Unit 4 Management and Operations
Unit 5 Leadership and Management for Service Industries

WEEK 2 CLASS TOPICS

- What are the determinants of organizational culture?

- How can these cultural determinants influence organizational behavior and change management?

- What are the links/relationship between the organizational structure, organizational culture, and organizational behavior?

WHAT IS ORGANIZATIONAL CULTURE?

ORGANIZATIONAL CULTURE

Organizational culture is defined as the underlying beliefs, assumptions, values and ways of interacting that contribute to the unique social and psychological environment of an organization.

Culture is the tacit social order of an organization: It shapes attitudes and behaviors in wide-ranging and durable ways. Cultural norms define what is encouraged, discouraged, accepted, or rejected within a group. When properly aligned with personal values, drives, and needs, culture can unleash tremendous amounts of energy toward a shared purpose and foster an organization's capacity to thrive.

Culture can also evolve flexibly and autonomously in response to changing opportunities and demands.

"Culture is how organizations 'do things'." — Robbie Katanga

Culture is consistent, observable patterns of behavior in organizations. Aristotle said, "We are what we repeatedly do." This view elevates repeated behavior or habits as the core of culture and deemphasizes what people feel, think or believe. It also focuses our attention on the forces that shape behavior in organizations.

Perspectives On Organizational Culture:
https://hbr.org/2013/05/what-is-organizational-culture

FOUR MAIN ATTRIBUTES OF CULTURE

Four Main Attributes Of Culture

- **SHARED**

Culture is a group phenomenon. It cannot exist solely within a single person, nor is it simply the average of individual characteristics. It resides in shared behaviors, values, and assumptions and is most commonly experienced through the norms and expectations of a group—that is, the unwritten rules.

- **PERVASIVE**

Culture permeates multiple levels and applies very broadly in an organization; sometimes it is even conflated with the organization itself. It is manifest in collective behaviors, physical environments, group rituals, visible symbols, stories, and legends. Other aspects of culture are unseen, such as mindsets, motivations, unspoken assumptions

Four Main Attributes Of Culture

- **ENDURING**

Culture can direct the thoughts and actions of group members over the long term. It develops through critical events in the collective life and learning of a group. Its endurance is explained in part by the attraction-selection-attrition model first introduced by Benjamin Schneider: People are drawn to organizations with characteristics similar to their own; organizations are more likely to select individuals who seem to "fit in"; and over time those who don't fit in tend to leave. Thus culture becomes a self-reinforcing social pattern that grows increasingly resistant to change and outside influences.

- **IMPLICIT**

An important and often overlooked aspect of culture is that despite its subliminal nature, people are effectively hardwired to recognize and respond to it instinctively. It acts as a kind of silent language. Shalom Schwartz and E.O. Wilson have shown through their research how evolutionary processes shaped human capacity; because the ability to sense and respond to culture is universal, certain themes should be expected to recur across the many models, definitions, and studies in the field.

DEAN AND KENNEDY'S CULTURAL MODEL

DEAL AND KENNEDY'S CULTURAL FRAMEWORK

In their work on the subject of culture, Deal and Kennedy suggested that the basis of corporate culture was an interlocking set of six cultural elements:

- **History** – A shared narrative of the past lays the foundation for corporate culture. The traditions of the past keep people anchored to the core values that the organization was built on.

- **Values and Beliefs** – Cultural identity is formed around the shared beliefs of what is really important, and the values that determine what the organization stands for.

- **Rituals and Ceremonies** – Ceremonies are the things that employees do every day that bring them together. Examples include Friday afternoon get-togethers or simply saying goodbye to everyone before you leave for the day.

- **Stories** – Corporate stories typically exemplify company values, and capture dramatically the exploits of employees who personify these values in action. Stories allow employees to learn about what is expected of them and better understand what the business stands for.

DEAL AND KENNEDY'S CULTURAL FRAMEWORK

- **Heroic Figures** – Related to stories are the employees and managers whose status is elevated because they embody organizational values. These heroes serve as role models and their words and actions signal the ideal to aspire to.

- **The Cultural Network** – The informal network within an organization is often where the most important information is learned. Informal players include:

  - ✓ **Storytellers**, who interpret what they see happening and create stories that can be passed on to initiate people to the culture.

  - ✓ **Gossipers**, who put their own spin on current events and feed people a steady diet of interesting information. Employees know not to take the information at face value; however, they enjoy the entertainment value of a gossip's story.

  - ✓ **Whisperers**, who have the ear of the powerful people in the organization. They can be used by anyone with a message they want taken to the top but who doesn't want to use formal communication channels.

  - ✓ **Spies**, who provide valuable information to top management, and let them know what really happens on a daily basis.

  - ✓ **Priests and priestesses**, who are the guardians of cultural values. They know the history of the company inside out, and can be relied on to interpret a current situation using the beliefs, values and past practices of the company.

DEAL AND KENNEDY'S CULTURE TYPES

By examining these cultural elements across a variety of organizations, Deal and Kennedy identified four distinct types of cultures. They also identified two marketplace factors that they felt influenced cultural patterns and practices. They were:

➢ The degree of risk associated with a company's key activities.

➢ The speed at which companies learn whether their actions and strategies are successful.

They believed that the risk involved in making a poor decision and the time it takes to find out whether a decision is the right one both have a bearing on how cultural elements develop and influence an organization's employees.

Deal and Kennedy presented these factors in a 2 x 2 matrix that identifies the four culture types.

Breaking Down Dean and Kennedy's Culture Types

❑ **Tough-Guy, Macho** – This culture contains a world of individualists who enjoy risk and who get quick feedback on their decisions. This is an all-or-nothing culture where successful employees are the ones who enjoy excitement and work very hard to be stars. The entertainment industry, sports teams and advertising are great examples of this cultural type. Teamwork is not highly valued in this culture, and it's a difficult environment for people who blossom slowly. This leads to higher turnover, which impedes efforts to build a cohesive culture. Thus, individualism continues to prevail.

❑ **Work Hard/Play Hard** – This culture is the world of sales (among others). Employees themselves take few risks; however, the feedback on how well they are performing is almost immediate. Employees in this culture have to maintain high levels of energy and stay upbeat. Heroes in such cultures are high volume salespeople. Interestingly, this culture recognizes that one person alone cannot make the company. They know it is a team effort and everyone is driven to excel. Contests among employees are common here, as they drive everyone to reach new heights.

Breaking Down Dean and Kennedy's Culture Types

❑ **Bet-Your-Company** – Here, the culture is one in which decisions are high risk but employees may wait years before they know whether their actions actually paid off. Pharmaceutical companies are an obvious example of this culture, as are oil and gas companies, architectural firms and organizations in other large, capital-intensive industries. Because the need to make the right decision is so great, the cultural elements evolve such that values are long-term focused and there is a collective belief in the need to plan, prepare and perform due diligence at all stages of decision making.

❑ **Process** – In this culture, feedback is slow, and the risks are low. Large retailers, banks, insurance companies and government organizations are typically in this group. No single transaction has much impact on the organization's success and it takes years to find out whether a decision was good or bad. Because of the lack of immediate feedback, employees find it very difficult to measure what they do so they focus instead on how they do things. Technical excellence is often valued here and employees will pay attention to getting the process and the details right without necessarily measuring the actual outcome.

HANDY'S MODEL OF ORGANISATIONAL CULTURE

HANDY'S MODEL OF ORGANISATIONAL CULTURE

Power distribution is all about the extent to which the top of an organisation (management or owner) is open to working with either a bottom-up or top-down approach. In case of a bottom-up approach, the power distribution is very high; employees are expected to take their own responsibility, determine their tasks and make independent decisions. In case of a complete top-down approach, there is hardly any power distribution; management or the owner is completely in control and is the only person making decisions.
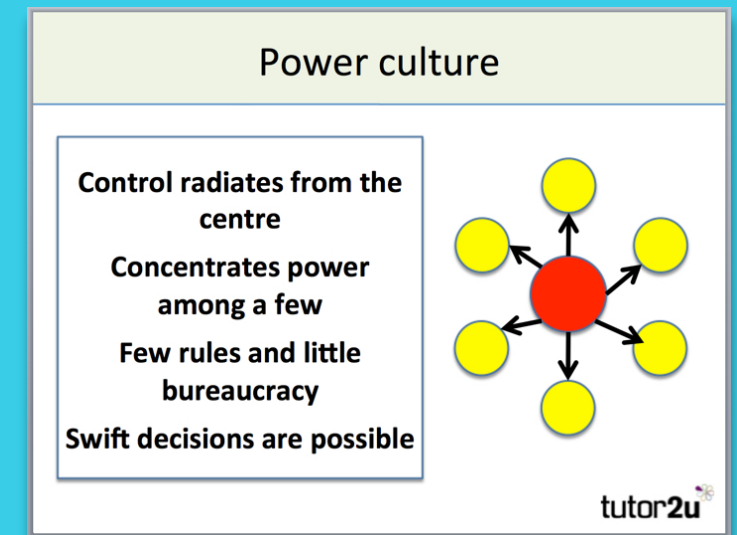
The cooperation level, as the name suggests, is about the degree of cooperation between the various departments and employees. A lower cooperation level means everyone works for themselves and hardly requires the help of colleagues. A high cooperation level, on the other hand, involves close, indispensable cooperation between colleagues. Ultimately, the combination of the two dimensions results in four organisational cultures: Role Culture, Power Culture, Person Culture And Task Culture.

Handy Model of organisational culture — toolshero

www.toolshero.com
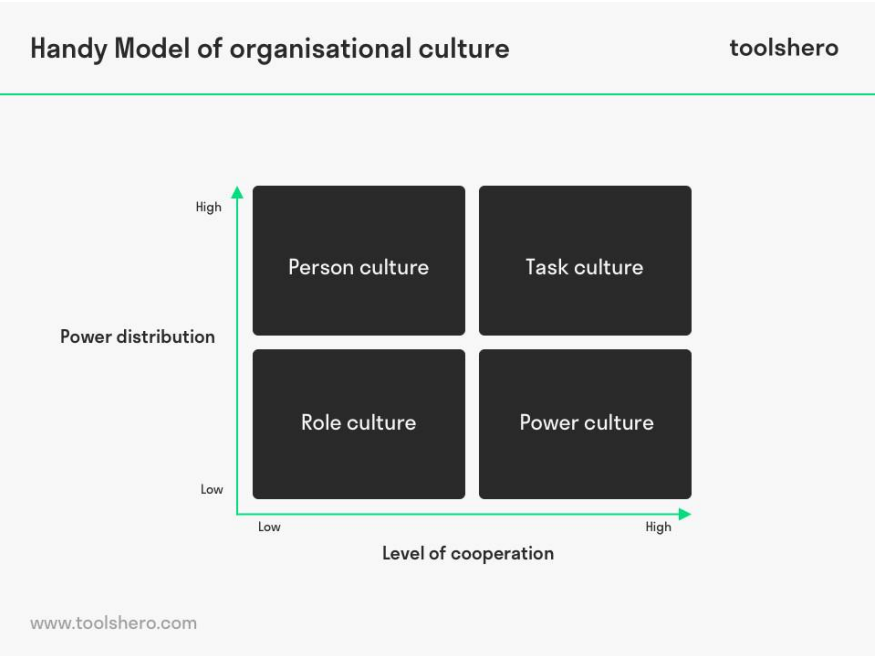
POWER CULTURE

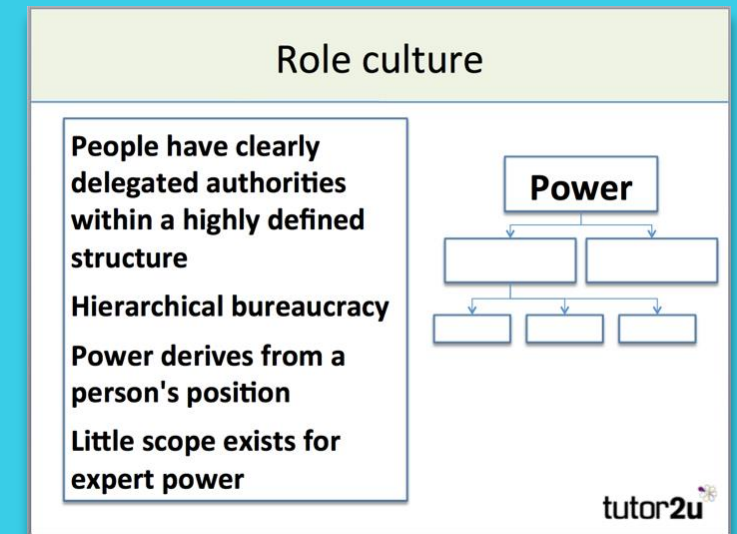**High cooperation levels / Low power distribution**

This type of culture is characteristic of an entrepreneurial organisation; for example, small start-ups where the power lies with the founder and/or highest boss. Such organisations have a very flat structure and are led by a charismatic leader. The entrepreneur has founded his company with much love and therefore finds it difficult to delegate decision-making. His employees have helped build the company and are very loyal to the organisation and each other. Cooperation is extremely important in organisations with a power culture. In a power culture, the highest power also lies with a top figure. Employees are loyal to the leader of the company. Due to the flat structure and start-up nature of the organisation, there are (still) few regulations and procedures. As a result, the organisation is highly flexible. The relationship between employees is determined by the leader, but also by the means available to them (scarce goods). The founder attaches great importance to his power. He is a strong leader who controls the entire organisation. He controls the organisation centrally, after which he determines who gets more power or to whom he delegates certain tasks. Individual performance and mutual collaboration are highly important.

Power culture

Control radiates from the centre

Concentrates power among a few

Few rules and little bureaucracy

Swift decisions are possible

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ROLE CULTURE

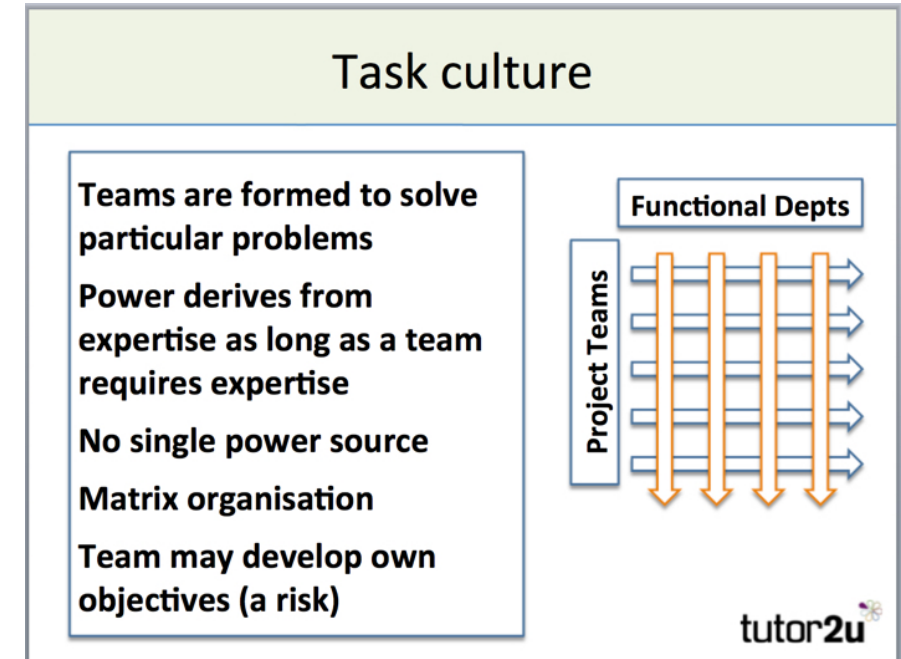**Low degree of cooperation / Low power distribution**

This type of culture is highly job-oriented and can often be found in bureaucratic organisations. In a role culture, employees want as much security and stability as possible. The culture is known for its (strict) rules, obligations, agreements and procedures. There is a clear hierarchy and status is more important than performance. Due to this fact, a role culture is not always flexible. Management of tasks takes place by means of procedures and clear job descriptions. This applies to both individual jobs as well as communication between departments. Key words within a role culture are safety, stability, conservatism and predictability.

Role culture

- People have clearly delegated authorities within a highly defined structure
- Hierarchical bureaucracy
- Power derives from a person's position
- Little scope exists for expert power

Power

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TASK CULTURE

High cooperation level / High power distribution

Many project or matrix organisations have a task culture, which is mainly result-oriented. Employees are experienced professionals and are problem-solving oriented. They want to complete their tasks and/or projects correctly. Employees rely on both their own expertise and that of their colleagues. Task culture organisations often deploy temporary teams, in which cooperation is paramount. The hierarchical power is not necessarily connected to a specific person, but is spread over the entire organisation. Results are more important than rules, the balance of power or individual personal needs. Expertise and flexibility are central, and coordination depends on the task and/or project requirements. For example, a deadline or a high-quality end result.

Task culture

Teams are formed to solve particular problems

Power derives from expertise as long as a team requires expertise

No single power source

Matrix organisation

Team may develop own objectives (a risk)

Functional Depts

Project Teams

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PERSON CULTURE

Low cooperation level / High power distribution

A person culture can often be found in professional organisations where employees have complete independence, are highly educated and can work with their own expertise. Think of law firms, health companies or academic research teams. The organisation is entirely in service of the people who work there. It is all about the knowledge and expertise of the employees, who are preferably referred to as 'members of the organisation' instead. The number of employees in a person culture is generally small. In a person culture, the individual is central. In these organisations, there are few rules and procedures. What links employees are departments and services they jointly use and depend on, such as the building they share, record keeping with reception and a supporting service such as IT. Their shared interests and values are also a binding element. Because it is often unclear who has final responsibility, there may occasionally be coordination problems within these types of organisations. In general, a 'pure' person culture is very rare. In most cases, a person culture will only be short-lived, and the organisation will gradually shift towards one of the other cultural typologies.
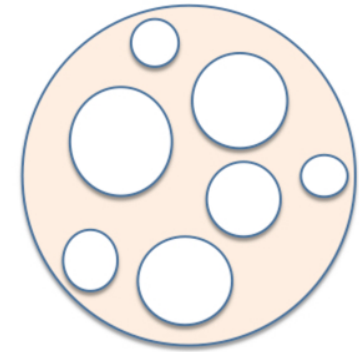
Person culture

- People believe themselves to be superior to the business
- Business full of people with similar training, background & expertise
- Common in firms of professionals – e.g. accountants & lawyers
- Power lies in each group of individuals

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WHAT FACTORS INFLUENCE THE CULTURE OF AN ORGANIZATION?

FACTORS INFLUENCING CULTURE OF AN ORGANISATION

- Influence of the founder ("shadow of the leader")
- Size & development stage of the business (e.g. start-up, multisite, multinational)
- Leadership & management style
- Organizational structure, policies & practices
- Employee & management reward structures (e.g. pay, bonuses, individual v team rewards)
- Market /industries in which it operates
- Working environment & nature of tasks (e.g. physical, office, remote working, flexible working)
- External environment (e.g. legal, economic, social)
- Attitude of organization to risk-taking & innovation
- Sector: e.g. service, manufacturing

Two Primary Culture Dimensions

- **PEOPLE INTERACTIONS.**

An organization's orientation toward people interactions and coordination will fall on a spectrum from highly independent to highly interdependent. Cultures that lean toward the former place greater value on autonomy, individual action, and competition. Those that lean toward the latter emphasize integration, managing relationships, and coordinating group effort. People in such cultures tend to collaborate and to see success through the lens of the group.

- **RESPONSE TO CHANGE.**

Whereas some cultures emphasize stability—prioritizing consistency, predictability, and maintenance of the status quo—others emphasize flexibility, adaptability, and receptiveness to change. Those that favor stability tend to follow rules, use control structures such as seniority-based staffing, reinforce hierarchy, and strive for efficiency. Those that favor flexibility tend to prioritize innovation, openness, diversity, and a longer-term orientation.

Eight Styles Of Company Culture

(As studied by researchers at Spencer Stuart)

By Applying The Fundamental Insight About The Dimensions Of People Interactions And Response To Change, They Have Identified Eight Styles That Apply To Both Organizational Cultures And Individual Leaders.

Caring focuses on relationships and mutual trust. Work environments are warm, collaborative, and welcoming places where people help and support one another. Employees are united by loyalty; leaders emphasize sincerity, teamwork, and positive relationships.

Purpose is exemplified by idealism and altruism. Work environments are tolerant, compassionate places where people try to do good for the long-term future of the world. Employees are united by a focus on sustainability and global communities; leaders emphasize shared ideals and contributing to a greater cause.

Learning is characterized by exploration, expansiveness, and creativity. Work environments are inventive and open-minded places where people spark new ideas and explore alternatives. Employees are united by curiosity; leaders emphasize innovation, knowledge, and adventure.

Enjoyment is expressed through fun and excitement. Work environments are lighthearted places where people tend to do what makes them happy. Employees are united by playfulness and stimulation; leaders emphasize spontaneity and a sense of humor.

Eight Styles Of Company Culture

(As studied by researchers at Spencer Stuart)

Results is characterized by achievement and winning. Work environments are outcome-oriented and merit-based places where people aspire to achieve top performance. Employees are united by a drive for capability and success; leaders emphasize goal accomplishment.

Authority is defined by strength, decisiveness, and boldness. Work environments are competitive places where people strive to gain personal advantage. Employees are united by strong control; leaders emphasize confidence and dominance.

Safety is defined by planning, caution, and preparedness. Work environments are predictable places where people are risk-conscious and think things through carefully. Employees are united by a desire to feel protected and anticipate change; leaders emphasize being realistic and planning ahead.

Order is focused on respect, structure, and shared norms. Work environments are methodical places where people tend to play by the rules and want to fit in. Employees are united by cooperation; leaders emphasize shared procedures and time-honored customs.
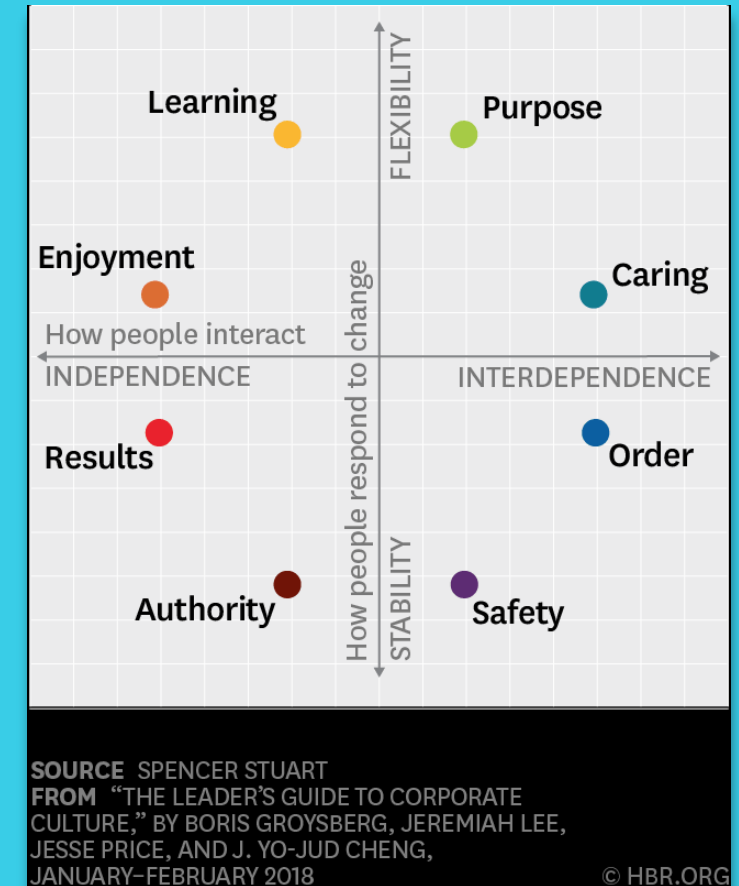
Integrated Culture: The Framework

On the basis of decades of experience analyzing organizations, executives, and employees, a rigorous, comprehensive model to identify the key attributes of both group culture and individual leadership styles was developed. Eight characteristics emerge when cultures are mapped along two dimensions: how people interact (independence to interdependence) and their response to change (flexibility to stability). The relative salience of these eight styles differs across organizations, though nearly all are strongly characterized by results and caring.

The spatial relationships are important. Proximate styles, such as safety and order, or learning and enjoyment, will coexist more easily than styles that are far apart on the chart, such as authority and purpose, or safety and learning. Achieving a culture of authority often means gaining the advantages (and living with the disadvantages) of that culture but missing out on the advantages (and avoiding the disadvantages) of a culture of purpose.

It is common to find organizations with cultures that emphasize both results and caring, but this combination can be confusing to employees. Are they expected to optimize individual goals and strive for outcomes at all costs, or should they work as a team and emphasize collaboration and shared success? The nature of the work itself, the business strategy, or the design of the organization may make it difficult for employees to be equally results focused and caring.

In contrast, a culture that emphasizes caring and order encourages a work environment in which teamwork, trust, and respect are paramount. The two styles are mutually reinforcing, which can be beneficial but can also present challenges. The benefits are strong loyalty, retention of talent, lack of conflict, and high levels of engagement. The challenges are a tendency toward groupthink, reliance on consensus-based decisions, avoidance of difficult issues, and a calcified sense of "us versus them." Leaders who are more focused on results and learning may find the combination of caring and order stifling when they seek to drive entrepreneurship and change.

SOURCE SPENCER STUART
FROM "THE LEADER'S GUIDE TO CORPORATE CULTURE," BY BORIS GROYSBERG, JEREMIAH LEE, JESSE PRICE, AND J. YO-JUD CHENG, JANUARY–FEBRUARY 2018
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Integrated Culture: The Framework

The eight styles can be used to diagnose and describe highly complex and diverse behavioral patterns in a culture and to model how likely an individual leader is to align with and shape that culture. Using this framework and multilevel approach, managers can:

- Understand their organization's culture and assess its intended and unintended effects
- Evaluate the level of consistency in employees' views of the culture
- Identify subcultures that may account for higher or lower group performance
- Pinpoint differences between legacy cultures during mergers and acquisitions
- Rapidly orient new executives to the culture they are joining and help them determine the most effective way to lead employees
- Measure the degree of alignment between individual leadership styles and organizational culture to determine what impact a leader might have
- Design an aspirational culture and communicate the changes necessary to achieve it

PROS AND CONS OF CULTURAL STYLE

Every culture style has strengths and weaknesses. The table summarizes the advantages and disadvantages of each style and how frequently it appears as a defining culture characteristic among the companies in the study completed by the Harvard Business Review.

CULTURE STYLE	ADVANTAGES	DISADVANTAGES	RANKED 1ST OR 2ND
CARING Warm, sincere, relational	Improved teamwork, engagement, communication, trust, and sense of belonging	Overemphasis on consensus building may reduce exploration of options, stifle competitiveness, and slow decision making	**63%**
PURPOSE Purpose driven, idealistic, tolerant	Improved appreciation for diversity, sustainability, and social responsibility	Overemphasis on a long-term purpose and ideals may get in the way of practical and immediate concerns	**9%**
LEARNING Open, inventive, exploring	Improved innovation, agility, and organizational learning	Overemphasis on exploration may lead to a lack of focus and an inability to exploit existing advantages	**7%**
ENJOYMENT Playful, instinctive, fun loving	Improved employee morale, engagement, and creativity	Overemphasis on autonomy and engagement may lead to a lack of discipline and create possible compliance or governance issues	**2%**
RESULTS Achievement driven, goal focused	Improved execution, external focus, capability building, and goal achievement	Overemphasis on achieving results may lead to communication and collaboration breakdowns and higher levels of stress and anxiety	**89%**
AUTHORITY Bold, decisive, dominant	Improved speed of decision making and responsiveness to threats or crises	Overemphasis on strong authority and bold decision making may lead to politics, conflict, and a psychologically unsafe work environment	**4%**
SAFETY Realistic, careful, prepared	Improved risk management, stability, and business continuity	Overemphasis on standardization and formalization may lead to bureaucracy, inflexibility, and dehumanization of the work environment	**8%**
ORDER Rule abiding, respectful, cooperative	Improved operational efficiency, reduced conflict, and greater civic-mindedness	Overemphasis on rules and traditions may reduce individualism, stifle creativity, and limit organizational agility	**15%**

NOTE SUM OF PERCENTAGES IS GREATER THAN 100 BECAUSE STYLES WERE COUNTED AS DOMINANT IF THEY WERE RANKED 1 OR 2 OVERALL.

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TYPES OF ORGANIZATIONAL CULTURE

CLAN CULTURE

ADHOCRACY CULTURE

MARKET CULTURE

THE HIERARCHY CULTURE

CLAN CULTURE

Clan Culture is a "family-like" culture. People are friendly and respectful towards one another, and leaders are seen as mentors. There's an emphasis on team-building and employee involvement. Clan Culture organizations prioritize their Human Resources department, and implement long-term HR approaches to encourage teamwork and inclusion. There's also a strong emphasis on loyalty and tradition.

Smaller companies are typically good examples of Clan Culture. For instance, Propellernet, a Brighton-based marketing agency consistently named a top UK Place to Work, has said they "prioritize the health and well-being of our team, work hard to challenge, engage and inspire them, and have a business plan that focuses on making their dreams come true."

ADHOCRACY CULTURE

This is an innovative, dynamic, and creative work environment. Above all else, a Adhocracy Culture promotes freedom and individual innovation. Employees are encouraged to experiment and offer new ideas, and leaders are seen as risk-takers. Ultimately, the organization aims to grow and create new products. Their metric of success is whether they are able to anticipate market needs and develop new solutions to meet that demand.

Apple is a good example of Adhocracy Culture -- Steve Jobs, Apple's founder, once said, "We hire people who want to make the best things in the world." Apple puts an emphasis on invention and creativity.

MARKET CULTURE

A Market Culture emphasizes getting things done. There's a competitive nature both among employees and even between leaders. Employees are motivated by rivalry and reaching goals, and there's a steadfast focus on winning. Leaders are both hard drivers and rivals. Ultimately, success is measured by market penetration and stock.

Oracle is a good example of Market Culture. Oracle's executive chairman and co-founder Larry Ellison has said, "I'm addicted to winning. The more you win, the more you want to win."

THE HIERARCHY CULTURE

Strict institutional procedures are adhered to closely in a Hierarchy Culture. A leader's job is primarily to ensure employees follow procedures correctly. In a Hierarchy Culture, there's a strong emphasis on efficiency and uniformity. Ultimately, the organization's goals revolve around smooth execution, results, and low costs. A Hierarchy Culture relies on systematic problem-solving and process control to operate effectively.

Bureaucratic organizations like the Department of Motor Vehicles, or Burger King, are good examples of a Hierarchy Culture. These organizations follow corporate procedures to ensure consistency and results.

WHY DOES ORGANIZATIONAL CULTURE CHANGE?

HOW AND WHY DOES ORGANIZATIONAL CULTURE CHANGE?

Organizational culture is not stagnant. Members of an organization develop a shared belief around "what right looks like" as they interact over time and learn what yields success and what doesn't. When those beliefs and assumptions lead to less than successful results, the culture must evolve for the organization to stay relevant in a changing environment.

Changing organizational culture is not an easy undertaking. Employees often resist change and can rally against a new culture. Thus, it is the duty of leaders to convince their employees of the benefits of change and show through collective experience with new behaviors that the new culture is the best way to operate to yield success.

Four Levers for Evolving a Culture

1. Articulate the aspiration.
2. Select and develop leaders who align with the target culture.
3. Use organizational conversations about culture to underscore the importance of change.
4. Reinforce the desired change through organizational design.

Case Study Showing How The Four Levers Are Implemented In An Actual Organization: https://hbr.org/2018/01/the-culture-factor

Four Levers for Evolving a Culture

- **Articulate the aspiration.**

Much like defining a new strategy, creating a new culture should begin with an analysis of the current one, using a framework that can be openly discussed throughout the organization. Leaders must understand what outcomes the culture produces and how it does or doesn't align with current and anticipated market and business conditions. For example, if the company's primary culture styles are results and authority but it exists in a rapidly changing industry, shifting toward learning or enjoyment (while maintaining a focus on results) may be appropriate.

- **Select and develop leaders who align with the target culture.**

Leaders serve as important catalysts for change by encouraging it at all levels and creating a safe climate and what Edgar Schein calls "practice fields." Candidates for recruitment should be evaluated on their alignment with the target. A single model that can assess both organizational culture and individual leadership styles is critical for this activity.

Incumbent leaders who are unsupportive of desired change can be engaged and re-energized through training and education about the important relationship between culture and strategic direction. Often they will support the change after they understand its relevance, its anticipated benefits, and the impact that they personally can have on moving the organization toward the aspiration. However, culture change can and does lead to turnover: Some people move on because they feel they are no longer a good fit for the organization, and others are asked to leave if they jeopardize needed evolution.

Four Levers for Evolving a Culture

- **Use organizational conversations about culture to underscore the importance of change.**

To shift the shared norms, beliefs, and implicit understandings within an organization, colleagues can talk one another through the change. Our integrated culture framework can be used to discuss current and desired culture styles and also differences in how senior leaders operate. As employees start to recognize that their leaders are talking about new business outcomes—innovation instead of quarterly earnings, for example—they will begin to behave differently themselves, creating a positive feedback loop.

Various kinds of organizational conversations, such as road shows, listening tours, and structured group discussion, can support change. Social media platforms encourage conversations between senior managers and frontline employees. Influential change champions can advocate for a culture shift through their language and actions.

- **Reinforce the desired change through organizational design.**

When a company's structures, systems, and processes are aligned and support the aspirational culture and strategy, instigating new culture styles and behaviors will become far easier. For example, performance management can be used to encourage employees to embody aspirational cultural attributes. Training practices can reinforce the target culture as the organization grows and adds new people. The degree of centralization and the number of hierarchical levels in the organizational structure can be adjusted to reinforce behaviors inherent to the aspirational culture. Leading scholars such as Henry Mintzberg have shown how organizational structure and other design features can have a profound impact over time on how people think and behave within an organization.

PROS AND CONS OF ORGANIZATIONAL CHANGE

PROS OF ORGANIZATIONAL CHANGE

Staying Current with Industry Trends

Change can help a business stay current with industry trends, which can make it more attractive to potential customers as well as help maintain current customers. For example, if a competitor develops and markets a successful new product, a business can ensure that it doesn't fall behind by developing and marketing a similar product of its own.

New Business Opportunities

The ability to embrace change can help employees in a business by creating new opportunities. A worker who enthusiastically applies herself to learning the new office computer system can also train others who are more hesitant. By assuming this leadership role, the employee may position herself as someone who is capable of assuming additional responsibilities, making her a possible candidate for future promotion.

Encouraging Business Innovation

Businesses that are adept at handling or even embracing change can foster an environment that encourages innovation. Employees who feel that their ideas will be considered by a manager or business owner may be more willing to think creatively, which can help a business grow. One good product or marketing idea can make a big difference in the success of a small business.

Increased Business Efficiency

Change can increase the efficiency of work processes, which can make for more satisfied customers as well as employees. A new delivery process can increase the speed in which a customer receives merchandise. Switching to a computerized payroll process may mean that a salesperson is paid his commissions sooner. A new piece of machinery can aid a worker in speeding up a portion of the production process in a factory.

Improved Employee Attitudes and Morale

A philosophical or personnel change in an organization can have a positive effect on employee attitudes and morale. A change in human resources philosophy that allows for a more relaxed work environment, such as implementing a casual dress code, may be welcomed by employees. When a close-minded manager is replaced with one who is open to new ideas, employees may feel that they have more input regarding their job functions.

CONS OF ORGANIZATIONAL CHANGE

Impact on Mental Stress

A 2017 study by the American Psychological Association concluded that 55 percent of people who said they experienced organizational change at work reported feeling chronic stress, compared with 22 percent by people who didn't have organizational upheaval. There may be many causes for increased stress levels, including perceived injustices or unfairness, lack of timely communication by management or fear of future changes.

Loss of Loyalty and Increased Turnover

Many companies look to salaries and benefits as the first places to cut back when looking to make changes that involve cost-saving. When this happens, it is inevitable that some employees will leave the company to seek employment elsewhere. The employees that remain, whether they stay voluntarily or because they could not find employment elsewhere, are often resentful. Motivation decreases, taking job performance along with it. Employees lose their company loyalty and may even become angry enough to purposefully sabotage the company.

Increased Time Away From Work

When organizational changes are announced, particularly when there is downsizing involved, employees generally divide into one of two groups: those who will attempt to control their fate and those who want to get out before the changes occur. The group taking control will usually dig in, increase their productivity, hit their deadlines and do everything they can to shine in front of their managers hoping they will sail through the changes with their job intact.

The remaining employees cope with the changes by avoiding them. You may see these employees taking longer lunch hours, coming in later and leaving earlier or simply not coming into the office at all. Whether they are looking for new jobs or simply avoiding the office, expect to see an increase in employee sick days while you carry out the organizational changes.

Life Changes Caused by Restructuring

Some organizational changes require major restructuring, resulting in sweeping life changes for a number of employees. Typical changes that negatively impact a portion of the employees are salary cuts, loss of benefits, downgrading in job position, job loss or relocation to another city, state or country. All of these can be devastating changes to employees, particularly those who are supporting families.

The best way to handle these changes while keeping the morale up of the remaining or unaffected employees is by communicating with all of the employees every step of the way and treating the affected employees with fairness and compassion.

Relationship Between The Organizational Structure, Organizational Culture, And Organizational Behavior.

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Organizational Structure

An organizational structure is a system that outlines how certain activities are directed in order to achieve the goals of an organization. These activities can include rules, roles, and responsibilities.

The organizational structure also determines how information flows between levels within the company. For example, in a centralized structure, decisions flow from the top down, while in a decentralized structure, decision-making power is distributed among various levels of the organization.

Organizational Culture

Organizational culture refers to the beliefs and behaviors that determine how a company's employees and management interact and handle outside business transactions. Often, organizational culture is implied, not expressly defined, and develops organically over time from the cumulative traits of the people the company hires. A company's culture will be reflected in its dress code, business hours, office setup, employee benefits, turnover, hiring decisions, treatment of clients, client satisfaction, and every other aspect of operations.

Organizational Behavior

Actions and attitudes of individuals and groups toward one another and toward the organization as a whole, and its effect on the organization's functioning and performance.

Relationship Between The Organizational Structure, Organizational Culture, And Organizational Behavior.

Exploring the relationship between organizational structure and culture would be highly beneficial, since both of them determine the behavior of organization members. However, they do it in different ways.

Organizational culture is an intrinsic factor of organizational behavior, inasmuch as it directs the way people behave in an organization by operating from within and by determining assumptions, values, norms, and attitudes according to which organization members guide themselves in everyday actions in the organization.

On the other hand, organizational structure is an extrinsic factor which influences people's behavior from the outside, through formal limitations set by division of labor, authority distribution, grouping of units, and coordination. Therefore one's behavior in an organization is the result of the impact of its culture and structure, as well as the influence of other factors. Therefore studying the mutual impact of organizational culture and structure is important for a comprehensive understanding of the behavior of an organization's members.

Relationship Between The Organizational Structure, Organizational Culture, And Organizational Behavior.

VALUABLE READS ON THE TOPIC

The Mutual Impact Of Organizational Culture And Structure: http://www.ekof.bg.ac.rs/wp-content/uploads/2014/06/263.pdf

The Difference Between Organizational Culture and Organizational Structure: https://smallbusiness.chron.com/difference-between-organizational-culture-organizational-structure-25206.html

The Effects of Organizational Structure on Behavior: https://smallbusiness.chron.com/effects-organizational-structure-behavior-65759.html

About Organizational Structure and Culture: https://yourbusiness.azcentral.com/organizational-structure-culture-3006.html

Q&A

1. What is Organizational Culture?

2. What are the characteristics of Power, Role, Person and Task Culture?

3. What are the 4 types of organizational culture?

4. What are the four levers of evolving a culture?

5. What are some of the benefits of organizational change?

6. What are some of the negative impacts that come with implementing change?