

CHAPTER 2

THE ENVIRONMENT AND CORPORATE CULTURE

CHAPTER OUTLINE

Are You Ready to Be a Manager?

- I. The External Environment
 - A. General Environment
 - B. Task Environment

 - II. The Organization–Environment Relationship
 - A. Environmental Uncertainty
 - B. Adapting to the Environment

 - III. The Internal Environment: Corporate Culture
 - A. Symbols
 - B. Stories
 - C. Heroes
 - D. Slogans
 - E. Ceremonies

 - IV. Types of Culture
 - A. Adaptability Culture
 - B. Achievement Culture
 - C. Involvement Culture
 - D. Consistency Culture

 - V. Shaping Corporate Culture for Innovative Response
 - A. Managing the High-Performance Culture
 - B. Cultural Leadership
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ANNOTATED LEARNING OBJECTIVES

After studying this chapter, students should be able to:

1. *Describe the general and task environments and the dimensions of each.*

The organizational environment consists of all elements existing outside the boundary of the organization that have the potential to affect and influence the organization. This environment consists of two layers: the task environment and the general environment.

The task environment is closer to the organization and includes the sectors that conduct day-to-day transactions with the organization and directly influence its basic operations and

performance such as competitors, suppliers, and customers.

The general environment is the outer layer that is widely dispersed and affects the organization indirectly. It includes social, demographic, and economic factors that influence all organizations about equally.

2. *Explain the strategies managers use to help organizations adapt to an uncertain or turbulent environment.*

The environment creates uncertainty for organization members. Uncertainty means that managers do not have sufficient information about environmental factors to understand and predict environmental needs and changes. Two basic factors that influence uncertainty are the number of factors that affect the organization and the extent to which those factors change. Strategies to adapt to these changes in the environment include boundary-spanning roles, interorganizational partnerships, and mergers or joint ventures.

Boundary-spanning roles are assumed by people and/or departments that link and coordinate the organization with key elements in the external environment. Interorganizational partnerships are a popular strategy for adapting to the environment by reducing boundaries and increasing collaboration with other organizations. A merger is the combining of two or more organizations into one. A joint venture involves a strategic alliance or program by two or more organizations.

3. *Define corporate culture and give organizational examples.*

Culture can be defined as the set of key values, beliefs, understandings, and norms shared by members of an organization. It can be analyzed at three levels. At the surface are visible items, which include manner of dress, patterns of behavior, physical symbols, organizational ceremonies, and office layout. At a deeper level are the expressed values and beliefs, which cannot be discerned from how people explain and justify what they do. These are values that members of the organization hold at a conscious level. They can be interpreted from the stories, language, and symbols organization members use to represent them. Some values become so deeply embedded in a culture that members are no longer consciously aware of them. These basic, underlying assumptions and beliefs are the essence of culture and subconsciously guide behavior and decisions.

4. *Explain organizational symbols, stories, heroes, slogans, and ceremonies and their relationships to corporate culture.*

Fundamental values and corporate culture cannot be observed directly, but they can be understood through the visible manifestations of symbols, stories, heroes, slogans, and ceremonies. A symbol is an object, act, or event that conveys meaning to others. Symbols associated with corporate culture convey the organization's important values. A story is a narrative based on true events that is repeated frequently and shared among organizational employees. Stories are told to new employees to keep the organization's primary values alive. A hero is a figure who exemplifies the deeds, character, and attributes of a strong culture. Heroes are role models for employees to follow. A slogan is a phrase or sentence that succinctly expresses a key corporate value. Many companies use a slogan or saying to convey special meaning to employees. A ceremony is a planned activity that makes up a special event and is

conducted for the benefit of an audience. Managers hold ceremonies to provide dramatic examples of company values. Organizational culture represents the values, understandings, and basic assumptions that employees share, and these values are signified by the above events. Managers help define important symbols, stories, heroes, slogans, and ceremonies to shape the future.

5. *Describe four types of cultures and how corporate culture relates to the environment.*

The **adaptability culture** is characterized by values that support the company's ability to rapidly detect, interpret, and translate signals from the environment into new behavior responses. This culture emerges in an environment that requires fast response and high-risk decision making. Employees have autonomy to make decisions and act freely to meet new needs, and responsiveness to customers is highly valued.

The **achievement culture** is a results-oriented culture that values competitiveness, aggressiveness, personal initiative, and willingness to work long and hard to achieve results. It is suited to organizations concerned with serving specific customers in the external environment but without the intense need for flexibility and rapid change. An emphasis on winning and achieving specific ambitious goals is the glue that holds this organization together.

The **involvement culture** places high value on meeting the needs of employees and values cooperation and equality. This culture has an internal focus on the involvement and participation of employees to rapidly meet changing needs from the environment. Managers emphasize values such as cooperation, consideration of both employees and customers, and avoiding status differences.

The **consistency culture** values and rewards a methodical, rational, orderly way of doing things. This culture has an internal focus and a consistency orientation for a stable environment. Following the rules and being thrifty are important in this culture.

The external environment exerts a big influence on internal corporate culture. Corporate culture should embody what it takes to succeed in the environment. If the external environment requires extraordinary customer service, the culture should encourage good service; if it calls for careful technical decision-making, cultural values should reinforce effective managerial decision making.

6. *Define a cultural leader and explain the tools a cultural leader uses to create a high-performance culture.*

A cultural leader is a manager who uses signals and symbols to influence corporate culture. Cultural leaders influence culture by articulating a vision for the organizational culture that employees can believe in, and heeding the day-to-day activities that reinforce the cultural vision. To create a high-performance culture, a cultural leader would tie the central values that employees believe in to the need for high performance, and then make sure that work procedures and reward systems match and reinforce those values. Finally, the cultural leader must be sure to exemplify high-performance in his or her own work activities.

LECTURE OUTLINE

Are You Ready to Be a Manager?

This questionnaire helps students determine in which types of organizations they might be most comfortable.

INTRODUCTION

A dominant market position is never guaranteed, even for a company like Blockbuster. Video rentals were a key aspect of home entertainment for many years and not very long ago Blockbuster was king of the market. However, mail-order and video-on-demand have completely changed the video rental market and Blockbuster no longer holds court. Although Blockbuster now offers mail-order and streaming services, it was too slow to respond to market changes and lost its influence in the market.

The environment in which companies operate is continually changing, sometimes quite rapidly, as Blockbuster learned, and managers have to stay on their toes. For organizations in all industries, environments are increasingly dynamic, requiring managers to be prepared to respond quickly to even subtle environmental shifts. This chapter explains the components of the external environment and how they affect organizations. In addition, it examines a major part of the organization's internal environment—corporate culture.

I. THE EXTERNAL ENVIRONMENT

INSTRUCTOR'S NOTES

The external **organizational environment** includes all elements existing outside the boundary of the organization that have the potential to affect the organization. The environment includes

competitors, resources, technology, and economic conditions that influence the organization. It does not include those events so far removed from the organization that their impact is not perceived.

The organizational environment can be conceptualized as having two layers surrounding the organization: the general environment and the task environment. The organization also has an **internal environment** that includes the elements within the organization's boundaries. It is composed of current employees, management, and corporate culture.

Business Blooper: British Petroleum Oil Spill

After the worst oil spill in U.S. history, then-CEO of British Petroleum (BP) Tony Hayward didn't win any friends on Capitol Hill two months later when he refused to provide details of the spill, and where he seemed non-chalant about the 760 "egregious willful" violations between 2007 and 2009 from OSHA. Two days later, he was off the coast of England watching his yacht in a race and spending time with his son, at the same time some 60,000 barrels of oil were still leaking each day in a disaster that had already cost 11 lives. This was just a year after the explosion of a BP refinery in Texas in which 15 were killed and hundreds wounded.

Exhibit 2.1: Dimensions of the Organization's General, Task, and Internal Environments

A. General Environment

1. The **general environment** represents the outer layer of the environment and will influence the organization over time, but often is not involved in day-to-day operations. The dimensions of the general environment include international, technological, sociocultural, economic, legal-political, and natural.
 - a. The **international dimension** represents events originating in foreign countries and opportunities for American companies in other countries. This dimension influences all other aspects of the external environment. This provides new competitors, customers, and suppliers and shapes social, technical, and economic trends. Today, every company has to compete on a global basis; high-quality, low-priced cars from Japan have changed the U.S. auto industry. Managers in the U.S. have been slow to understand issues and competition in foreign countries.
 - b. The **technological dimension** includes scientific and technological advancements in a specific industry as well as society at large. Technology has created massive changes for organizations and industries. Today, computer networks, Internet access, videoconferencing, cell phones, and laptops are taken for granted. Other technology will affect organizations and managers; the decoding of the human genome could lead to revolutionary medical advances.

Spotlight on Skills: Creating *Guanxi* in China

With its low labor costs and huge potential market, China is luring thousands of U.S. companies in search of growth opportunities. However, only one-third of multinationals doing business in China have actually turned a profit. One reason Western businesses fall short of expectations is that they fail to grasp the centuries-old concept of *guanxi* that lies at the heart of Chinese culture. *Guanxi* is a supportive, mutually beneficial connection between two people that eventually grows into a network, and it is through these networks that business gets done. People doing business in China should remember the following things: business is always personal; don't skip the small talk; relationships are not short-term, and; make contact frequently.

- c. The **sociocultural dimension** represents the demographic characteristics, norms, customs, and values of the general population. Important sociocultural characteristics are population and geographical distribution, population density, age, and education levels. Today's demographic profiles are the foundation of tomorrow's work force and customers. Forecasters see increased globalization of both consumer markets and labor supply with increasing diversity in organizations and consumer markets.
- d. The **economic dimension** represents the general economic health of the country or region in which the organization operates. Components of the economic dimension include consumer purchasing power, the unemployment rate, and interest rates. The frequency of mergers and acquisitions represents a recent trend in the economic environment, but there is vitality in the small business sector. Entrepreneurial start-ups are a significant aspect of the U.S. economy today.
- e. The **legal-political dimension** includes federal, state, and local government regulations and political activities designed to influence company behavior. Government regulations influence organizations through a variety of legislation such as Occupational Safety and Health Administration (OSHA), the Environmental Protection Agency (EPA), fair trade practices, and others. **Pressure groups** are interest groups that work within the legal-political framework to influence companies to behave in socially responsible ways. For example, tobacco companies are feeling the power of anti-smoking groups.
- f. The natural dimension includes all elements that occur naturally on earth, including plants, animals, rocks, and natural resources such as air, water, and climate. Protection of the natural environment is emerging as a critical policy focus around the world. The natural dimension is different from other sectors of the general environment because it has no voice of its own. Influence on managers to meet needs in the natural environment may come from other sectors, such as government regulation, consumer concerns, the media, competitors' actions, and even employees.

Discussion Question #5: *Why do you think that many managers are surprised by environmental changes and hence are less able to help their organizations adapt?*

Exhibit 2.2: 2010 Environmental Performance Index

B. Task Environment

1. The **task environment** is the layer closest to the organization and includes those sectors that have a direct working relationship with it. The task environment includes customers, competitors, suppliers, and the labor market.
 - a. **Customers** are those people and organizations in the environment who acquire goods or services from the organization. Customers are important because they determine the organization's success.

Discussion Question #4: *Contemporary best-selling management books often argue that customers are the most important element in the external environment. Do you agree? In what company situations might this statement be untrue?*

- b. **Competitors** are organizations in the same industry or type of business that provide goods or services to the same set of customers. Specific competitive issues characterize each industry. The recording industry differs from the steel industry and the pharmaceutical industry.
- c. **Suppliers** are people and organizations that provide the raw materials that the organization uses to produce its output. Many companies are using fewer suppliers and building good relationships with them so that they will receive high-quality goods at lower prices. These companies are also finding that being cooperative, rather than adversarial, is the key to saving money, maintaining quality, and speeding products to market.
- d. The **labor market** represents people in the environment available for hire by the organization. Labor market factors that impact organizations include:
 - the growing need for computer-literate information technology workers;
 - the necessity for continuous investment in human resources through recruitment, education, and training to meet competitive demands of the borderless world; and
 - the effects of international trading blocs, automation, and shifting plant location upon labor dislocations, creating unused labor pools in some areas and labor shortages in others.

Discussion Question #2: *Would the task environment for a cellular phone company contain the same elements as that for a government welfare agency? Discuss.*

II. THE ORGANIZATION-ENVIRONMENT RELATIONSHIP

INSTRUCTOR’S NOTES

Lined area for instructor's notes.

Exhibit 2.3: The External Environment of Nortel

Exhibit 2.4: The External Environment and Uncertainty

A. Environmental Uncertainty

- 1. Environmental uncertainty must be managed to make the organization more effective. Uncertainty means managers do not have sufficient information about environmental factors to understand and predict environmental needs and changes. Environmental characteristics that influence uncertainty are the number of factors that affect the organization and the extent to which those factors change.
2. When external factors change rapidly, the organization experiences very high uncertainty (e.g., telecommunications firms, computer firms, and electronics firms). When an organization deals with a few external factors that are stable, managers experience low uncertainty (e.g., soft-drink bottlers or food processors).

Discussion Question #3: What do you think are the most important forces in the external environment creating uncertainty for organizations today? Do the forces you identified typically arise in the task environment or the general environment?

New Manager Self-Test: Are You Fit for Managerial Uncertainty?
The questionnaire is designed to provide insight into whether a person is better suited for a stable environment or in an organization with an uncertain environment.

B. Adapting to the Environment

1. Boundary spanning is an increasingly important task in organizations because environmental shifts can happen quickly in today’s world. Managers need good information about their competitors, customers, and other elements in the environment to make good decisions. The most successful companies involve everyone in boundary-spanning activities.

Exhibit 2.5: The Shift to a Partnership Paradigm

2. Managers in partnering organizations are shifting from an adversarial orientation to a partnership orientation. Companies are joining together to become more effective and share scarce resources. Partners are frequently involved in one another’s product design and production, and they are committed for the long term.
3. Mergers and joint ventures also reduce uncertainty. A **merger** occurs when two or more organizations combine to become one. A **joint venture** involves a strategic alliance or program by two or more organizations that occurs when the project is too complex, expensive, or uncertain for one firm to handle alone.

Discussion Question #6: *Why are interorganizational partnerships so important for today’s companies? What elements in the current environment might contribute to either an increase or decrease in interorganizational collaboration? Discuss.*

III. THE INTERNAL ENVIRONMENT: CORPORATE CULTURE

INSTRUCTOR’S NOTES _____

Exhibit 2.5: Levels of Corporate Culture

Spotlight on Skills: Zappos Shoes

Zappos.com, an online retail site best known for its wide selection of shoes and its free shipping, boldly proclaims its unique culture in an offbeat set of ten core values, including “Create fun and a little weirdness.” CEO Tony Hsieh believes these core values illustrate the company’s innovative culture and demonstrate its ultimate business goal—*cultivating happiness*. Hsieh’s management theory is that if you create a work culture that fosters well-being, good practices and (eventually) good profits will naturally flow out of the operation. One way the Zappos Family of companies perpetuates its unique culture is by hiring employees who will fit into the slightly wacky, drama-club atmosphere.

The internal environment includes: corporate culture, production technology, organization structure, and physical facilities. Corporate culture is extremely important in an organization attempting to achieve a competitive advantage. The internal culture must fit the needs of the external environment and company strategy.

Culture is defined as the set of key values, beliefs, understandings, and norms shared by members of an organization. Culture is a pattern of shared values and assumptions about how things are done within the organization. It can be analyzed at two levels. At the surface level are visible artifacts—all the things one can see, hear, and observe by watching members of the organization. At a deeper level are the expressed values and beliefs, which are not observable but can be discerned from how people explain and justify what they do. Some values become so deeply embedded in a culture that members are no longer consciously aware of them. These basic, underlying assumptions and beliefs are the essence of culture and subconsciously guide behavior and decisions.

A. Symbols

1. A **symbol** is an object, act, or event that conveys meaning to others. Symbols associated with corporate culture convey the organization’s important values.

B. Stories

1. A **story** is a narrative based on true events that is repeated and shared among organizational employees. Stories are told to new employees to keep the organization’s primary values alive.

C. Heroes

1. A **hero** is a figure who exemplifies the deeds, character, and attributes of a strong corporate culture. Heroes are role models for employees to follow.

D. Slogans

1. A **slogan** is a phrase or sentence that succinctly expresses a key organizational value.

E. Ceremonies

1. A **ceremony** is a planned affair that makes up a special event and is conducted for the benefit of an audience.

Discussion Question #8: *Cultural symbols are usually noticed through sight, sound, touch, and smell. For example, Abercrombie retail stores use music, attractive models, and fragrance to communicate elements of its retail store culture. Why are symbols important to a corporate culture?*

IV. TYPES OF CULTURE

INSTRUCTOR'S NOTES _____ _____ _____ _____ _____ _____ _____ _____ _____ _____ _____

The external environment has a major influence on internal organizational culture. The internal culture should embody what it takes to succeed in the environment.

Exhibit 2.7: Four Types of Corporate Cultures
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- A. The **adaptability culture** is characterized by values that support the company's ability to rapidly detect, interpret, and translate signals from the environment into new behavior responses. This culture emerges in an environment that requires fast response and high-risk decision making. Employees have autonomy to make decisions and act freely to meet new needs, and responsiveness to customers is highly valued.
- B. The **achievement culture** is a results-oriented culture that values competitiveness, aggressiveness, personal initiative, and willingness to work long and hard to achieve results. It is suited to organizations concerned with serving specific customers in the

external environment but without the intense need for flexibility and rapid change. An emphasis on winning and achieving specific ambitious goals is the glue that holds this organization together.

- C. The **involvement culture** places high value on meeting the needs of employees and values cooperation and equality. This culture has an internal focus on the involvement and participation of employees to rapidly meet changing needs from the environment. Managers emphasize values such as cooperation, consideration of both employees and customers, and avoiding status differences.
- D. The **consistency culture** values and rewards a methodical, rational, orderly way of doing things. This culture has an internal focus and a consistency orientation for a stable environment. Following the rules and being thrifty are important in this culture.

Discussion Question #10: *General Electric is famous for firing the lowest-performing 10 percent of its managers each year. With its strict no-layoff policy, Valero Energy believes people need to feel secure in their jobs to perform their best. Yet both are high-performing companies. How do you account for the success of such opposite philosophies?*

V. SHAPING CORPORATE CULTURE FOR INNOVATIVE RESPONSE

INSTRUCTOR'S NOTES

New Manager Self-Test: Culture Preference

The fit between a new manager and organization can determine success and satisfaction. This exercise helps students better understand which type(s) of organizational culture they prefer.

Research shows that one factor that increases a company's value the most is people and how they are treated. Corporate culture has become increasingly important to managers as they recognize its importance in attracting, motivating, and keeping good employees. Culture plays a key role in creating an organizational climate that enables learning and innovative responses to threats from the external environment, challenging new opportunities, or organizational crises.

Exhibit 2.8: Combining Culture and Performance

A. Managing the High-Performance Culture

1. Companies that succeed in a turbulent world are those that pay attention to both cultural values and business performance. Cultural values can energize and motivate employees by appealing to higher ideals and unifying people around shared goals. Values boost performance by shaping and guiding employee behavior, so that everyone's actions are aligned with strategic priorities. Four organizational outcomes are possible based on the relative attention managers pay to cultural values and business performance.
 - a. Companies that pay little attention to either values or business results are unlikely to survive for long.
 - b. Companies that focus on values but pay little attention to business results are likely to miss important environmental changes, eventually resulting in loss of market share.
 - c. Companies that focus primarily on business results but pay little attention to organizational values will find it difficult to survive in times of crisis.
 - d. Companies that emphasize both values and business performance will develop a strong organizational culture that gives employees a sense of identity, holds the company together during tough times, and helps it adapt quickly to a changing environment. These companies represent the **high-performance** culture that:
 - is based on a solid organizational mission or purpose;
 - embodies shared adaptive values that guide decisions and business practices; and
 - encourages individual employee ownership of both bottom-line results and the organization's cultural backbone.

B. Cultural Leadership

1. One-way managers change norms and values to build a high-performance culture is through *cultural leadership*. A **cultural leader** defines and uses signals and symbols to influence corporate culture by:
 - a. articulating a vision for the organizational culture that generates excitement and that employees can believe in; and
 - b. heeding the day-to-day activities that reinforce the cultural vision.
2. Managers widely communicate the cultural values through words and actions. Value

statements that aren't reinforced by management behavior are meaningless. Cultural leaders also uphold their commitment to values during difficult times or crises. Maintaining consistency with the cultural values helps organizations weather the storm and come out stronger on the other side. Cultural leaders let everyone know what really counts.

Benchmarking: Netflix

Stock analyst Michael Pachter called Netflix a “worthless piece of cr**” in 2005 and said it would be taken over by Walmart, Amazon, and Blockbuster. Reed Hastings was bothered by having to pay a \$40 late fee for one video and started to think people might join a DVD club the same way they might join a health club, with monthly fees. That's how Netflix was born. At first, no one thought the idea of people renting movies through the mail had any merit, but when others started offering similar services, Hastings lowered costs, speeded up DVD turnaround, and improved the computer algorithm to make the experience more personal. The hard-driving, risk-taking culture Hastings developed at Netflix means he didn't even balk at the prospect of cannibalizing the mail-order portion of his own business to introduce the movie-streaming side, and now Netflix is the market leader in streaming video content.

Answers to Discussion Questions

1. *How can you prepare yourself to become an effective manager in an increasingly uncertain global business environment?*

The range of things students could do is quite broad. Some specific things they could do inside the classroom include learning more about other countries and ethnic groups and their cultures, studying abroad, learning other languages, engaging in role plays that involve international settings, and interacting with students from other countries/cultures.

Some ideas for things to do outside the classroom include visiting other countries, taking on internships in international organizations, hosting exchange students, and attending multicultural events in the community.

2. *Would the task environment for a cellular phone company contain the same elements as that for a government welfare agency? Discuss.*

There are three components of the task environment: competitors, suppliers, and customers. An analysis of each of these components for the two organizations illustrates the differences in their task environments.

Competitors for cellular phone companies include not only other cellular phone companies, but also traditional phone companies, broadband phone services, and other electronic communication services. It is debatable whether there are competitors for most government welfare agencies. Churches and other charitable organizations often provide similar services, but do not really compete with the agencies.

Suppliers of cellular phone companies include the cell phone and other electronic device manufacturers, investors, and companies that build and operate cell phone towers. Suppliers of government agencies, in addition to material suppliers, are ultimately the taxpayers.

Customers of cellular phone companies generally include businesses and members of the general public who are financially sound and able to afford the services offered by the cellular phone companies. Customers or clients of a government welfare agency are generally persons who are financially weak.

3. *What do you think are the most important forces in the external environment creating uncertainty for organizations today? Do the forces you identified typically arise in the task environment or the general environment?*

The forces influencing the external environment are competitors, resources, technology, and economic conditions. The general environment forces include international, technological, sociocultural, economic, and legal-political dimensions. The task environment includes those sectors that have a direct working relationship with the organization, among them customers, competitors, suppliers, and the labor market. Organizations are challenged by uncertainty in the market place and must be able to respond quickly to changing conditions. These forces impact management and create uncertainty, especially in the general environment. A manager must be able to utilize a contingency approach to planning and control events and activities as they develop.

4. *Contemporary best-selling management books often argue that customers are the most important element in the external environment. Do you agree? In what company situations might this statement be untrue?*

Companies in the public and private sector must be customer driven to remain competitive. Management and employees must be customer sensitive and custom deliver the right bundle of utilities to create optimal customer satisfaction. Every organization must have a customer focus and this should be reflected in the mission, goals, and strategies of every firm.

5. *Why do you think that many managers are surprised by environmental changes and hence are less able to help their organizations adapt?*

Managers sometimes do not realize the need to carefully monitor the environment so that they can anticipate and prepare for changes, and there are also things that happen in the environment that cannot reasonably be predicted. By definition, uncertainty means that managers lack sufficient information about the environment to understand and predict needs and changes. Companies have to make an effort to adapt to the rapid changes in their environments.

6. *Why are interorganizational partnerships so important for today's companies? What elements in the current environment might contribute to either an increase or decrease in interorganizational collaboration? Discuss.*

Interorganizational partnerships are important for today's companies to survive and grow in the future. Sharing information and resources is essential to cost effectiveness and satisfying

stockholders of these organizations. Terrorist activities will add to the need for sharing of information among the interorganizational companies. Technological advancements will continue to increase the ease with which interorganizational collaboration occurs.

7. *Many companies are “going green” or adopting environmentally friendly business strategies. Clorox, for example, now offers an eco-friendly household cleaner called Green Works. How do companies benefit from going green?*

As more of their customers become involved in recycling and other environmentally friendly projects and activities, companies benefit from going green in many ways. They can expand their product lines, as Clorox did, to take advantage of the growing market for eco-friendly products. They may be able to reduce costs by using more natural products, or increase revenues by selling previously discarded materials. Companies may also be able to create goodwill among consumers by presenting themselves as environmentally aware and concerned.

8. *Cultural symbols are usually noticed through sight, sound, touch, and smell. For example, Abercrombie retail stores use music, attractive models, and fragrance to communicate elements of its retail store culture. Why are symbols important to a corporate culture?*

Symbols are important to corporate culture because they are tangible objects, acts, or events that embody deeper values shared by organization members. Astute managers create symbols to help reinforce key values. Almost anything can serve as a symbol. Thus, stories, heroes, slogans, and ceremonies all serve their own purpose, but also have symbolic value by indicating to employees the values and understandings that are especially significant for the organization.

9. *Both China and India are rising economic powers. How might your approach to doing business with Communist China be different from your approach to doing business with India, the world’s most populous democracy? In which country would you expect to encounter the most rules? The most bureaucracy?*

China will have many more rules and much more bureaucracy than will India, as its government tries to strictly control the activities of foreign businesses, as well as those of its own citizens. Doing business in India will be considerably easier than in China due, in large measure, to the greater openness of its society and government. Additionally, there may be less risk of government interference or even takeover of company facilities and properties in India than there is in China.

10. *General Electric is famous for firing the lowest-performing 10 percent of its managers each year. With its strict no-layoff policy, Valero Energy believes people need to feel secure in their jobs to perform their best. Yet both are high-performing companies. How do you account for the success of such opposite philosophies?*

The most likely answer to this question is that, while the companies have very different philosophies about the impact of employees’ sense of job security, both companies probably place strong emphasis on organizational values and business performance. Their views about employees’ security do not have to be the same, as long as the culture of each is based on a solid organizational mission or purpose, embodies shared adaptive values that guide decisions and business practices, and encourages individual employee ownership of both bottom-line results

and the organization's cultural backbone.

TEACHING NOTES FOR LEARNING EXERCISES

Self-Learning: Working in an Adaptability Culture

An adaptability culture is shaped by the values and actions of top and middle managers. When managers actively encourage and welcome change initiatives from below, the organization will be infused with values for change. The questionnaire measures the openness of students' managers to change. The following questions may stimulate discussion among students.

Group Learning: Organizational Culture in the Classroom and Beyond

This exercise asks students to identify cultural norms from their own experiences in three different settings, then discuss the identified norms in groups of four to six students and group the norms by common themes and give each group of norms a title. Students will also discuss the origins of norms, the difference between espoused norms and enacted norms, and responsibility for establishing norms.

Action Learning

This exercise asks students to answer a series of questions about good and bad work situations, which types of organizational cultures were their best and worst, which aspects of cultures fit or did not fit, and what can be learned about what they need in their workplaces to operate at their best.

TEACHING NOTE FOR ETHICAL DILEMMA

Competitive Intelligence Predicament

1. *Go ahead and use the documents to the company's benefit, but make clear to your boss that you don't want him passing confidential information to you in the future. If he threatens to fire you, threaten to leak the news to the press.*

This is probably not a good option, since Miquel would feel uncomfortable using the information, knowing that it was received illegally, and it's almost never a good idea to get into a threat/counter threat argument with your boss.

2. *Confront your boss privately and let him know you're uncomfortable with how the documents were obtained and what possession of them says about the company's culture. In addition to the question of the legality of using the information, point out that it is a public relations nightmare waiting to happen.*

This is probably the best initial option. Miquel should be up front with his boss and let him

know he doesn't intend to do anything illegal. If the boss insists that he does it anyway, or threatens him with being fired if he doesn't, then he might consider moving on to Option 3.

3. *Talk to the company's legal counsel and contact the Society of Competitive Intelligence Professionals for guidance. Then with their opinions and facts to back you up, go to your boss.*

After being up front with his boss, Miquel should then go elsewhere if the boss does not support him in this matter.

CASE FOR CRITICAL ANALYSIS

Rio Grande Supply Company

1. *What environmental factors have helped to create the situation Jasper Hennings faces? What factors does Jasper need to consider when deciding on his course of action?*

The biggest environmental factor in this situation is obviously technology and the ease of accessing inappropriate material via the Internet with relative anonymity. Of course, the anonymity only lasts so long as no one is monitoring your computer activities. Apparently, the fired employee had somehow discovered Darger's propensity toward pornography. Another aspect of this situation is the overwhelming prevalence of and dependence on email, and the ease of getting into someone else's email.

Jasper needs to consider the treatment of the recently-fired employee, Darger's use of his company computer to view pornography, the fact that the to other, and how the sudden enforcement of a policy to which the company has thus far turned a blind eye with regard to infractions will affect the remaining employees. Although it may be costly to replace Darger, enforcement of the policy cannot be based on cost of employee replacement if it is to be fairly enforced.

2. *Analyze Rio Grande's culture. In addition to the expressed cultural values and beliefs, what other subconscious values and beliefs do you detect? Are conflicting values present? When values are in conflict, how would you decide which ones take precedence?*

The espoused values of the company include integrity, honesty, and a respect for each individual employee. There appears to be a subconscious value that it's alright to ignore company policies as long as the infractions don't really harm other employees. The problem with this conflicting value is that there will be differences about where to "draw the line" on infractions. Which activities are alright and which are not? Who decides whether another employee is harmed? Why is it alright to do personal email, but not alright to engage in other "personal" activities on company computers? If Rio Grande is going to have a zero-tolerance policy regarding use of company computers for personal reasons, it must enforce the policy in every instance, not just the "serious" incidents.

3. *Assume you are Jasper. What are the first two action steps you would take to handle the Henry Darger situation? How would your role as a cultural leader influence your decision?*

What message will your solution send to the other managers and rank-and-file employees?

Students will likely offer a variety of actions steps. Some of these steps might include firing Darger, insisting that he go to professional counseling, reinstating the female employee who was fired, and acknowledging to all employees that the policy regarding abuse of company computers has not been enforced thus far, but that the company will strictly enforce a zero-tolerance approach to the policy going forward from this date. Jasper must be careful that, whatever he does, the message he sends to other managers and rank-and-file employees is that honesty, integrity, and respect for individual employees are the values the company intends to be known for both internally and externally, and that those who cannot uphold those values will be asked to leave the company.

ON THE JOB VIDEO CASE

Camp Bow Wow: The Environment and Corporate Culture

1. What aspects of Camp Bow Wow's corporate culture are visible and conscious? What aspects are invisible and unconscious?

Visible aspects of Camp Bow Wow's culture include the company logo, the presence of dogs in workspaces, the dress code, the camp imagery, and Heidi Ganahl's life story, which is told and retold during franchisee meetings. Founder Heidi Ganahl says that one of the unique things about working at Camp Bow Wow's corporate headquarters is that "you get to bring your dog to work with you every day." Employees keep baby gates at offices to hold dogs, and the company encourages regular dog-walking breaks. According to Heidi Ganahl, having pets at work keeps everyone focused on the company mission and what's best for the brand.

Invisible aspects of Camp Bow Wow's culture include values such as overcoming adversity to achieve success—a core value communicated through Heidi Ganahl's life story. Another invisible value embraced at Camp Bow Wow is the idea of providing a humanitarian service to dogs and dog lovers. This invisible value has led to the creation of the Bow Wow Buddies Foundation, a non-profit division of Heidi Ganahl's company that finds homes for unwanted pets, invests in animal disease-prevention research, and promotes humane treatment of animals.

2. Why did Camp Bow Wow have to change its culture when it became a national franchise?

Camp Bow Wow's early family-business culture was useful in the startup phase of Camp Bow Wow's growth. However, Founder Heidi Ganahl says her company required a different culture once it became a national franchise. In particular, Ganahl says the focus had to shift from a family-based culture to a business-and-performance-oriented culture. She states that the big challenge for any franchise is to get hundreds of franchisees on the same page and committed to one vision and one way of achieving goals. Ganahl says this requires a strong culture that "doesn't allow for people to color outside of the lines, yet taps into their creativity and innovation."

3. What impact does Heidi Ganahl's story have on employees at Camp Bow Wow?

The story of Heidi Ganahl is famous at all levels of the Camp Bow Wow organization. Consumers and franchisees who come in contact with Camp Bow Wow learn about the company by hearing the details of her story. Boulder franchisee Sue Ryan says that Ganahl's story is inspiring to her because it deals with perseverance through tough times. Ryan adds that while business owners don't experience Ganahl's specific tragedy, they do understand adversity. Finally, the story offers a personal connection between employees and the founder. According to Ganahl, the takeaway from her story is that people inevitably face challenges in life and business, but our response to adversity determines whether we will be successful or unsuccessful.

BIZ FLIX VIDEO CASE

Charlie Wilson's War

Video Case Synopsis

Democratic Congressman Charlie Wilson (Tom Hanks) from East Texas lives a reckless life that includes heavy drinking and chasing attractive women. The film focuses on the Afghanistan rebellion against the Soviet troop invasion in the 1980s. Wilson becomes the unlikely champion of the Afghan cause through his role in two major congressional committees that deal with foreign policy and covert operations. Houston socialite Joanne Herring (Julia Roberts) strongly urges the intervention. CIA agent Gust Avrakotos (Philip Seymour Hoffman) helps with some details.

This sequence appears early in the film after a scene showing the characters drinking and partying in a hot tub. It opens with a shot of the Capitol Building. Congressman Charlie Wilson talks to his assistant Bonnie (Amy Adams) while walking to chambers for a vote. The sequence ends after Wilson enters the chambers. The film cuts to Wilson's office where Larry Liddle (Peter Gerety) and his daughter Jane (Emily Blunt) wait for Wilson to arrive.

Video Case Discussion Questions and Suggested Answers

1. *This chapter discussed organizational culture as having two levels of visibility. Visible artifacts are at the first level and the easiest to see. Which visible artifacts did you observe in this sequence?*

Many visible artifacts appear in this Biz Flix video case. Viewers can see them unfold in the early part of the sequence. They include business attire for men and women, pictures on the walls that show historical Congressional figures, lighting fixtures, carpeting, furnishings, and formal behavior in greeting each other ("Congressman . . . Tip asked me to talk to you"). "Tip" refers to the Speaker of the House, Massachusetts' Congressman Thomas P. "Tip" O'Neill.

2. *Values appear at the next level of organizational culture. You can infer a culture's values from the behavior of organizational members. Which values appear in this sequence?*

The social interaction as Wilson goes through the halls suggests formality in social structure and social relationships. It implies a value of formality and status relationships. Wilson shows less formality in his interactions and some rebellious behavior (drinking whiskey and dating) and which defines him as a subculture within the organizational culture. He values timely information as shown by his reading the teletype output instead of a newspaper. He also values correct geographical knowledge as shown in his discussion with Bonnie about the location of Kabul.

3. *Organizational members will subconsciously behave according to an organizational culture's basic assumptions. You also infer these from observed behavior. Which basic assumptions appear in this sequence?*

Wilson's behavioral reaction to Donnelly's (Daniel Eric Gold) observation that "Tip" wants to appoint him to the ethics committee implies a basic assumption of unethical behavior, at least for Wilson. Negotiation then emerges as another basic assumption. Wilson wants an appointment to the Kennedy Center Board of Directors. Donnelly says, "Consider it done."