Chapter 3
The Environment and Corporate Culture

Chapter Outline

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
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   B. Stories
   C. Heroes
   D. Slogans
   E. Ceremonies

IV. Environment and Culture
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   B. Types of Cultures

V. Shaping Corporate Cultures for the New Workplace
   A. Managing the High-Performance Culture
   B. Cultural Leadership

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 is 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 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. Culture 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 relationship 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 how corporate culture relates to the environment.

A big influence on internal corporate culture is the external environment. 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 managerial decision-making.

6. Define a cultural leader and explain the tools a cultural leader uses to change corporate culture.

One way managers change norms and values toward what is adaptive to the external environment or for smooth integration is through symbolic leadership. A symbolic manager is one who uses symbols, stories, slogans, and ceremonies to change corporate culture. Symbolic managers influence culture by articulating a vision for the organizational culture that generates excitement and that employees can believe in. The symbolic leader heeds the day-to-day activities that reinforce the cultural vision.

The symbolic manager makes sure that symbols, ceremonies, and slogans match the new values. Actions speak louder than words. Symbolic leaders "walk their talk."

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**Lecture Outline**

**Suggested Opening Remarks**
At IBM, a new CEO is shifting values toward an adaptability culture to support a new strategy that requires flexibility, speed, and innovation. Sam Palmisano believes culture is the key to transforming IBM for a new era. The key themes that emerged were customer relationships, innovation and trust. Palmisano has made a number of moves to signal the new cultural values. When he asked the board to cut his 2003 bonus in half and set the money aside to be split among IBM’s 20 top executives based on performance as a team, Palmisano made a powerful statement. The environment surprises managers and leaves them unable to adapt their companies to new competition, shifting consumer interests, or new technologies.

I. THE EXTERNAL ENVIRONMENT

Managers have traditionally focused on factors within the firm: leading, motivating, and controlling employees. Managers have direct control over these aspects of their organizations.

This closed systems concept of management is accurate, but incomplete. Globalization and worldwide social turbulence affect companies in new ways. Most events that influence organizations originate in the organizations’ external environment.

Managers must monitor and respond to the external environment within which they operate, which is an open systems view.

This chapter covers the components of the external organizational environment and how they affect the organization.

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 is widely dispersed and affects organizations indirectly.
  
  It includes social, demographic and economic factors that influence all organizations about equally. Although it does not directly change daily operations, the general environment will eventually influence all organizations.

- The task environment is closer to the organization and includes the sectors that conduct day-to-day transactions and directly influence the basic operations and performance.
  
  It includes competitors, suppliers, and customers.
The organization also has an internal environment that includes the elements within the organization’s boundaries. This includes current employees, management, and corporate culture. Corporate culture defines employee behavior in the internal environment and how well the organization will adapt to the external environment.

Discussion Question #1: Some scientists predict major changes in the earth’s climate, including a temperature rise of 8°F over the next 60 years. Should any companies be paying attention to this long-range environmental trend? Explain.

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A. General Environment

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, and legal-political

1. International

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.

A difficult lesson for managers in the U.S. to learn is that they do not always know best.

U.S. decision makers know little about issues and competition in foreign countries.

2. Technological

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.

3. Sociocultural

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.

The sociocultural dimension includes societal norms and values; for example, the low-carb craze has now replaced the low-fat concerns.

Other socialcultural trends also affect organizations; handgun sales fell in response to school shootings and then surged following September 11th.

4. Economic

The economic dimension represents the general economic health of the country or region in which the organization operates.

Economic dimensions include consumer purchasing power, the unemployment rate, and interest rates.

A trend in the economic environment has been the frequency of mergers and acquisitions of companies, yet there is vitality in the small business sector.

Entrepreneurial start-ups are a significant aspect of today’s U.S. economy.

5. Legal-Political

The legal-political dimension includes federal, state, and local government regulations and political activities designed to influence company behavior.

Government regulations influence organizations through:
• Occupational Safety and Heath Administration (OSHA)
• Environmental Protection Agency (EPA)
• Fair trade practices
• Libel statutes allowing lawsuits against business
• Consumer protection legislation
• Product safety requirements
• Import and export restrictions
• Information and labeling requirements

Many organizations contend with government and legal issues in other countries; The European Union has adopted new environmental programs.

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.

Discussion Question #5: Why do you think that many managers are surprised by environmental changes and unable to help their organizations adapt? Can a manager every be prepared for an environmental change as dramatic as that experienced by airlines in the United States following the September 11, 2001 terrorist attacks in New York and Washington?

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B. Task Environment

The task environment is the layer closest to the organization and includes those sectors that have a direct working relationship with the organization and include:


Customers are those people and organizations in the environment that 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? Are there company situations for which this may not be true?
2. Competitors.

*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.

3. Suppliers.

*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.

Many companies are finding that being cooperative, rather than adversarial is the key to saving money, maintaining quality, and speeding products to market.

4. The labor market.

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
- 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.

The external environment for Nortel Networks is illustrated in Exhibit 3.2.

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

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the smaller retailer gets almost as much business as the giant. Managers at Target have succeeded online better than those of any other mass retailer. Target.com sells items that are too big to stock in retail stores, such as Little Tikes kiddie furniture. Target test markets new products on the Web before committing to shelf space for them in the stores. The biggest success for Target.com has been the “Web as gift-shop” approach. The site has sold thousands of “Student Survival Kits” such as the Movie Night package that contains a bucket of popcorn, candy, soda, and a blank VCR tape. Target.com is also helping to get more customers in the retail stores.

II. THE ORGANIZATION-ENVIRONMENT RELATIONSHIP

Why do organizations care so much about factors in the external environment?

The environment creates uncertainty for managers who must respond by designing the organization to adapt to or influence the environment.

A. Environmental Uncertainty

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.

When external factors change rapidly, the organization experiences very high uncertainty (e.g., telecommunications firms, computer and electronics firms).

When an organization deals with a few external factors which 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?

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B. Adapting to the Environment

If an organization faces uncertainty with respect to competition,
customers, suppliers, or government regulation managers can use several strategies:

1. Boundary-Spanning Roles

*Boundary-spanning roles* link and coordinate the organization with key elements in the external environment.

Boundary spanners serve two purposes for the organization:

- They detect and process information about changes in the environment.
- They represent the organization’s interest to the environment.

People in departments such as marketing and purchasing span the boundary to work with customers and suppliers through face-to-face and market research

A large growth area in boundary spanning is *competitive intelligence* or snooping and spying to get information about one’s rivals.

For example, Visa has an employee who searches the Web for two hours each day for insights on MasterCard.

Managers need good information about their competitors, customers, and other elements of the environment to make good decisions.

In today’s turbulent environment, successful companies involve everyone in boundary-spanning activities.

Grass-roots level employees see and interpret changes sooner than managers, but top executives need to be in tune with the environment.

2. Interorganizational Partnerships

A popular strategy for adapting to the environment is by reducing boundaries and increasing collaboration with other organizations.

Companies are joining together to become more effective and share scarce resources.

Head-to-head competition among independent firms is giving way to competitions among networks of alliances that compete globally.

Many companies are engaged in e-business relationships with suppliers and partners, aided by digital network connections and the Internet.

Managers have shifted from an adversarial orientation to a partnership orientation.

The new paradigm is based on trust and the ability to work out equitable solutions to conflicts so that everyone profits from the relationship.

The new model is characterized by information sharing, including e-business linkages for automatic ordering, payments, and other transactions.

There is a lot of person-to-person interaction to provide corrective feedback and solve problems (e.g., partners help each other).
3. Mergers and Joint Ventures

Mergers and joint ventures also reduce uncertainty.

A *merger* occurs when two or more organizations combine to become one.

A *joint venture* is a strategic alliance by two or more organizations which occurs when the project is too complex or risky for one firm alone.

**MANAGER’S SHOP TALK**

*The New Golden Rule: Cooperate*

Companies all over the world are sleeping with the enemy. A decade ago, many managers would have considered it heresy to collaborate with competitors, but today they are finding that collaboration is necessary to compete in a rapidly changing environment. Collaboration in product development is sweeping every field from autos to aircraft to biotechnology. Suppliers are a part of this new collaborative business model. Here are a few tips about what makes a collaborative relationship successful:

- Enter the relationship with a spirit of true partnership
- When choosing partners, pay attention to culture and values
- Clarify what each partner is expected to give and to get from the relationship
- Put together the right team, including top management
- Put it in writing

**Discussion Question #6:** Why are interorganizational partnerships becoming so important for today’s companies? Do you think the terrorist attacks against the United States will likely contribute to an increase or decrease in interorganizational collaboration? Why?

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III. **THE INTERNAL ENVIRONMENT: CORPORATE CULTURE**

*Exhibit 3.5*

- What does the internal environment include?

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 with the external environment and company strategy.

*Culture* is defined as the 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.

Culture can be analyzed at three levels, with each level becoming less obvious:

- At the surface level are visible artifacts, 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 are not observable but can be discerned from how people explain and justify what they do. They can be interpreted from symbols organization members use to represent them, stories, and language.

- 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.

**Discussion Question # 7:** Define corporate culture and explain its importance for managers.

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A. **Symbols**

A *symbol* is an object, act, or event that conveys meaning to others. Symbols associated with corporate culture convey the organization’s important values; Steelcase Corp. built a pyramid-shaped center to emphasize collaboration.

B. **Stories**

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; at Nordstrom, a story tells of an employee who took back a customer’s two-year old blouse.

C. **Heroes**

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; a security supervisor who challenged IBM’s chairman because he wasn’t carrying appropriate identification.

D. Slogans

A slogan is a phrase or sentence that succinctly expresses a key organizational value; Avertitt Express has “Our driving force is people” on its trucks to show value for people.

E. Ceremonies

A ceremony is a planned affair that makes up a special event and is conducted for the benefit of an audience. Mary Kay presents gold pins to high-achieving sales people.

In summary, organizational culture represents the values and understanding that employees share.

Discussion Question #8: Why are symbols important to a corporate culture? Do stories, heroes, slogans, and ceremonies also have symbolic value? Discuss.

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IV. ENVIRONMENT AND CULTURE

Does the external environment influence corporate culture?

The external environment has a major influence on internal organizational culture.

If the external environment requires customer service, the culture should encourage customer service.

If it calls for careful technical decision-making, cultural values should reinforce managerial decision-making.

A. Adaptive Cultures

There is a critical relationship between corporate culture and the external environment.

A strong corporate culture alone does not ensure business success unless the culture encouraged healthy adaptation to the external environment.

Adaptive corporate cultures have different values and behavior from unadaptive corporate cultures.

In adaptive cultures, managers are concerned about customers and those internal people and processes that bring about useful change.

In unadaptive corporate cultures, managers are concerned about
themselves, and their values tended to discourage risk taking and change.

B. Types of Cultures

In considering what cultural values are important for the organization, managers consider the external environment as well as the company’s strategy and goals.

Studies suggest that the right fit between culture, strategy, and the environment is associated with four categories or types of culture, based on two dimensions.

- the extent to which the external environment requires flexibility or stability.
- the extent to which a company’s strategic focus is internal or external.

The **adaptability culture** is characterized by values that support the company’s ability to 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; managers encourage and reward creativity, experimentation, and risk taking.

Nokia is an example of an adaptability culture.

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 that are concerned with serving specific customers in the external environment but without the intense need for flexibility and rapid change.

Emphasis on winning and achieving specific ambitious goals is the glue for this organization; people who succeed at Siebel are focused, competitive and driven to win.

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; Smucker’s has an involvement culture.

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; Pacific Edge Software has successfully implemented elements of a consistency culture.

Each of these categories can be successful; organizations usually have values that fall into more than one category, depending on the needs of the environment and the firm’s focus.
Discussion Question #10: What type of environmental situation is associated with an adaptability culture? How does this culture differ from the clan culture?

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V. SHAPING CORPORATE CULTURE FOR INNOVATIVE RESPONSE

Exhibit 3.8

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 role in creating an organizational climate that enables leaning and innovative responses to threats from the external environment, challenging new opportunities or crises.

A. Managing the High Performance Culture

Companies that succeed in a turbulent world are those that pay attention both to cultural values and to business performance.

Culture 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.

Exhibit 3.8 illustrates four organization outcomes based on the relative attention managers pay to cultural values and business performance.

- Quadrant A companies pays little attention to either values or business results and is unlikely to survive for long.
- Quadrant B companies are highly focused on creating a strong culture, but they don’t tie organizational values directly to goals and desired business results.
- Quadrant C companies are focused primarily on the bottom-line results and pay little attention to organizational values.
- Quadrant D companies put high emphasis on both culture and solid business performance as drivers of organizational success.

Quadrant D is a high-performance culture that is based on solid mission, embodies shared adaptive values, encourages employee ownership of results and culture.

Kotter and Heskett show that companies that intentionally managed cultural values outperformed similar companies that did not.
Discussion Question #9: Describe the cultural values of a company for which you have worked. Did those values fit the needs of the external environment? Of employees?

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B. Cultural Leadership

One-way managers change norms and values toward what is adaptive to the external environment through cultural leadership.

A cultural leader defines and uses signals and symbols to influence corporate culture.

Cultural managers influence culture by:

• Articulating a vision for the organizational culture that generates excitement and that employees can believe in.
• Heeding the day-to-day activities that reinforce the cultural vision.

Managers widely communicate the cultural values through words and actions; value statements that aren’t reinforced by 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.

Discussion Question #11: How do managers create a high performance culture? Do you think strong cultural values are better for organizational performance than weak values? Are there times when a strong culture might lead to lower performance? Discuss.

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Lecture Example File

The relevance of the Corporate Culture and how it can affect the success or failure of an organization to achieve its corporate goals.
INSIDE THE WALLS OF NETSCAPE Communications Corp., a visitor would never know the company has been through one of the roughest periods of its five-year existence. Initially forced to turn its flagship browser into freeware and mired in the spotlight of the government's bitter antitrust suit against Microsoft Corp., Netscape is now preparing to be acquired by Dulles, Va.-based America Online Inc. in a $4.2 billion deal set to happen in the spring. Yet the company's Mountain View, Calif., headquarters campus belies any sense of the turmoil that rages around it. Canine friends of employees cheerfully pop their heads over doggie gates (bound only by the "two poops and you're out" dictate) while their shorts-clad owners muse about "changing the world." The culture at Netscape has not veered far from the idealistic and unfettered work habits of a bunch of computer hacks from the University of Illinois who worked around the clock to launch the company's first product suite in a mind-boggling eight months. It's that culture—as much as products or strategy—that will determine how Netscape fares in the future.

When examining the corporate culture Netscape's attrition rate is roughly 20 percent, which is an example of a fragmented corporate culture. Despite this Netscape remains one of the companies defining the workplace of the future: fast, furious, nimble and exciting.

In just one year after its 1994 inception, Netscape had grown from a struggling startup to one of the hottest high-tech IPOs of the decade. After engaging in a browser war with Microsoft, Netscape had to enter new markets quickly. A year ago, for example, the company announced its intention to become a presence in the enterprise and e-commerce software and services arena.

In the long term, the company has a good shot in the enterprise market because it can compete well on price, performance and support. The secrets to Netscape's survival lie in its corporate culture. Unencumbered by rigid schedules and policies, employees are free to come and go as they please or work at home if they like. In an environment where everyone is encouraged to contribute and have a voice, a sense of equality is pervasive. The company's environment is the ultimate expression of a casual, open door culture, which keeps its people motivated and—more important, say company insiders—highly productive. Netscape's permissive culture is not just an example of Silicon Valley excess. More than ever, how companies treat their employees will ultimately affect the bottom line.

**Answers to End-of-Chapter Discussion Questions**

1. *Some scientists predict major changes in the earth's climate, including a temperature rise of 8º F over the next 60 years. Should any companies be paying attention to this long-range environmental trend? Explain.*

   There are many companies that will be affected by such predicted changes. Any company involved in heating or cooling will have to make product adjustments. This includes manufacturers of heaters, air conditioners, stoves, refrigerators, automobiles, airplanes and other vehicles, as well as those
companies that provide power and parts for these products. Demand for these products and services and the materials and labor used in manufacturing them will change.

Other companies that manufacture components for directly affected products will be affected indirectly. Practically all companies must be concerned about working conditions and the cost of providing heating and cooling. Therefore, all companies will be affected to some degree.

2. *Would the task environment for a bank 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 difference in task environment. Competitors for banks include not only other banks, but also savings and loan associations, credit unions, insurance companies, friends, families, and even loan sharks. 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 banks include the Federal Reserve System, other banks, investors, stockholders, and large investment funds. Suppliers of a government welfare agency are ultimately the taxpayers.

Customers of banks generally include businesses and members of the general public who are financially sound and able to save and repay loans. Customers or clients of a government welfare agency are persons who are financially weak.

3. *What forces influence organizational uncertainty? Would such forces typically originate in the task environment or the general environment?*

Uncertainty generally results from the lack of accurate information about external events and the effect they will have on the organization and its goals. Although such events could come from either the task or the general environment, they are more likely to come from the general environment. A company is more likely to be in touch with and know what to expect from competitors, suppliers, and customers than it is with the general environment. It is more difficult to obtain information and predict events relating to social, demographic, and economic forces.

4. *In Search of Excellence, described in Chapter 2, argued that customers were the most important element in the external environment. Are there company situations for which this may not be true?*

If customers are defined in the broadest sense, then this may be true of all companies. However, some companies may have to be more concerned with
other external elements. For example, oil companies may have plenty of customers, but the supply of oil may be shrinking. Changes in social and demographic factors can cause the customer base to completely disappear. A company could also be inefficient and have unused resources that make it ripe for a takeover. Taking preventative action for this company could be more important than worrying about customers, at least in the short run.

5. **Caterpillar Corporation was thriving until the mid-1980s, when low oil prices, high interest rates, a worldwide recession, a soaring U.S. dollar, and Japanese competition stunned the giant equipment builder. Discuss the type of response Caterpillar’s management might take.**

Caterpillar should have been more aware of these environmental factors before they happened to lessen their impact. One thing it could do now is set up boundary-spanning roles to better assess the environment. For example, a competitive analysis should be conducted to determine probable future competitive actions. A department for planning and forecasting could be established to develop forecasts of economic changes, foreign exchange rates, and world events that may impact on the company.

The organizational structure of Caterpillar should be analyzed to see if it is appropriate for the present conditions. In an uncertain environment a more flexible organizational structure is needed. If Caterpillar does not have the resources needed to compete, a merger or acquisition might even be considered.

One way to combat foreign competition is to take a more proactive stance. Advertising for customers to “buy American” is one way to be more proactive. Political lobbying to restrict imports through legislation is another option. This might even be best accomplished with other U.S. manufacturers as part of a trade association.

6. **Define corporate culture and explain its importance for managers.**

Corporate culture can be defined as the key values, beliefs, understandings, and norms shared by organization members. These values represent the unwritten, informal norms that bind organization members together. Culture can be analyzed at two levels: the visible artifacts such as dress, stories, and physical symbols; and the deeper, less visible values and norms that govern behavior.

Culture is important to managers because the underlying values influence employee commitment and organizational performance. Culture exists whether managers like it or not, and it is in their interest to influence culture in the interests of the organization. Managers can use symbols, stories, slogans, heroes, and ceremonies to build the values appropriate to achieving desired organizational outcomes. For example, the Deal and Kennedy research
shows that corporate culture is related to strategy. Finding the right fit between culture and strategy enables the organization to perform better.

7. Why are symbols important to a corporate culture? Do stories, heroes, slogans, and ceremonies also have symbolic value? Discuss.

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. For example, Mary Kay Cosmetics uses a “golden rule” marble that is given to senior employees to symbolize that the golden rule will be used in all of their dealings. 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.

8. Describe the cultural values of a company for which you have worked. Did those values fit the needs of the external environment? Of employees?

This question was designed to stimulate students’ thinking, so there is no single correct answer. In thinking about culture, the student may find it difficult to identify specific values. The student must also think about whether these values simply grew from within the organization or whether they were influenced by management. An analysis of the environment and the employees needed to determine if those values fit them.

9. What type of environmental situation is associated with a baseball team culture? How does this culture differ from the academy culture?

Baseball team cultures emerge in fast-paced, high risk environments that offer immediate feedback on decisions. Advertising is an example of a baseball team culture. The advertising world accepts the notion that each effort will not result in a hit, but the player’s batting average and performance under pressure are major components in individual and team success. Top performers, like top baseball players, gain reputation and become “free agents” as companies compete for their services. The most successful team has the strongest and most consistent performers.

The high-risk, fast paced environment of a baseball team culture is in sharp contrast to the academy culture associated with the stable environments of older, established firms such as Coca-Cola or Ford. The free agency and movement among companies within the industry is rare in the academy culture. Firms with academy cultures rely on long association and entry on a specific job “track,” allowing slow, steady movement within the organization.

10. Do you think a corporate culture with strong values is better for organizational effectiveness than a culture with weak values? Are there times when a strong culture might reduce effectiveness?
The general belief is that cultures with strong values are positive for organizational effectiveness; that is, the strong culture is a positive influence for employees, committing them to organizational performance. However, a strong culture can sometimes prevent the organization from adapting to change. Employees have such strongly held beliefs about what the organization should do that new requirements imposed from the industry or environment may not be heeded. This occurs when an extremely successful organization continues to perform in the same way rather than modify its values or its products because everyone is satisfied with the current way of doing things. A too strong culture can give the organization a blind spot because employees are happy working in the organization and fail to realize that it is becoming out of step with the needs of the environment. In this case, adaptation to the environment will be too slow.

**Teaching Note for Experiential Exercise**

**What Is a Strong Corporate Culture?**

In order to get the students thinking about corporate culture, you may ask them about norms on their campus. Are there styles of dress, book bags, hangout places, modes of talking, drinking, dressing or fitness, that govern what reaction students give to one another? Or ask them about clubs or organizations they belong to. If there are strong norms, then there is a strong culture, whether it is a positive or negative one. Often sororities and fraternities have strong cultures and they have been criticized for that in recent years for the harsh “hazing” practices. Ask them to compare, if possible, a club or organization with a strong culture and one with a weaker culture and see what the differences are. Also, note on question 11 where conforming to mission is distinguished from dress and procedures. Is this what is asked of college students, or just the opposite? Usually on campuses, conformity is asked less of mission and more of procedures and dress. How do they feel about that? In such a situation, the goal is to have everyone alike, whereas conformity to mission allows for more diversity. Research is building up to suggest that diverse groups are the best for solving complex problems or problems requiring more creativity.

**Teaching Note for Ethical Dilemma**

**Watching out for Larry**

Holly Vasquez values the “people culture” at Wallog. It is part of what has kept her working there, so she does not want to risk lowering morale for the sake of “making the numbers.” Option 1, firing Larry Norris, is likely to do just that. Option 2 is correct to some extent that it is Larry’s responsibility to stay current and meet his quota but poor performance is often a reflection on the manager as much as the employee. So far, Holly has only “suggested” that Larry study new techniques and products. Her best chance for saving Larry’s job, their friendship,
and the team’s morale is to specifically assign him to do so (Option 3), making him aware that his performance numbers are critically low and that improvement is essential. Larry is stubborn and has not been willing to take this initiative on his own, and there is no guarantee that he will put forth a genuine effort now. However, as a 27-year sales veteran with high sales in the past, Larry should be given the opportunity to improve, and Holly can push him in the right direction.

**Surf the Net**

1. **Sociocultural dimension of general environment.** The professor may elect to have an oral in-class discussion or written statistical report prepared by students. The statistical variables could be population census 2000, estimates of projection of starts, the most recent economic census, economic surveys of foreign trade, American community survey, and the monthly consumer price index published by the Bureau of Labor Statistics.

   More than 70 agencies in the United States Federal Government produce statistics of interest to the public. The Federal Interagency Council on Statistical Policy maintains this site to provide easy access to the full range of statistics and information produced by these agencies for public use. Please use the feedback button to indicate how well this site meets your needs and any suggestions for improvement.

2. **Competitors.** Student responses may vary as to the selection of a given industry, one such industry could be aircraft. Major players in this industry are Boeing, Bombardier’s, Cessna, Gulfstream, and Lockheed. Competitive information pertaining to:
   - **Boeing Aircraft** develops and produces jet transports, military aircraft, and space and missile systems through two industry segments: commercial Aircraft and defense and space.
   - **Bombardier’s** de Havilland Canada became Bombardier's most recent aerospace acquisition in March 1992 when Bombardier acquired 51 percent of the company's shares from the Boeing Aircraft Co. Bombardier became sole owner of de Havilland in January 1997. An established leader in the regional airline industry, de Havilland has delivered more than 7,400 Twin Otter, Dash 7 and Dash 8 turboprop aircraft. Learjet of Wichita, Kansas, a pioneer in the business jet industry, formally joined the Bombardier aerospace family in mid-June 1990.
   - **Cessna Aircraft** manufactures Citation business jets, Caravan turboprops, business jets, Caravan turboprops, and single engine piston-Powered aircraft.
   - **Gulfstream** is primarily engaged in the design, development, production, and sale of large business jet aircraft. Gulfstream Aerospace Corp is also engaged in product support and aircraft completion services.
   - **Lockheed** engages in the research, design, development, manufacture, and integration of advanced technology products and services ranging from aircraft, spacecraft, and launch vehicles to missiles, electronics, information systems and energy management.
3. **Culture communicated through stories.** Armstrong International has a strong culture where there are many stories, values, beliefs, and norms that have a major impact on this company’s success. A strong culture is a vital part of the company’s mission, strategies, and objectives. Building a strong management philosophy is derived from its culture, according to David Armstrong.

**Case for Critical Analysis Solution**

**Society of Equals**

1. *How would you characterize the culture in this company? What are the dominant values?*

   The dominant values appear to be a top-down management process, with a strict hierarchy of authority and little feedback from employees. Decisions probably are not decentralized, and employees probably do not participate in most decisions. The dominant values probably are to maintain an efficiency orientation, to honor the hierarchy of authority, and conformity with dress codes and office layout.

2. *Why did Ted Shelby’s change experiment fail? To what extent did Ted use the appropriate change tools to increase employee communication and participation?*

   Ted’s change experiment failed because he did not have the cooperation of senior management. The idea probably had merit, and his employees may have welcomed the opportunity for providing greater feedback. Ted made an interesting attempt to be a symbolic manager. He seemed to have developed a new language to characterize the information processing feedback he wanted to achieve. Moreover, he consciously used symbols in the form of office furniture to signal the new cultural values for his department. Thus, Ted’s ideas seemed to be on the right track. The real problem was that the cultural ideas Ted tried to implement were inconsistent with the culture in the larger organization. When this clash occurs, the subculture in the specific department typically will lose.

3. *What would you recommend Ted do to change his relationship with subordinates? Is it possible for a manager to change cultural values if the rest of the organization, especially top management, does not agree?*

   What Ted could do is change his relationship with subordinates in a very small and incremental way. Often, cultural change is associated with a series of small wins. Rather than introduce a dramatic change in office furniture that makes him seem like a deviant, Ted could simply begin to practice new management techniques. He might create a slogan pertaining to expected feedback from employees, or he might have small ceremonies that reward...
employees for new participative behaviors. These changes would gradually move his department in the direction he wants without coming into competition with the larger corporate culture. Generally speaking, a middle or lower manager cannot change cultural values if the rest of the organization does not agree. Managers who aspire to do so often find themselves undercut by top managers who articulate and express different values and who have the clout to impose them. Before attempting a major culture change, Ted should propose the change to his superiors and get their agreement. With their agreement, the changes would be implemented on a broader scale, including training programs and workshops, and would have a much greater chance for success.