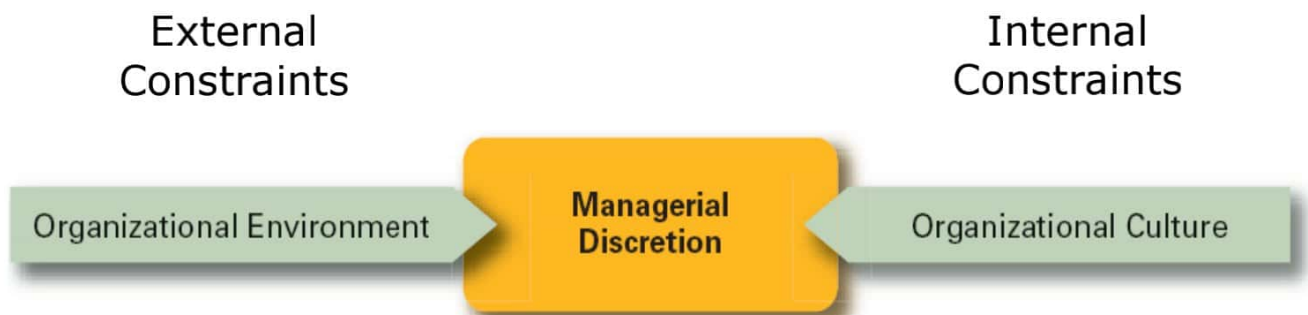
The Manager: Omnipotent or Symbolic? (cont'd)

The Symbolic View

Much of an organization's success or failure is due to external forces outside of managers' control.

- The ability of managers to affect outcomes is influenced and constrained by external factors (e.g. The economy, customers, governmental policies, competitors, industry conditions, technology, and actions of previous managers).
- Managers develop plans, make decisions, and engage in other activities in order to make sense out of random, confusing and ambiguous situations. However, the role they play in organizational success or failure is fairly limited.

Exhibit 3–1 Constraints on Managerial Discretion



- In reality, managers are neither all-powerful nor helpless, but their decision and action options are constrained by internal and external constraints, which limit the freedom of choice managers have in making decisions.

Quick Learning Review

The omnipotent view of management is:

- a. The view that managers are directly responsible for an organization's success or failure
- b. The view that much of an organization's success or failure is due to external forces outside managers' control
- c. The view that an organization's success or failure is due to both external and internal forces
- d. None of the above

Constraints on managerial discretion are:

- a. Organizational culture and external constraints
- b. Organizational environment and internal constraints
- c. Organizational environment and organizational culture
- d. All of the above

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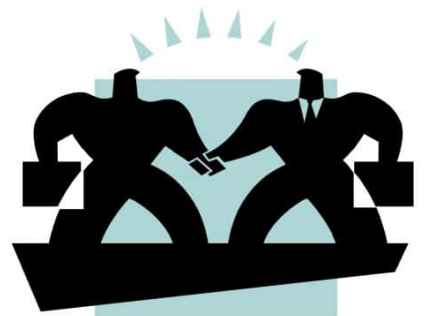
OUTCOME 3.2 ▷

Discuss the Characteristics and Importance of Organizational Culture

1. Identify the seven dimensions of organizational culture.
2. Discuss the impact of a strong culture on organizations and managers.
3. Explain how a culture is formed and maintained.
4. Describe how culture affects managers.

What is Organizational Culture?

- The shared values, principles, traditions, and ways of doing things that influence the way organizational members act. Culture to a large extent, determines how things are done in an organization.
- The description of organizational culture implies three things:
 1. Culture is a perception (Cant be seen/touched, but is experienced)
 2. Culture is descriptive (concerned with how individuals perceive it)
 3. Culture is shared (can be described similarly by different individuals)



(Exhibit 3-2) 7 Dimensions of an Organizational Culture

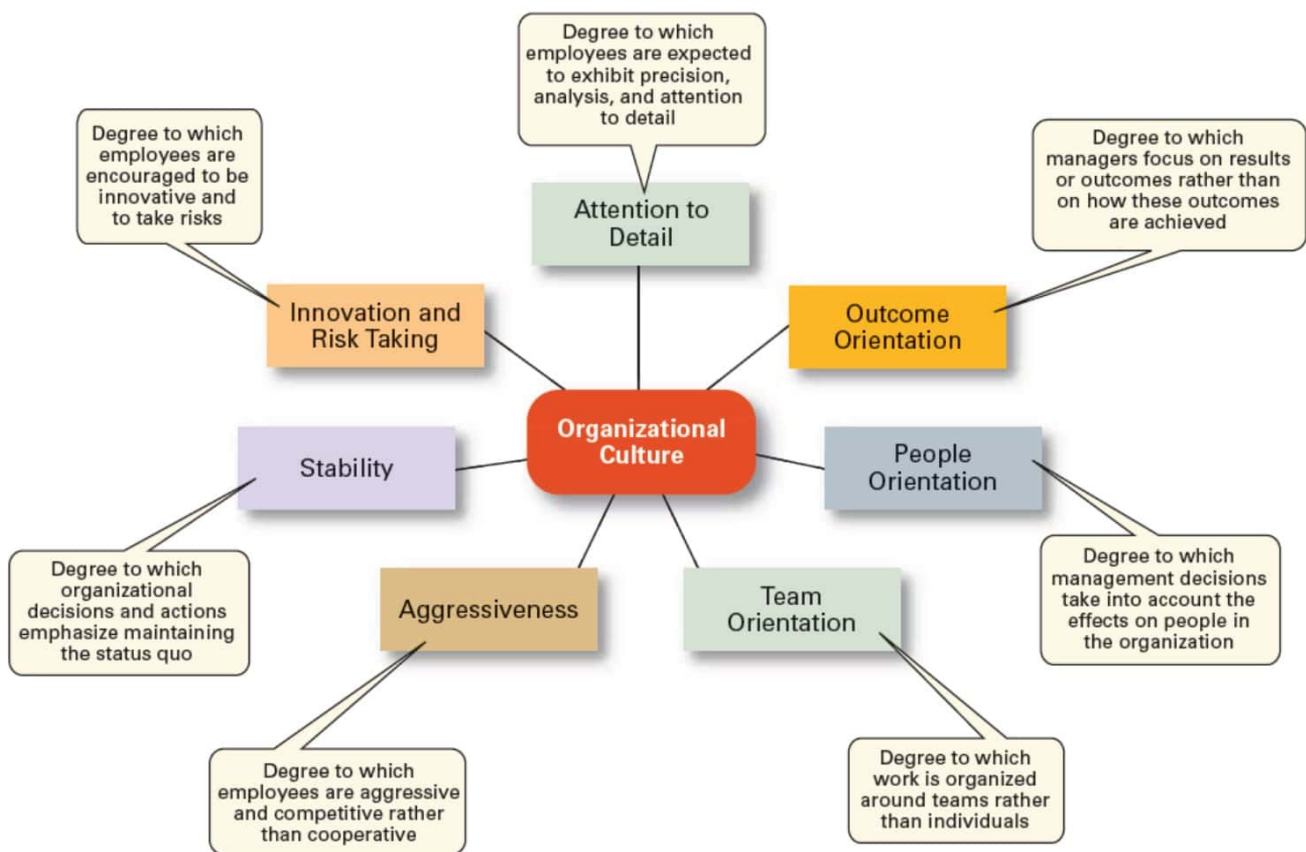


Exhibit 3–3 Contrasting Organizational Cultures

Dimension	Organization A	Organization B
Attention to Detail	High	Low
Outcome Orientation	Low	High
People Orientation	Low	High
Team Orientation	Low	High
Aggressiveness	Low	High
Stability	High	Low
Innovation and Risk Taking	Low	High

Go to Page 47 for more info

Where Culture Comes From and How it Continues

- The organization's founder
 - Vision and mission
- Past practices of the organization
 - The way things have been done
- The behavior of top management
- **Socialization** – The process of helping new employees adapt to the culture

Where Culture Comes From and How it Continues (cont'd)

Sources of Organizational Culture

- The vision/mission of the organization's founder
- Past practices of the organization
 - The way things have been done
- The behavior of top management

Continuation of the Organizational Culture

- Recruitment of like-minded employees who "fit"
- **Socialization** – The process of helping new employees adapt to the culture

Exhibit 3–4 **Strong Versus Weak Organizational Cultures**

Strong Cultures

Values widely shared

Culture conveys consistent messages about what's important

Most employees can tell stories about company history/heroes

Employees strongly identify with culture

Strong connection between shared values and behaviors

Weak Cultures

Values limited to a few people—usually top management

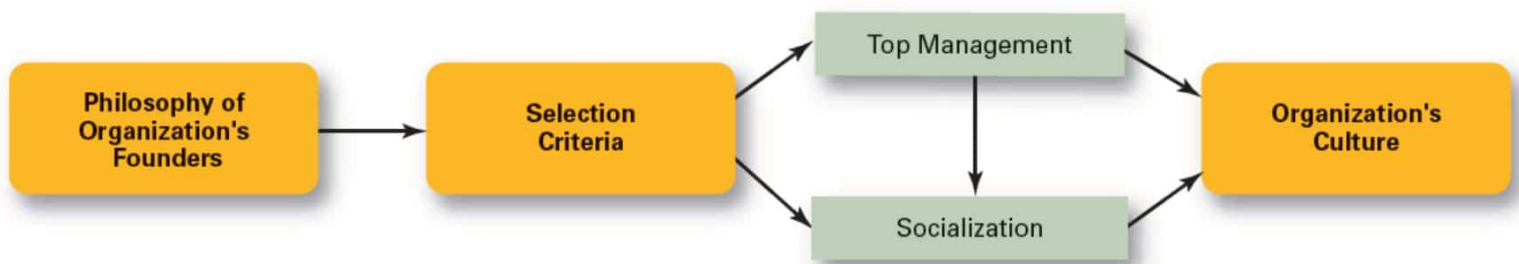
Culture sends contradictory messages about what's important

Employees have little knowledge of company history or heroes

Employees have little identification with culture

Little connection between shared values and behaviors

Exhibit 3–5 Establishing and Maintaining Culture



How Employees Learn Culture

Stories

- Narratives of significant events or actions of people that convey the spirit of the organization.

Rituals

- Repetitive sequences of activities that express and reinforce the values of the organization (i.e. award ceremonies, dinners).

Material Symbols (Go to page 50)

- Physical assets distinguishing the organization (i.e. layout of organizational facilities, how employees dress, executive cars, size of offices, etc.)

Language (Go to page 50)

- Acronyms and jargon of terms, phrases, and word meanings specific to an organization.

How Culture Affects Managers

- Cultural constraints on managers are rarely explicit (i.e. written down or spoken of).
- But a manager's decisions are influenced by the culture in which he or she operates. A manager learns what to do and not do in their organization.
- An organization's culture, especially a strong one, influences and constrains the way managers plan, organize, lead, and control.
- [Read page 51](#)

Exhibit 3–6 **Managerial Decisions Affected by Culture**

Planning

- The degree of risk that plans should contain
- Whether plans should be developed by individuals or teams
- The degree of environmental scanning in which management will engage

Organizing

- How much autonomy should be designed into employees' jobs
- Whether tasks should be done by individuals or in teams
- The degree to which department managers interact with each other

Leading

- The degree to which managers are concerned with increasing employee job satisfaction
- What leadership styles are appropriate
- Whether all disagreements – even constructive ones – should be eliminated

Controlling

- Whether to impose external controls or to allow employees to control their own actions
- What criteria should be emphasized in employee performance evaluations
- What repercussions will occur from exceeding one's budget

Quick Learning Review

Three of the seven dimensions of organizational culture are:

- a. Outcome orientation, rules and people orientation
- b. Team orientation, client orientation and people orientation
- c. Stability, aggressiveness and attention to marketing
- d. Outcome orientation, people orientation and stability

Culture affects managers in the way they:

- a. Plan and organize
- b. Plan, organize, lead and control
- c. Talk, organize, lead and control
- d. Think, plan and lead

LEARNING

OUTCOME 3.3 ▷

Describe Current Issues in Organizational Culture

1. Describe the characteristics of an ethical culture, an innovative culture, a customer-responsive culture and a culture that supports diversity.
2. Explain why workplace spirituality seems to be an important concern.
3. Describe the characteristics of a spiritual organization especially in the Arab context.

Creating an Ethical Culture

- The content and strength of an organization's culture influences its ethical climate and the ethical behavior of its members.
- An organizational culture most likely to shape high ethical standards is one that:
 - is high in risk tolerance
 - is Low to moderate aggressiveness
 - focuses on means as well as outcomes
- Managers in an ethical culture are supported for taking *risks* and innovating, are discouraged from engaging in *uncontrolled* competition, and pay attention to *how* goals are achieved as well as *what* goals are achieved.

Exhibit 3–7 Creating an Ethical Culture

- Be a **visible role model**.
- Communicate **ethical expectations**.
- Provide **ethics training**.
- Visibly **reward ethical acts and punish unethical ones**.
- Provide **protective mechanisms** so employees can discuss ethical dilemmas and report unethical behavior without fear.

Creating an Innovative Culture

- Any successful organization needs a culture that supports innovation, and an important driver of innovation for companies is a supportive corporate culture.

Innovative work cultures are characterized by: (Page 53)

- Challenge and involvement
- Freedom
- Trust and openness
- Idea time
- Playfulness/humor
- Conflict resolution
- Debates
- Risk-taking

Creating a Customer-Responsive Culture

- This type of culture seeks to offer excellent customer service and care.
- Hiring the right **type of employees** (those with a strong interest in serving customers).
- Having **few** rigid rules, procedures, and regulations.
- Using widespread **empowerment** of employees.
- Having good listening skills in relating to customers' messages.
- Providing **role clarity** to employees to reduce ambiguity and conflict and increase job satisfaction.
- Having conscientious, **caring employees** willing to take initiative.

Exhibit 3–8 Creating a Customer-Responsive Culture

Characteristics of Customer-Responsive Culture	Suggestions for Managers
Type of employee	Hire people with personalities and attitudes consistent with customer service: friendly, attentive, enthusiastic, patient, good listening skills
Type of job environment	Design jobs so employees have as much control as possible to satisfy customers, without rigid rules and procedures
Empowerment	Give service-contact employees the discretion to make day-to-day decisions on job-related activities
Role clarity	Reduce uncertainty about what service-contact employees can and cannot do by continual training on product knowledge, listening, and other behavioral skills
Consistent desire to satisfy and delight customers	Clarify organization's commitment to doing whatever it takes, even if it's outside an employee's normal job requirements

Creating a Culture that Supports Diversity

- Diversity supportive cultures are good for business, as they contribute towards more creative solutions and enhanced employee morale.
- Creating a workplace culture that supports and encourages the inclusion of diverse individuals and views is a major organizational effort.
- **First**, managers must carefully consider if their culture is appropriate for a diverse workforce, accepting and promoting diverse views. They must show that they value diversity through their decisions and actions.
- **Second**, managers should look for ways to reinforce employee behaviors that exemplify inclusiveness.

Spirituality and Organizational Culture

- Workplace spirituality is a feature of a culture where organizational values promote a sense of purpose through meaningful work taking place in the context of community
- Firms recognize that people seek to find meaning/purpose in their work, and desire to connect with others and be part of a community.

Five Characteristics of a Spiritual Organization:

- Strong **sense of purpose**
- Focus on individual development (Create spaces for individual growth)
- Trust and openness
- Employee **empowerment** (To make decision)
- **Toleration** of employees' expression (To be themselves without fear)

Spirituality and Organizational Culture (cont'd)

Benefits of spirituality

- Improved employee **productivity**
- Reduction of **employee turnover**
- Stronger organizational **performance**
- Increased **creativity**
- Increased employee **satisfaction**
- Increased **team performance**
- Increased **organizational commitment**

Spirituality and Organizational Culture (cont'd)

Spirituality in the Arab Workplace

- The significance of spirituality in the workplace takes a special meaning in the Arab world where the level of religiosity is higher compared to many Western societies.
- The Islamic Work Ethic emphasizes the value and quality of work and invites reliance on one's self and displaying positive behavior in the workplace.
- But spirituality is not restricted to one religion. Many Arab countries are religiously diverse (e.g. Lebanon and Egypt).
- Spirituality **does not** mean bringing religion to the workplace. It involves helping employees **find meaning** in their work.

Quick Learning Review

Risk-taking, freedom and debates are characteristics of:

- a. An ethical culture
- b. An innovative culture
- c. A customer-responsive culture
- d. A diversity-supportive culture

Spiritual organizations tend to have characteristics of:

- a. Trust and openness
- b. Toleration of employee expression
- c. a and b
- d. None of the above

LEARNING

OUTCOME 3.4 ▶

Identify the Features of the Specific and General Environments

1. List the components of the specific and general environments.
2. Explain the two dimensions of environmental uncertainty.
3. Identify the most common organizational stakeholders.
4. List the four steps in managing external stakeholder relationships.

The Environment

Defining the External Environment

- Those factors and forces outside the organization that affect the organization's performance.
- **2 Types of External Forces:**
 - **Specific environment: external forces** that have a direct and immediate impact on the organization including customers, suppliers, competitors, and pressure groups.
 - **General environment:** broad economic, political/legal, socio-cultural, demographic, technological, and global conditions that *may* affect the organization.

Exhibit 3-9 The External Environment





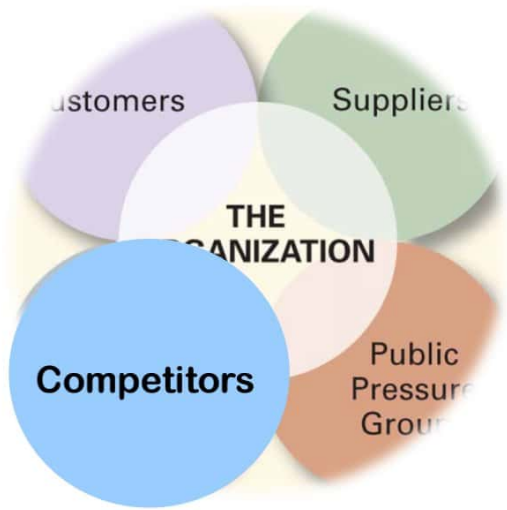
Specific Environment

- An organization exists to meet the needs of customers who use its output.
- Customers represent potential uncertainty to an organization because their tastes can change or they can become dissatisfied with the organization's products or service.



Specific Environment (cont'd)

- Suppliers ensure a steady flow of needed inputs (supplies).
- Limited or delayed in delivery can constrain managers' decisions and actions.
- Suppliers also provide financial and labor inputs.



Specific Environment (cont'd)

- All organizations – profit and not-for-profit – have competitors.
- Managers cannot afford to ignore the competition.



Specific Environment (cont'd)

- Managers must recognize special-interest groups that attempt to influence the actions of organizations.
- Pressure groups can have a significant influence on a manager's ability to make decisions.
- (Ex. Human rights activists, protestors)

Economic



General Environment

- General environmental factors do not affect firms to the extent that specific factors do, yet managers must still consider them.

- Economic Factors

Interest rates, inflation, changes in disposable income, stock market fluctuations, and the stage of the general business cycle are some **economic factors** (Broad) that can affect management practices in an organization (Ex. [Global financial crisis](#)).

General Environment (cont'd)

Local laws, as well as global and other country laws and regulations, influence what organizations **can and cannot** do.

They **reduce managerial discretion** by limiting available choices. (Ex. legal implications of firing employees; Kuwaitization)

Impact of **stability** on organizations.



General Environment (cont'd)

Managers must adapt their practices to the changing **expectations of the society** in which they operate. As these values, customs, and tastes change, managers must also **change**.

Ex. As workers increasingly seek a work-life balance, organizations offer solutions like flexible work hours, family leave policies, onsite childcare facilities.



General environment (cont'd)

Demographic conditions encompass trends in **population** characteristics such as gender, age, level of education, geographic location, income, and family composition.

Ex. Population of Arab countries reached 370 million in 2013; will increase to 430 in a few years.

Changes in these characteristics may **constrain** how managers plan, organize, lead, and control.

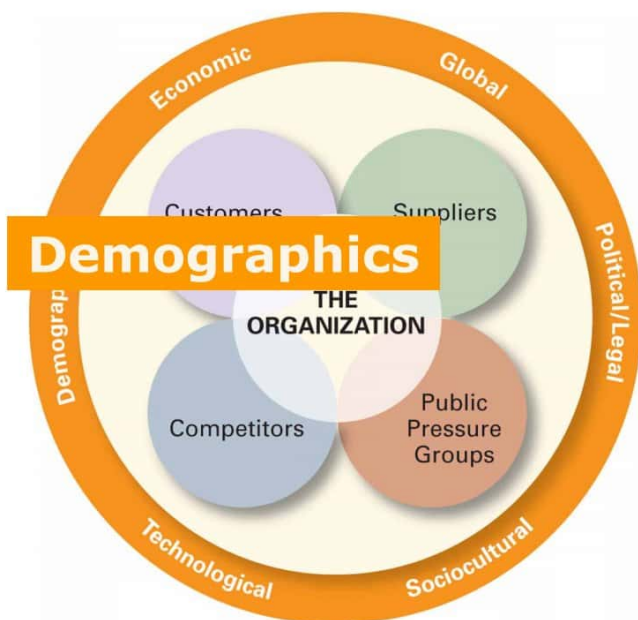


Exhibit 3–11 Demographic Trends

	Population (millions)	Population growth (annual %)
Arab Countries		
Egypt	82.0	1.6
Sudan	38.0	2.0
Iraq	33.4	2.5
Morocco	33.0	1.5
Algeria	32.2	1.9
Saudi Arabia	28.9	1.9
Yemen	24.4	2.3
Syria	22.8	2.0
Tunisia	10.9	1.0
UAE	9.3	1.5
Jordan	6.4	2.2
Libya	6.2	0.8
Lebanon	4.5	1.0
Mauritania	3.9	2.4
Oman	3.6	9.2
Kuwait	3.4	3.6
Qatar	2.2	5.6
Bahrain	1.3	1.1
Djibouti	0.9	1.5
Comoros	0.7	2.4
Other		
China	1,357.3	0.5
USA	316.0	0.7
Brazil	200.3	0.9
Russia	143.5	0.2
Japan	127.3	(0.2)
Iran	77.4	1.3
Turkey	74.9	1.3
Spain	46.6	(0.2)
Malaysia	29.7	1.6
Singapore	5.4	1.6

Source: World bank Data, 2013

General Environment (cont'd)

In terms of the general environment, the **most rapid** changes have occurred in technology.

Technology has created new models of doing business, it has changed the ways organizations are structured & the way in which managers manage.

Ex. Companies that **capitalize** on technology, such as General Electric, eBay, and Google, **prosper**.

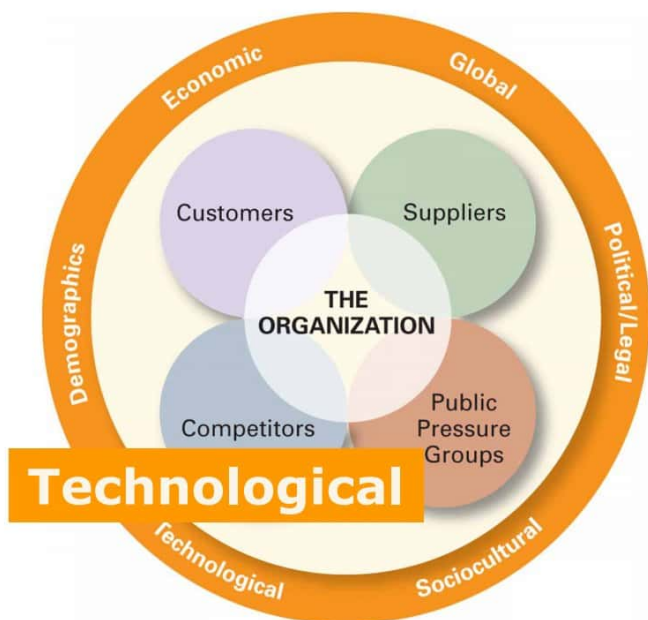


Exhibit 3–12 Technology Diffusion

	Fixed broadband Internet subscribers (per 100 people) - 2013	Internet users (per 100 people)	Mobile cellular subscriptions (per 100 people)
Arab Countries			
Algeria	3.3	16.5	101.0
Bahrain	29.8	90.0	166.0
Comoros	0.2	6.5	47.0
Djibouti	2.0	9.5	28.0
Egypt	3.3	49.6	122.0
Iraq	n.a.	9.2	96.0
Jordan	2.8	44.2	142.0
Kuwait	1.4	75.5	190.0
Lebanon	10.0	70.5	81.0
Libya	1.0	16.5	165.0
Mauritania	0.2	6.2	103.0
Morocco	2.5	56.0	129.0
Oman	2.6	66.5	155.0
Qatar	9.9	85.3	153.0
Saudi Arabia	7.4	6.5	184.0
Sudan	0.1	22.7	73.0
Syria	1.6	26.2	56.0
Tunisia	4.9	43.8	116.0
UAE	11.1	88.0	172.0
Yemen	1.1	20.0	69.0
Other			
China	13.6	45.8	89.0
USA	29.3	84.2	96.0
Brazil	10.1	51.6	135.0
Russia	16.6	61.4	153.0
Japan	28.9	86.3	118.0
Iran	5.6	31.4	84.0
Turkey	11.2	46.3	93.0
Spain	25.8	71.6	107.0
Malaysia	8.2	67.0	145.0
Singapore	26.0	73.0	156.0

Source: World bank Data, 2013

Global



General Environment (cont'd)

Globalization is one of the major factors affecting managers and organizations.

Managers are challenged by an **increasing** number of **global** competitors.

We will cover this in chapter 4.

How the Environment Affects Managers

Assessing Environmental Uncertainty

- The extent to which managers **have knowledge of and are able to predict** change which their organization's external environment is affected by:
 - **Environmental uncertainty:** how dynamic or stable the external environment is.
 - **Environmental complexity:** the number of components in an organization's external environment.

Exhibit 3–13 Environmental Uncertainty Matrix

		Degree of Change	
		Stable	Dynamic
Degree of Complexity	Simple	Cell 1 Stable and predictable environment Few components in environment Components are somewhat similar and remain basically the same Minimal need for sophisticated knowledge of components	Cell 2 Dynamic and unpredictable environment Few components in environment Components are somewhat similar but are continually changing Minimal need for sophisticated knowledge of components
	Complex	Cell 3 Stable and predictable environment Many components in environment Components are not similar to one another and remain basically the same High need for sophisticated knowledge of components	Cell 4 Dynamic and unpredictable environment Many components in environment Components are not similar to one another and are continually changing High need for sophisticated knowledge of components

Managing Stakeholder Relationships

• **Stakeholders** are any parties in an organization's environment that are affected by the organization's decisions and actions.

➤ Why should managers consider managing stakeholder relationships?

• Managing stakeholder relationships can lead to desired organizational outcomes (i.e. improved predictability of environmental changes, more successful innovations, more trust among stakeholders, greater ability to reduce impact of change).

• It's the "right" thing to do, given the interdependence of the organization and its external stakeholders.

Managing Stakeholder Relationships (cont'd)

How to Manage Stakeholder Relationships

1. **Identify** the organization's external stakeholders.
2. Determine the particular **interests and concerns** of the external stakeholders.
3. Decide **how critical** each external stakeholder is to the organization.
4. Determine **how to manage** each individual external stakeholder relationship.

Exhibit 3-14 Common Organizational Stakeholders



Quick Learning Review

Three of the components of the specific environment are:

- a. Customers, suppliers and economic conditions
- b. Economic conditions, suppliers and competitors
- c. Customers, suppliers and competitors
- d. Economic conditions, pressure groups and suppliers

The two dimensions of environmental uncertainty are:

- a. Degree of change and stability
- b. Degree of change and predictability
- c. Degree of change and knowledge
- d. Degree of change and degree of complexity

Terms to Know

omnipotent view of
management

symbolic view of
management

organizational culture

strong cultures

socialization

workplace spirituality

external environment

specific environment

general environment

environmental uncertainty

environmental complexity

stakeholders