

IB Business Management HL

2.5 Organisational (Corporate) Culture

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Types of Culture

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An Introduction to Corporate Culture

- Culture refers to the **personality** of an organisation
 - This includes **shared values, beliefs, attitudes and practices** that shape the **way people work together** within an organisation
 - A strong organisational culture exists where these factors are **easily recognised** and **embedded** into the **way that a business operates**
 - Businesses with strong cultures are likely to possess a range of **visual** and **operational features**

Visual and Operational Features in a Business with a Strong Culture





Visual Features	Operational Features
<ul style="list-style-type: none">• Business specific artefacts e.g. uniforms• A well know figurehead as a role model• Ceremonies, rituals and customs e.g. awards evenings• Layout of business premises e.g. open plan offices• The training culture e.g induction and on-going	<ul style="list-style-type: none">• Core organisational values e.g. staff wellbeing• Workplace procedures e.g meeting etiquette• Business specific language e.g. calling workers 'team members' or 'partners'• Repeating stories that focus on business values and history

- In businesses with a **strong culture** it is likely that employees
 - Are **united** and **support the mission** of the business
 - Have a '**can do**' **attitude** and are **enthused** by their work
 - Have a strong **belief** that the business is a force for good
- In a **business with a weak culture**, these **signs may be difficult to identify**
 - A '**them and us**' **attitude** may exist between workers and management
 - Employees may **doubt the sincerity** of the corporate mission
 - High levels of **staff turnover** and **low commitment** amongst staff may exist

Charles Handy's Gods of Management

- Handy argued that **different cultures are needed** for **different businesses** and **different situations**
- He identified **four types of organisational culture** in his book *The Gods of Management*

Charles Handy's 'Gods of Management' Classification of Organisational Cultures

<p>Zeus</p> <p>Power Culture</p>	<p>Apollo</p> <p>Role Culture</p>
	
<ul style="list-style-type: none"> • Decision-making is carried out by one or a small number of powerful individuals usually at the top of the business hierarchy <ul style="list-style-type: none"> ◦ Few rules exist to determine decision-making procedure ◦ A competitive atmosphere between workers vying for power ◦ Most communication is by personal contact ◦ It is argued that Alan Sugar's Amstrad adopted a power culture with Sugar as its powerful decision-maker 	<ul style="list-style-type: none"> • Key decisions are made by those with specific job roles <ul style="list-style-type: none"> ◦ Power lies with those with particular job titles rather than those with desirable skills ◦ There is usually a very clear hierarchical structure ◦ Employees are expected to adhere to rules and understand their place in the hierarchy ◦ It may be difficult to adapt to rapidly changing market conditions ◦ Large public sector organisations such as the NHS are considered to have highly structured role cultures
<p>Athena</p> <p>Task Culture</p>	<p>Dionysus</p> <p>Person Culture</p>
	

YOUR NOTES



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| <ul style="list-style-type: none">• In a task culture decisions are made by teams made up of employees with specific skills<ul style="list-style-type: none">◦ Power lies with those with task-related skills (e.g. a finance specialist may make decisions related to funding within the group)◦ Teams are created and dissolved as projects are started and completed◦ There is an emphasis on adaptability and team-working◦ PepsiCo is an example of a business that has a task culture | <ul style="list-style-type: none">• In a person culture individuals with extensive experience and skills are loosely brought together<ul style="list-style-type: none">◦ These individuals have significant levels of power to determine their own decision-making procedures and often work autonomously◦ Organisations with person cultures are very common in professional services such as accountancy and law |
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Exam Tip

Case studies contain lots of **clues** about a firm's culture

Look for signs of a **strong** or **weak** culture. For example

- Does the business have a clear **figurehead**?
- Is there a particular way that the business carries out its **activities**?
- Are there obvious **guiding principles**?
- Are there **visible signs** of a culture - e.g branding, uniforms?

The more clues you can identify, the more likely the business has a strong culture - but

- Do negative **subcultures** exist?
- Is **communication** effective?
- Is everyone '**on board**'?

Cultural Clashes

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Culture Clash and Business Change

Culture Clashes and Culture Gaps

- Cultural clashes in businesses often happen when **people from different backgrounds come together** in the workplace
 - Individuals may have **diverse values, communication styles** or **work habits**
 - Misunderstandings can occur due to **different expectations, communication breakdowns** and varying **approaches to problem-solving**
- A **culture gap occurs** when a businesses actual culture is not aligned with management's desired culture
- A range of **changes in business organisation** can create a culture gap

Examples of Cultural Gaps when Organisations Change

Change in Business Organisation	Impact on Business Culture
Organic growth	<ul style="list-style-type: none"> • Organisational structure often becomes increasingly hierarchical • Higher levels of bureaucracy distance leaders from the workforce
Mergers & takeovers	<ul style="list-style-type: none"> • Successfully combining the cultures of two businesses is particularly difficult • The dominant firm's culture often prevails • A hybrid (combined) structure may emerge
Overseas growth	<ul style="list-style-type: none"> • Differences in national/regional cultures are not always fully understood • Language and tradition/cultural norms may create additional barriers
Leadership	<ul style="list-style-type: none"> • New leaders bring different ideas and vision • Different strategic direction can lead to conflict especially if communicated poorly

Consequences of Culture Clashes

- If culture clashes are allowed to persist in a business it may face a range of negative consequences

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**Negative Consequences of Culture Clashes**

Consequence	Explanation
Communication Breakdown	<ul style="list-style-type: none">• Different communication styles can lead to misunderstandings• Quality and quantity of output may be reduced
Demotivation	<ul style="list-style-type: none">• If employees' cultural values are not respected/understood it can lead to low morale• This can lower productivity and cause negativity
Resistance to Change	<ul style="list-style-type: none">• If a new strategy clashes with the existing culture employees may resist it• This can lead to disengaged employees and increased labour turnover
Less Team Spirit	<ul style="list-style-type: none">• Cultural differences can lead to the formation of subgroups within the organisation• This can result in a lack of cohesion within teams and affect collaboration
Less Innovation	<ul style="list-style-type: none">• Innovation can thrive when employees bring unique perspectives/ideas• Without diverse viewpoints creative thinking and problem-solving may decline