

CONSTRAINTS ON MANAGERS

Chapter 7

READING AN ORGANIZATION'S CULTURE: FIND ONE WHERE YOU'LL BE HAPPY

“A key to success in management and in your career is knowing how to “read” an organization’s culture so you can find one in which you’ll be happy.”

THE MANAGER: OMNIPOTENT OR SYMBOLIC?

- ▶ **Omnipotent view of management:** The view that managers are directly responsible for an organization's success or failure.
- ▶ **Symbolic view of management:** The view that much of an organization's success or failure is due to external forces outside managers' control.

MANAGERIAL CONSTRAINTS

- ▶ In reality, managers are neither all-powerful nor helpless. But their decisions and actions are constrained.
- ▶ As you can see in Exhibit 7-1, external constraints come from the organization's environment and internal constraints come from the organization's culture.

EXHIBIT 7-1

Constraints on Managerial Discretion



THE EXTERNAL ENVIRONMENT

- ▶ **The External Environment:** Those factors and forces outside the organization that affect its performance. The external environment includes several different components.
 - ▶ **Economic** – Encompasses factors such as interest rates, inflation, changes in disposable income, stock market fluctuations, and business cycle stages.
 - ▶ **Demographic** – Concerned with trends in population characteristics such as age, race, gender, education level, geographic location, income and family composition.
 - ▶ **Political/Legal** – Concerned with federal, state and local laws, and global laws.

THE EXTERNAL ENVIRONMENT (CONT.)

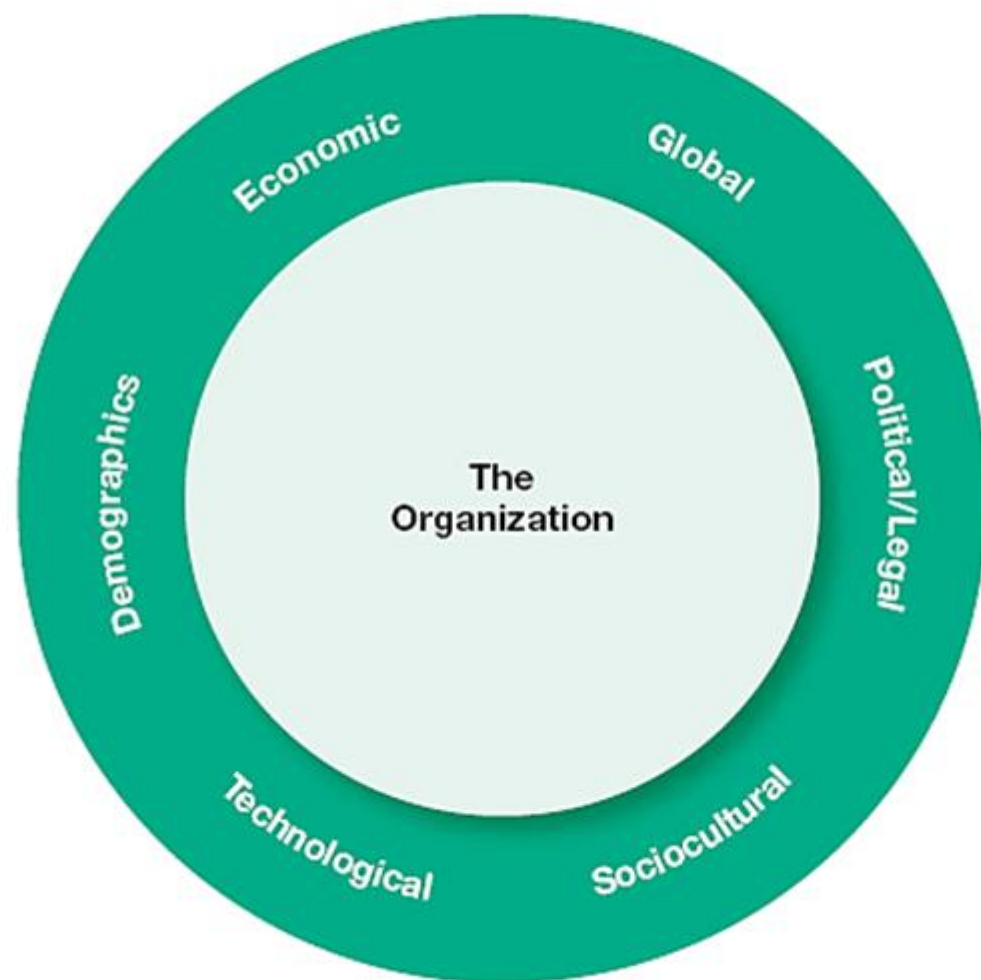
- ▶ Technological – Concerned with scientific or industrial innovations.
- ▶ The Sociocultural – Concerned with societal and cultural factors such as values, attitudes, trends, traditions and lifestyles, beliefs, tastes, and patterns of behavior.
- ▶ Global – Encompasses issues associated with globalization and a world economy.

THE EXTERNAL ENVIRONMENT (CONT.)

- The demographic component is concerned with trends in population characteristics such as age, race, gender, education level, geographic location, income, and family composition.
- The political/legal component looks at federal, state, and local laws, as well as global laws and laws of other countries. It also includes a country's political conditions and stability.

EXHIBIT 7-2

Components of External Environment



FACTORS IMPACTING GLOBAL BUSINESSES

- ▶ Like many global businesses, Nestlé is facing increased commodity (raw materials) costs.
- ▶ Nestlé, the maker of products from Crunch chocolate bars to Nescafé coffee to Purina pet foods, spends more than \$30 billion a year on raw materials.
- ▶ Commodity costs are just one of the many volatile economic factors facing organizations. Managers need to be aware of the economic context so they can make the best decisions for their organizations.

THE GLOBAL ECONOMY AND THE ECONOMIC CONTEXT

- ▶ The lingering global economic challenges – once described as the “Great Recession” by some analysts – began with the turmoil in the United States housing market.
- ▶ As credit markets collapsed, businesses were impacted.
- ▶ Credit was no longer readily available to fund businesses.
- ▶ Economic difficulties spread across the globe.
- ▶ The fragile economic recovery continues to be a business constraint.

ECONOMIC INEQUALITY AND THE ECONOMIC CONTEXT

- ▶ As economic growth has languished and sputtered, and as people's belief that anyone could prosper declined, social discontent over growing income gaps has increased.
- ▶ Business leaders must realize that societal attitudes in the economic context have the potential to create constraints.

The Demographic Environment

Gen Y is an important demographic at Facebook, where most employees are under 40. The company values the passion and pioneering spirit of its young employees who embrace the challenges of building groundbreaking technology and of working in a fast-paced environment with considerable change and ambiguity.



THE DEMOGRAPHIC ENVIRONMENT (CONT.)

- ▶ The size and characteristics of a country's population can have a significant effect on what it's able to achieve in politics, economics, and culture.
- ▶ Baby Boomers – Born between 1946 and 1964, one of the largest and most influential demographic groups in history.
- ▶ Gen Y or (Millennials) – Children of Baby Boomers, born between 1978 and 1994, making an impact on technology and the workplace.
- ▶ Post-Millennials – The youngest group identified age group—basically teens and middle-schoolers. They have also been called the iGeneration because advances in technology have customized everything to the individual.

Environmental Uncertainty Matrix

		Stable	Dynamic
Simple	Complex	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
		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

ASSESSING ENVIRONMENTAL UNCERTAINTY

- ▶ Environmental uncertainty refers to the degree of change and complexity in an organization's environment.
 - ▶ The first dimension of uncertainty is change.
 1. Organizations are stable, minimal change
 2. Organizations are dynamic, frequent change
- ▶ Organizational Complexity refers to the number of components in an organization's environment and the extent of the organization's knowledge about those components.

MANAGING STAKEHOLDER RELATIONSHIPS

- ▶ The nature of stakeholder relationships is another way in which the environment influences managers. The more obvious and secure these relationships, the more influence managers will have over organizational outcomes.
- ▶ Stakeholders – Any constituencies in an organization's decisions and actions.
- ▶ Exhibit 7 - 4 identifies some of the organization's most common stakeholders which includes both internal and external constituent groups.

EXHIBIT 7-4

Organizational Stakeholders



THE BENEFITS OF GOOD STAKEHOLDER RELATIONSHIPS

- ▶ Improved predictability of environmental changes
- ▶ Increased successful innovations
- ▶ Increased trust among stakeholders
- ▶ Greater organizational flexibility to reduce the impact of change

ORGANIZATIONAL CULTURE: CONSTRAINTS AND CHALLENGES

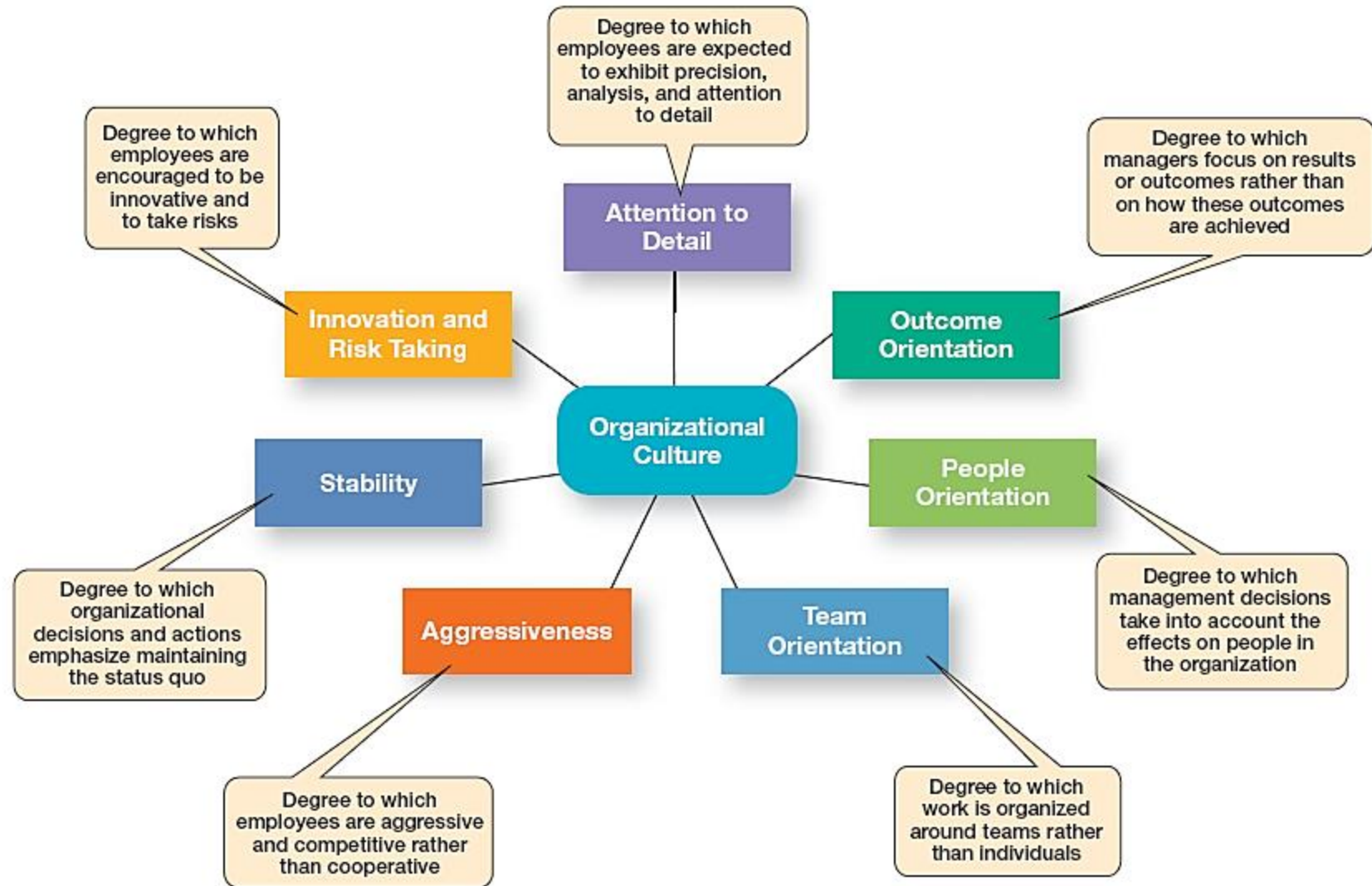
- ▶ Just as each individual has a unique personality — traits and characteristics influence the way we act and interact with others. An organization, too, has a personality, which is referred to as organizational culture.
- ▶ An organization's culture can make employees feel included, empowered, and supported or it can make them feel the opposite.

ORGANIZATIONAL CULTURE

- ▶ **Organizational Culture** —The shared values, principles, traditions, and ways of doing things that influence the way organizational members act and that distinguish the organization from other organizations.
- ▶ **Cultural Values** and practices evolve over time.
- ▶ **Organizational Culture is:**
 - ▶ **Perception** — based on employee experience within the organization.
 - ▶ **Descriptive** — how members describe it.
 - ▶ **Shared** — employees share perception and experiences.
- ▶ Research suggests seven dimensions of culture that seem to capture the essence of an organization's culture. These dimensions are shown in Exhibit 7-5 and range from low to high.

EXHIBIT 7-5

**Dimensions of
Organizational
Culture**



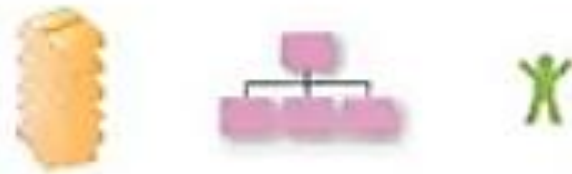
CONTRASTING ORGANIZATIONAL CULTURE

- ▶ In many organizations, one cultural dimension is often emphasized more than others and essentially shapes the organization's personality and the way the organization works.
- ▶ For example, Sony Corporation focuses on product innovation and risk-taking. The company "lives and breaths" innovations, and employees' behaviors support that goal. (Product Orientation).
- ▶ Conversely, Southwest Airlines focuses on its employees and has made them a central focus of its culture. (People Orientation).

EXHIBIT 7-6

CONTRASTING ORGANIZATIONAL CULTURE

Organization A



- ▶ Risk-taking and change discouraged
- ▶ Creativity discouraged
- ▶ Close managerial supervision
- ▶ Work activities designed around the individual employee

Organization B



- ▶ Risk-taking and change rewarded
- ▶ Creativity and innovation rewarded
- ▶ Management trusts employees
- ▶ Work designed around teams

CONTRASTING CULTURAL VALUES (CONT.)

- ▶ Exhibit 7-6 illustrates how the dimensions of culture can create significantly different cultures.
- ▶ Both Organization A and Organization B are manufacturing firms, but each company emphasizes a different dimension that have shaped organizational culture.

EXHIBIT 7-7

Strong Versus Weak Cultures

Strong Cultures

Values widely shared

Culture conveys consistent messages about what's important

Most employees can tell stories about company history or 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

STRONG CULTURES

- ▶ All organizations have cultures, but not all cultures equally influence employees' behaviors and actions.
- ▶ Strong Cultures—Organizational cultures in which the key values are intensely held and widely shared.
- ▶ The more employees accept the organization's key values and greater their commitment to those values, the stronger the culture.
- ▶ The stronger the culture becomes, the more it affects the way managers plan, organize, lead, and control.
- ▶ Strong Cultures are associated with high organizational performance.

Strong Cultures

Apple's strong culture of product innovation and customer-service reflects the core values of its visionary cofounder, Steve Jobs. Jobs instilled these core values in all employees, from top executives to sales associates, such as the Genius Bar employee shown here training a customer at the Apple Store in Manhattan.

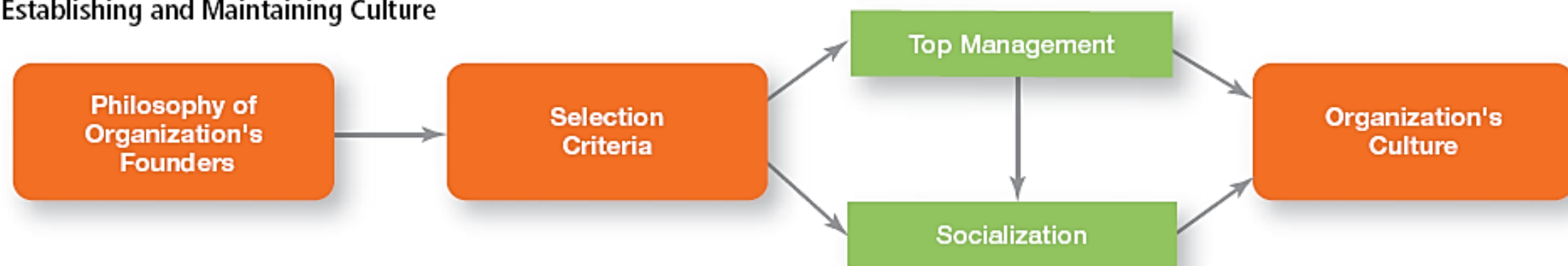


WHERE CULTURE COMES FROM AND HOW IT CONTINUES

- ▶ Exhibit 7-8 illustrates how an organization's culture is established and maintained.
- ▶ Organizational Culture usually reflects the vision of the founder.
- ▶ The small size of most new organizations makes it easier to establish organizational culture.
- ▶ Once culture is established, organizational practices help to maintain it.

EXHIBIT 7-8

Establishing and Maintaining Culture



HOW EMPLOYEES LEARN CULTURE

- ▶ Employees “learn” an organization’s culture in a number of ways. The most common are stories, rituals, material symbols, and language.
- ▶ Stories — organizational stories about significant events in the life of the company help keep culture alive.
- ▶ Rituals — repetitive sequences of activities that express and reinforce important organizational values and goals.

HOW EMPLOYEES LEARN CULTURE (CONT.)

- ▶ Material Artifacts and Symbols — convey to employees what is important and the kinds of expected behaviors, ex. Risk-taking, etc.
- ▶ Language — many organizations or units of an organization use language to identify and unite members of a culture. New employees are frequently overwhelmed with acronyms and jargon that quickly becomes a part of their language.

Thank You!