

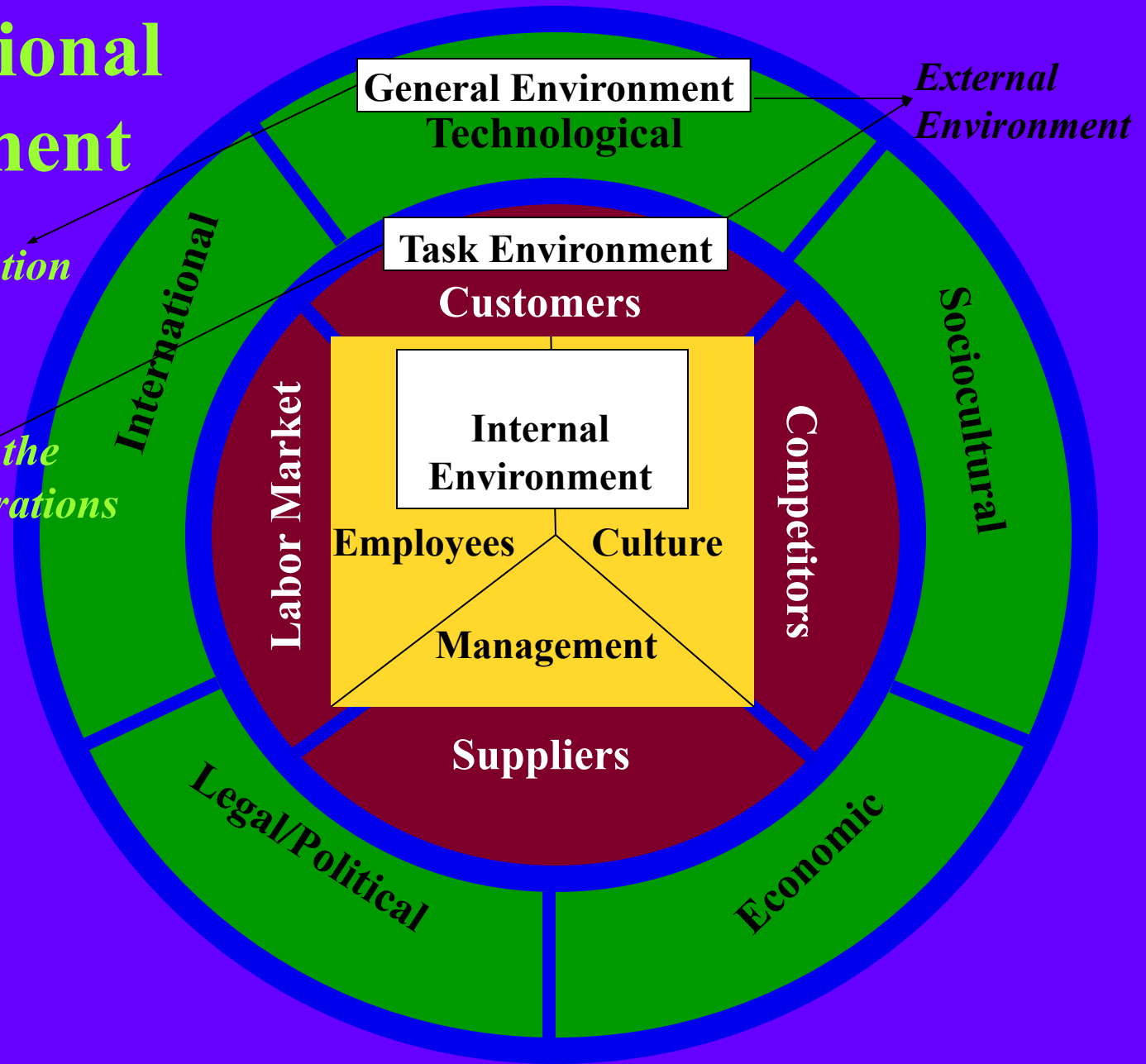
# *Chapter* **Three**

## **The Environment & Corporate Culture**

# Organizational Environment

*affects the organization indirectly*

*directly influences the organization's operations and performance*



**WEB  
ALERT**

Auto By Telephone,  
"Latest Headlines"

# GENERAL ENVIRONMENT

1. International dimension
2. Technological dimension
3. Sociocultural dimension
4. Economic dimension
5. Legal-Political dimension

# International Dimension

- Events as well as opportunities originating in foreign countries.
- One study identified 136 U.S. industries-including automobiles, accounting services, entertainment, consumer electronics, and publishing-that will have to compete on a global basis or disappear.

*The high quality, low-priced automobiles from Japan and Korea have permanently changed the American automobile industry. Many companies have parts supplied from countries such as Mexico because of low-priced labor.*

- Today, every company must think internationally.

# Technological Dimension

- Includes scientific and technological advancements.

*The technological dimension of the general environment plays a major role in Ford Motor Company's push for quality. New technology will keep quality high in next years.*

- Technological advances can change the rules of the game and every organization must be ready to respond.

# Sociocultural Dimension

- Demographic characteristics, norms, customs & values of the population within which the organization operates.
  - Important sociocultural characteristics are geographical and population density, age and education levels.
  - Key demographic trends in the United States.
- 
- ⇒ *African Americans will make up the majority of the U.S. population by the year 2050.*
  - ⇒ *Population and the workforce continue to age with the baby boomers.*
  - ⇒ *Approximately 15% of births in recent years were to foreign-born mothers.*

# Economic Dimension

- The overall economic health of the country or region in which the organization operates.
- ⇒ Consumer purchasing power, unemployment rate and interest rates are part of an organization's economic environment.

# Legal-Political Dimension

- Includes state and local government regulations and political activities designed to influence and control company behavior.

⇒ *Occupational Safety and Health Administration (OSHA), fair trade practices, consumer protection legislation, product safety requirements, import and export restrictions, etc.*

- Managers must recognize a variety of **pressure groups**.

⇒ *Ex: anti-smoking groups, environmental groups (Greenpeace), etc.*



# TASK ENVIRONMENT

1. Customers
2. Competitors
3. Suppliers
4. Labor market

# Customers

- “People and organizations in the environment who obtain goods or services from the organization”.

⇒ Customers are important because they determine the organization's success.

*Patients are the customers of hospitals, students the customers of schools and travelers the customers of airlines.*

# Competitors

- “Other organizations in the same industry or type of business that provide goods or services to the same set of customers”.

⇒ *Ex: Apple, IBM and Compaq*

# Suppliers

- “People and organizations who provide the raw materials the organization uses to produce its output.
- ⇒ *Ex: A small, private university may utilize hundreds of suppliers for paper, pencils, cafeteria food, computers, trucks, fuel, electricity and textbooks.*
- ⇒ *Large companies such as GM, Westinghouse depend on as many as 5.000 suppliers.*

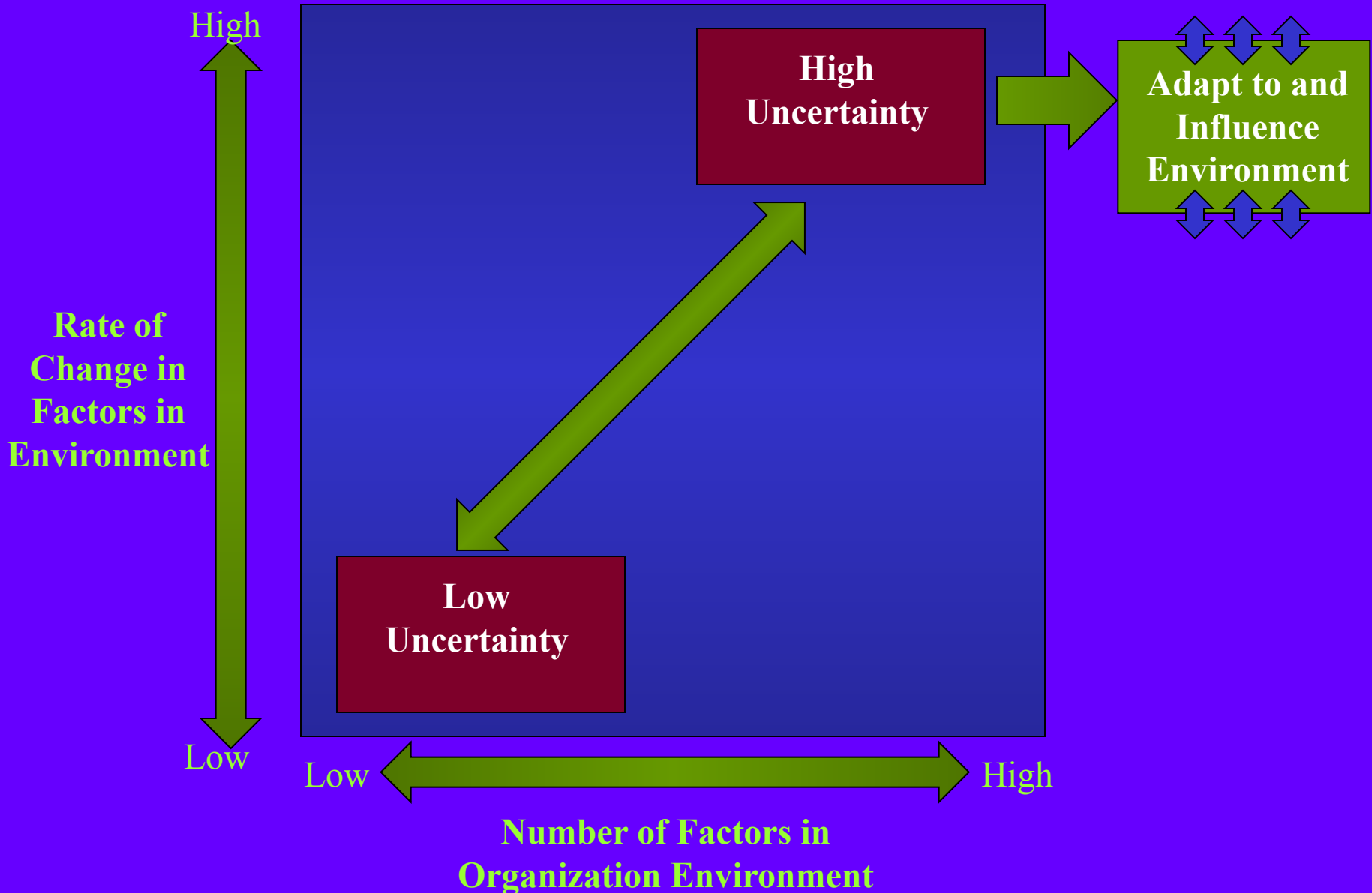
# Labor Market

- “The people in the environment who can be hired to work for the organization”.
- Two labor market factors having an impact on organizations:
  - ⇒ the necessity for continuous investment in human resources through recruitment, education, and training
  - ⇒ the effects of international trading blocs, automation, shifting plant location, etc.

# Strategies For Coping With Environmental Uncertainty

- ✓ Adapt the organization to changes in the environment
- ✓ Influence the environment

# External Environment and Uncertainty



# The Internal Environment: Corporate Culture

## *Levels of Corporate Culture*





# Organizational Culture

- ✓ Organizational culture represents the values, understandings and basic assumptions that employees share and these values are signified by symbols, stories, heroes, slogans and ceremonies.
- ✓ Managers help define important symbols, stories and heroes to shape the culture.

# Culture Gap

- ✓ The difference between an organization's desired cultural norms & values and actual norms & values.
- ✓ Changing culture is not easy.
- ✓ Symbolic leaders influence culture through the use of artifacts.

# SUMMARY & MGMT SOLUTION

- ✓ Important ideas on internal & external organizational environments.
- ✓ Events in the external environment are considered important influences on organizational behavior & performance.
- ✓ The external environment consists of 2 layers: the task environment and general environment.
- ✓ The task environment includes customers, competitors, suppliers and labor market.
- ✓ The general environment includes technological, sociocultural, economic, legal-political and international dimensions.
- ✓ Corporate culture, a major element of the internal environment, includes the key values, beliefs, understandings and norms that organization members share.

# SUMMARY & MGMT SOLUTION

- ✓ Organizational activities that illustrate corporate culture include symbols, stories, heroes, slogans and ceremonies.
- ✓ For the organization to be effective, corporate culture should be aligned with the needs of the external environment.
- ✓ Strong cultures are effective when they enable the organization to adapt to changes in the external environment.
- ✓ Symbolic leaders can change corporate culture by:
  1. communicating a vision to employees
  2. reinforcing the vision with day-to-day public statements, ceremonies, slogans, symbols and stories.

# WHAT IS A STRONG CORPORATE CULTURE?

Think about an organization for which you have knowledge, such as your school or a company for which you have worked. Answer the questions below based on whether you agree that they describe the organization.

**Disagree (Strongly)**    **1**    **2**    **3**    **4**    **5**    **Agree (Strongly)**

1. Virtually all managers & most employees can describe the company's values, purpose and customer importance.
2. There is clarity among organization members about how their jobs contribute to organizational goals.
3. It is very seldom that a manager will act in a way contrary to the company's espoused values.
4. Warmth & support of other employees is a valued norm, even across departments.
5. The company and its managers value what's best for the company over the long term more than short-term results.

# WHAT IS A STRONG CORPORATE CULTURE?

6. Leaders make it a point to develop and mentor others.
7. Recruiting is taken very seriously, with multiple interviews in an effort to find traits that fit the culture.
8. Recruits are given negative as well as positive information about the company so they can freely choose whether to join.
9. Employees are expected to acquire real knowledge and mastery –not political alliances – before they can be promoted.
10. Company values emphasize what the company must do well to succeed in a changing environment.
11. Conformity to company mission and values is more important than conformity to procedures and dress.
12. You have heard stories about the company's leaders or "heroes" who helped make the company great.
13. Ceremonies and special events are used to recognize and reward individuals who contribute to the company in significant ways.

Total Score \_\_\_\_\_

# WHAT IS A STRONG CORPORATE CULTURE?

- ✓ Compute your score. If your total score is 52 or above, your organization has a strong culture (similar to a P&G or HP).
- ✓ A score from 26 to 51 suggests a culture of medium strength, which is positive for the organization (such as American Airlines, Coca-Cola, Citibank).
- ✓ A score of 25 or below indicates a weak culture, which is probably not helping the company adapt to the external environment or meet the needs of organization members.