Organizational Structure & Culture
Organizational Structure
What is Organizational Structure?

- Defines how job tasks are formally
  - Divided
  - Grouped
  - Coordinated

- Six key elements
  - Work specialization
  - Departmentalization
  - Chain of command
  - Span of control
  - Centralization & decentralization
  - Formalization

- Controls, coordinates & motivates employees
Work Specialization

Degree to which tasks in organization are subdivided into separate jobs

Efficiency gains
- Payment related to skill-level required
- Increase in performance in specific task
- Encouraging creation of special inventions

Efficiency losses
- Boredom
- Fatigues
- Stress
- Poor quality
- High absenteeism & turnover

Productivity vs. specialization
Departmentalization

The basis by which jobs are grouped together

Possible ways

– By functions performed
  - E.g., engineering, accounting, personnel….

– By type of product
  - E.g., fuel, waxes, chemicals

– On basis of geography
  - E.g., western, southern, midwestern, eastern…

– On basis of process
  - E.g., Casting, press, tubing, finishing, inspect, pack, ship….

– By type of customer
  - E.g., Service retail, wholesale, government customers

Large companies might combine the forms!
The Chain of Command & Span of Control

**Chain of command**
- Line of authority from top of the organization to lowest part
- Specifies who reports to whom
- Each managerial position is given its place & degree of authority
- Unity of command principle preserves unbroken line of command

**Span of Control**
- Number of subordinates a manager directs
- Wider spans more efficient in terms of costs
- When span too large, performance suffers
- Small spans make communication complex & encourage tight control
Centralization & Decentralization

Centralization
– degree to which decision making is concentrated at a single point
– Only with respect to formal authority

Decentralization
– Degree to which decision discretion lies with lower-level employees
– Advantages:
  - More quick in taking action
  - More people provide input in decision making
  - Employees less likely to feel alienated from decision makers
Formalization

- Degree to which jobs are standardized
- The more formalized,
  - The more rules, procedures, job descriptions
  - The less discretion job incumbent has over
    - What is to be done
    - When it is to be done
    - How it is to be done
  - The more consistent & uniform output
- Degree of formalization can vary between & within organizations!
Organization Charts

A pictorial record showing
- Formal relations
- How the company is supposed to be

Organigraphs (Mintzberg & van der Heyden, 1999)
- Graphical representations of organizations
- Showing the way in which people organize at work
- Less formal authority, rather relationships & processes
Examples of Organization Charts I

SALES TEAM

- International Manager
- Western Territory Manager
- Eastern Territory Manager
- Vice President Sales

- Salesperson
- Salesperson
- Salesperson
- Salesperson
- Salesperson
- Salesperson
Matrix Structure
Organigraphs - Examples

Set

Hub

Chain

Web
Why Do Structures Differ?

Contingency approach to organization structure: To be effective, organization must adjust structure consistent with

– The type of environment it works in
– The technology it uses
– Its size
– Its strategy
– Other contextual factors
Links Between Strategy & Structure

Structure should follow strategy or both develop together?

Strategic choices

- Innovation strategy (“prospector”) -> organic structure, flexible structure
- Cost minimization strategy (“defender”) -> mechanistic structure
- Imitation strategy (“analyzer) -> mechanistic & organic; matrix structures
Strategic Choice & Environments

Decisions about structure are based on personal beliefs & political decisions by senior managers.

Evidence for this

– In same environments, firms with different structures successful
– Managers can create their own environments
– Environments can be perceived differently
– Political factors co-determine structural choices
Links of Structures With Employee Performance & Satisfaction

- Specialization – higher productivity & less satisfaction
  - But: Individual differences & differences in types of task!
  - The higher educated, the less satisfaction from specialized job

- No supported relationship between span of control and performance
  - Some people like to work alone
  - Some people prefer security of boss available
  - Manager’s satisfaction increases with number of subordinates

- Centralization linked with job satisfaction
  - Less centralized organizations – more participatory decision making – more satisfaction
  - Again dependent on individual characteristics
Organizational Culture
The Concept

Definitions (!)

- H & B: “...the collection of relatively uniform & enduring values, beliefs, customs, traditions & practices that are shared by an organization’s members, learned by new recruits, & transmitted from one generation of employees to the next.”
- Robbins: “A common perception held by the organization’s members; a system of shared meaning.”
- Greenberg & Baron: “A cognitive framework consisting of attitudes, values, behavioral norms, & expectations, shared by organization members.

Basic idea:

- Organizations have “something” giving them a unique identity.

Development

- Popular concept since the early 1980s.
- Interdisciplinary.
- Controversial concept!
The Controversy About Organizational Culture

- Management literature likes the concept
  - Managers supposed to be able to influence the culture of the company
  - Strength of culture has influence on effectiveness of an organization
- Academic critics state that the concept is of no use
- Academic supporters disagree about
  - Concept itself
  - Importance as explanatory tool
- “Dark side” of the concept - manipulative
Organizational Culture

Edgar Schein’s model of culture
- One of the most known concepts
- Three levels, distinguished by
  - Visibility
  - Accessibility

The three levels
- Surface manifestations
- Values
- Basic assumptions
Surface Manifestations

Most visible & accessible forms

Visible & audible behaviour patterns & objects
  – Visible to employees, customers, visitors!

Examples
  – Artefacts & Physical layout (tools, furniture, clothes…)
  – Ceremonials, Rites & Rituals
  – Courses (introduction, orientation, training)
  – Myths, Heroes & Stories
  – Language
  – Mottoes & Slogans
  – Norms
  – Symbols
ʻAn Amazing
Tie-Free Zone
•Casual
•Intense
•Fun
•Different
•Creative
•Challenging
•Frugal
•Energized
•Open

…” Bill Bowerman. Who is he? Legendary track & field coach at the University of Oregon. A teacher who showed athletes the secrets of achievement. Co-founder of Nike. Husband, father, mentor. From him we derive our mission. Through his eyes we see our future.”

Nike
Values

- Things that have personal or organizational worth for *founders & senior managers*
  - Based on moral, societal or religious principles
- Not visible, but individuals can be aware of them
  - Most important factor distinguishing organizations
  - Provide common direction for employees & guidelines for behaviour

Sources
- Past experiences
- Views of the founder

Found in company reports, on websites…
Microsoft

Delivering on our mission requires great people who are bright, creative, and energetic, and who share the following values:

- Integrity and honesty.
- Passion for customers, partners, and technology.
- Open and respectful with others and dedicated to making them better.
- Willingness to take on big challenges and see them through.
- Self-critical, questioning, and committed to personal excellence and self-improvement.
- Accountable for commitments, results, and quality to customers, shareholders, partners, and employees.

New Orleans Center for Science and Math
In a district of struggling schools and at-risk kids, this urban high school is a model of achievement. These students are not merely learning real-world tech skills, they are realizing dreams they never thought attainable.
“Let’s have guiding principles and clear policies, high-caliber people, and get them to agree this is the way we want to run the firm.”

– Marvin Bower, Managing Director 1950-1967
Basic Assumptions

- Invisible, preconscious, "taken-for-granted" understandings

- Held by individuals with respect to
  - Aspects of human behaviour
  - Nature of reality
  - Organization’s relationship to its environment

- Difficult to access
Creating & Sustaining Culture

Creating Culture
- Founders of an organization
- Experience with environment
- Contact with others

Keeping a Culture alive
- Selection practices
- Socialization
- Top management actions
What is learning?

Definition: “Learning is the process of acquiring knowledge through experience which leads to an enduring change in behavior” (H & B)

The result of this process: Knowledge

Two types of learning:
- Procedural learning (learning how)
- Declarative learning (learning that)
# Behaviourist Vs. Cognitive Approach

<table>
<thead>
<tr>
<th>Behaviourist psychology</th>
<th>Cognitivist psychology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stimulus-response</td>
<td>Information processing</td>
</tr>
<tr>
<td>Studies only observable behaviour</td>
<td>Studies mental processes as well</td>
</tr>
<tr>
<td>Behaviour determined by learned sequences of muscle movements</td>
<td>Behaviour determined by memory, mental processes, expectations</td>
</tr>
<tr>
<td>We learn habits</td>
<td>We learn cognitive structures &amp; alternative ways to achieve goals</td>
</tr>
<tr>
<td>Problem solving by trial and error</td>
<td>Problem solving involves insight &amp; understanding as well</td>
</tr>
<tr>
<td>Procedure</td>
<td>Operationalization</td>
</tr>
<tr>
<td>--------------------------</td>
<td>---------------------------------------------------------------------</td>
</tr>
<tr>
<td>Positive reinforcement</td>
<td>Manager compliments employee each time work is completed on schedule</td>
</tr>
<tr>
<td>Negative reinforcement</td>
<td>Unpaid overtime continues to be mandatory until work is completed on schedule, then overtime rewarded</td>
</tr>
<tr>
<td>Punishment</td>
<td>Manager asks employee to stay late when work is not handed in on schedule</td>
</tr>
<tr>
<td>Extinction</td>
<td>Manager ignores the employee when work is handed in late</td>
</tr>
</tbody>
</table>
Application: Socialization and Social Learning

Socialization: “The process through which an individual’s pattern of behaviour, and their values, attitudes and motives, are influenced to conform with those seen as desirable in a particular organization, society or sub-culture.” (H&B)

Social learning (Bandura)
- We learn new behaviours through observing & copying the behaviour of others
- Without rewards or punishments
- Still, reinforcement plays a role!
Organizational Socialization

“The process through which an individual’s pattern of behaviour, their values, attitudes & motives are influenced to conform with those seen as desirable in a particular organization.” (H & B)

New employees learn about the company’s culture

- Reduces variability of behavior
- Enhances predictability

Includes

- Selection of new members
- Instruction in appropriate ways of thinking & behaving
- Reinforcement of desired behaviours
Organizational Socialization Cont.

- **Pre-arrival (selection)**
  - To inform prospective employees about organizations
  - Ensure that values of firm and recruits fit
  - Conveys to those admitted that they are members of an elite
  - Reinforces image of organization to future applicants

- **Encounter**
  - New recruit learns about organizational expectations
  - Detached from prior assumptions, replaced by the organization’s

- **Metamorphosis**
  - Adjustment to organization’s values
  - Can be real or fabricated
  - If not reached, employee might resign
How to Learn a Culture

Stories
- Narratives of events about the founders, rule breaking, organizational coping
- Anchor the present in the past
- Provide explanations & legitimacy for current practices

Rituals
- Repetitive sequences of activities
- Express & reinforce key values of organization, most important goals & people
The Awards

"Recognition was as vital to me as money," said Mary Kay. At Mary Kay Inc., sales awards are designed specifically and symbolically to recognize achievement, not just applaud it.

"If you give somebody a 40-cent item in a $1 box with $100 worth of recognition," said the Founder, "that's a thousand times more effective than giving a $100 item in the same box but with 40 cents of recognition!"

THE DIAMOND BEE PIN

Aerodynamically, bumblebees are not designed to fly — but they do. To symbolize a woman's ability to achieve beyond the possible, Mary Kay's top performers wear the diamond bumblebee pin, a version of the original one Mary Kay pinned to her own jackets.

CAREER APPAREL

Independent sales force members wear special jackets and suits to recognize their recruiting skills, and National Sales Directors are awarded with St. John® designer suits specific to their level of accomplishment.

THE GOLD LADDER PIN

Based on the principle that "a person competes best when she competes against herself," the gold ladder is strung with jewels on each rung to commemorate reaching a personal goal.

PINK CADILLAC

Pink gets attention "our top producers deserve," said Mary Kay, "and it's truly a trophy on wheels these women have earned." Mary Kay's legendary pink Cadillacs match the Company's signature color. Contrary to what many think, pink was not Mary Kay's favorite color. In reality, when Mary Kay first manufactured her products, most bathrooms in America were white. She felt that products distinctively packaged would be more likely to be displayed and liked the idea of pink in a white bathroom.

In 1969, Mary Kay took one of her pink compacts to a Dallas Cadillac dealership and asked that her new car be painted that exact color. To date, Mary Kay Independent Beauty Consultants have earned the use of more than 80,000 GM cars.
How to Learn a Culture Cont.

Symbols
- Layout of headquarters & offices
- Types of automobiles given to executives....
- Convey information about
  - Who is important
  - Degree of egalitarianism
  - Kinds of behavior appropriate

Language
- Special terminology used to describe
  - Equipment
  - Offices
  - Key personnel
  - Products…
- Members using this accept the culture & preserve it
Functions of Culture

- Boundary-defining
- Conveys sense of identity
- Facilitates generation of commitment to aims above self-interest
- Enhances social system stability
- Sense-making & control mechanism

No clear link between culture & economic performance found yet
Problems of Culture

- Barrier to change
- Barrier to diversity
- Barrier to mergers & acquisitions

➤ An illustration – an experimental study of culture
The Link With National Culture

Parallel discussion: Effect of national/societal culture on organization cultures

- How do national cultures affect organization cultures

Trait lists, like in personality research

- Example: the US culture:
  - Individualism
  - Precise time
  - Value of work & performance
  - Respect for diligence
  - ....

The Hofstede-Studies

- Cross-cultural study
- 116,000 employees of 1 multinational company
- Located in 40 countries

Aim: identify basic dimensions of differences between national cultures
The Hofstede-Studies Cont.

- Four (five) dimensions
  - Power distance
  - Uncertainty avoidance
  - Individualism-collectivism
  - Masculinity-femininity
  - (+ long-term – short-term orientation)

- Each dimension represents continuum
  - Each country can be rated from high to low
  - Placed somewhere along each continuum
The Hofstede-Studies Cont.

- Importance of organization cultural differences stemming from societal cultural differences
- National & organizational cultures strongly linked
- Important for
  - Expatriate management
  - Cross cultural management
  - Human resource management in different countries…
The Hofstede-Studies Cont.

- **Power distance low:**
  - less centralization
  - Flatter organization pyramids
  - Examples: australia, israel, denmark, sweden

- **Power distance high**
  - Greater centralization
  - Tall organization pyramids
  - More supervisory personnel
  - Examples: Mexico, Venezuela, India
The Hofstede-Studies Cont.

- **Femininity high:**
  - Gender roles minimized
  - More women in more qualified jobs
  - Soft, yielding, intuitive skills rewarded
  - Life quality important
  - Examples: Thailand, Scandinavia

- **Masculinity high**
  - Gender roles clearly differentiated
  - Fewer women in more qualified jobs
  - Aggressiveness, competitiveness, decisiveness rewarded
  - Stress on careers
  - Examples: Japan, Italy, Mexico
The Hofstede-Studies Cont.

- **Collectivism high:**
  - Organization as family
  - Organization defends employee interests
  - Practices based on loyalty, sense of duty, group participation
  - Examples: Venezuela, Taiwan, Greece

- **Individualism high:**
  - Organizations more impersonal
  - Practices encourage individual initiative
  - Task prevails over relationships
  - Examples: USA, Britain, Netherlands
The Hofstede-Studies Cont.

- Uncertainty avoidance **low**:  
  - Less structuring of activities  
  - Fewer written rules  
  - Greater willingness to take risks  
  - Tolerance of deviant persons & ideas  
  - Examples: Denmark, Britain, USA

- Uncertainty avoidance **high**:  
  - More structuring of activities  
  - More written rules  
  - Less willingness to take risks  
  - More ritualistic behavior  
  - Examples: Greece, Portugal, Japan, France
POWER DISTANCE INDEX

Small Power Distance
Weak Uncertainty Avoidance
(village market)

Large Power Distance
Weak Uncertainty Avoidance
(family)

Small Power Distance
Strong Uncertainty Avoidance
(well oiled machine)

Large Power Distance
Strong Uncertainty Avoidance
(pyramid of people)
Literature

- H & B chapter 19
- Robbins chapter 17
- Greenberg & Baron chapter 14