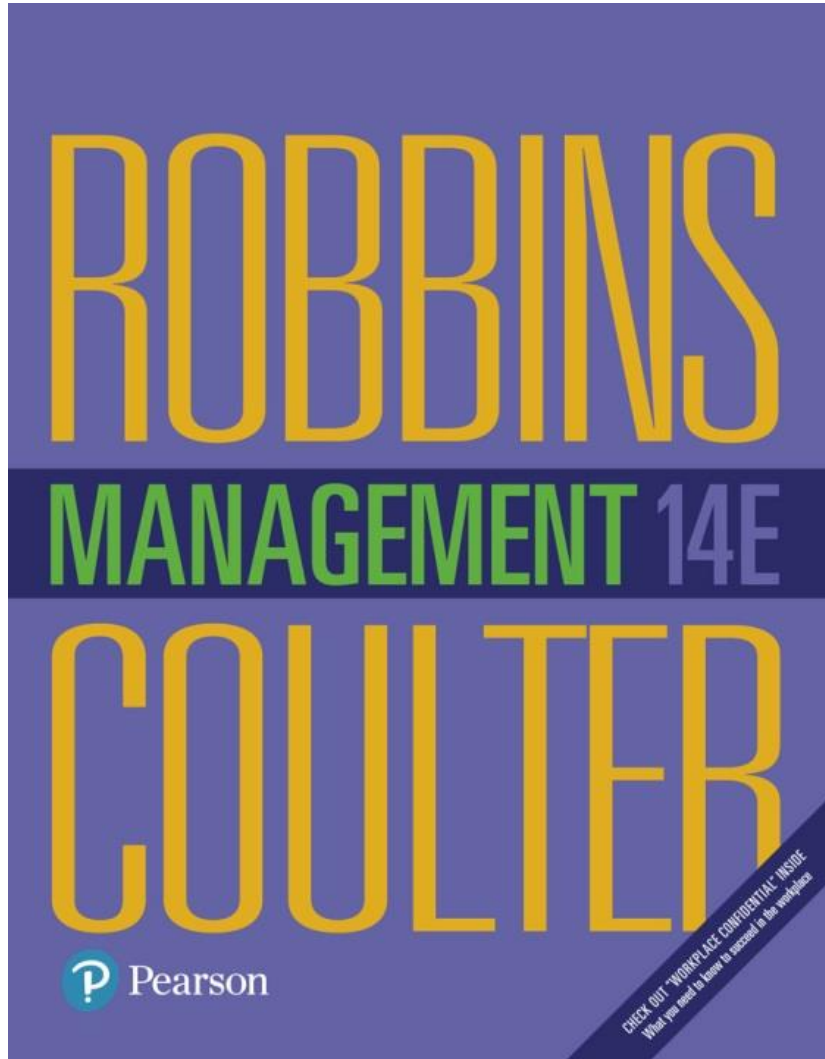


Management

Fourteenth Edition



Chapter 3

Managing the External Environment and the Organization's Culture

Learning Objectives

3.1 Contrast the actions of managers according to the omnipotent and symbolic views.

3.2 Describe the constraints and challenges facing managers in today's external environment.

Develop your skill at scanning the environment so you can anticipate and interpret changes taking place.

3.3 Discuss the characteristics and importance of organizational culture.

Know how to read and assess an organization's culture.

3.4 Describe current issues in organizational culture.

The Manager: Omnipotent or Symbolic?

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

Managerial Constraints

- In reality, managers are neither all-powerful nor helpless. But their decisions and actions are constrained.
- External constraints come from the organization's environment and internal constraints come from the organization's culture

Exhibit 3-1

Constraints on Managerial Discretion

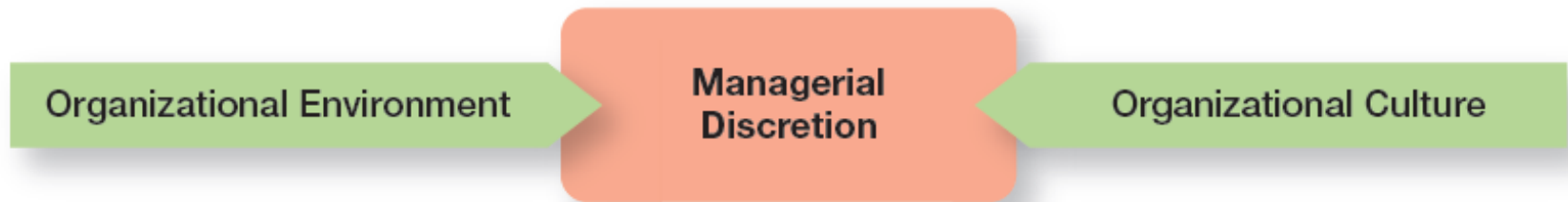


Exhibit 3-1 shows that external constraints come from the organization's environment and internal constraints come from the organization's culture.

The External Environment

- Those factors and forces outside the organization that affect its performance
 - Economic
 - Demographic
 - Political/Legal
 - Sociocultural
 - Technological
 - Global

Exhibit 3-2

Components of External Environment



Exhibit 3-2 shows the different components that make up the external environment.

The Economic Environment

- Managers need to be aware of the economic context so they can make the best decisions for their organizations.

The Global Economy and the Economic Context

- The lingering global economic challenges began with the turmoil in the U.S. housing market.

Economic Inequality and the Economic Context

- Polls show that in many countries, people believe that the gap between the rich and poor is problematic.

The Demographic Environment

- Age is a particularly important demographic since the workplace often has different age groups all working together
 - Baby Boomers
 - Gen Y (Millennials)
 - Post-Millennials

Gen Y

Gen Y is an important demographic at Facebook, where most employees are under 40.



How the External Environment Affects Managers

- **Jobs and Employment:** the impact of external factors on jobs and employment is one of the most powerful constraints managers face

Assessing Environmental Uncertainty

- **Environmental uncertainty:** the degree of change and complexity in an organization's environment
 - Change: stable to dynamic
 - Complexity: simple to complex

Exhibit 3-3

Environmental Uncertainty Matrix

		Degree of Change	
		Stable	Dynamic
Degree of Complexity	Simple	Cell 1 Stable and predictable environment Few components in environment Components are somewhat similar and remain basically the same Minimal need for sophisticated knowledge of components	Cell 2 Dynamic and unpredictable environment Few components in environment Components are somewhat similar but are continually changing Minimal need for sophisticated knowledge of components
	Complex	Cell 3 Stable and predictable environment Many components in environment Components are not similar to one another and remain basically the same High need for sophisticated knowledge of components	Cell 4 Dynamic and unpredictable environment Many components in environment Components are not similar to one another and are continually changing High need for sophisticated knowledge of components

Exhibit 3-3 shows the two aspects of environmental uncertainty, change and complexity.

Managing Stakeholder Relationships

- **Stakeholders:** any constituencies in the organization's environment that are affected by an organization's decisions and actions

Exhibit 3-4

Organizational Stakeholders

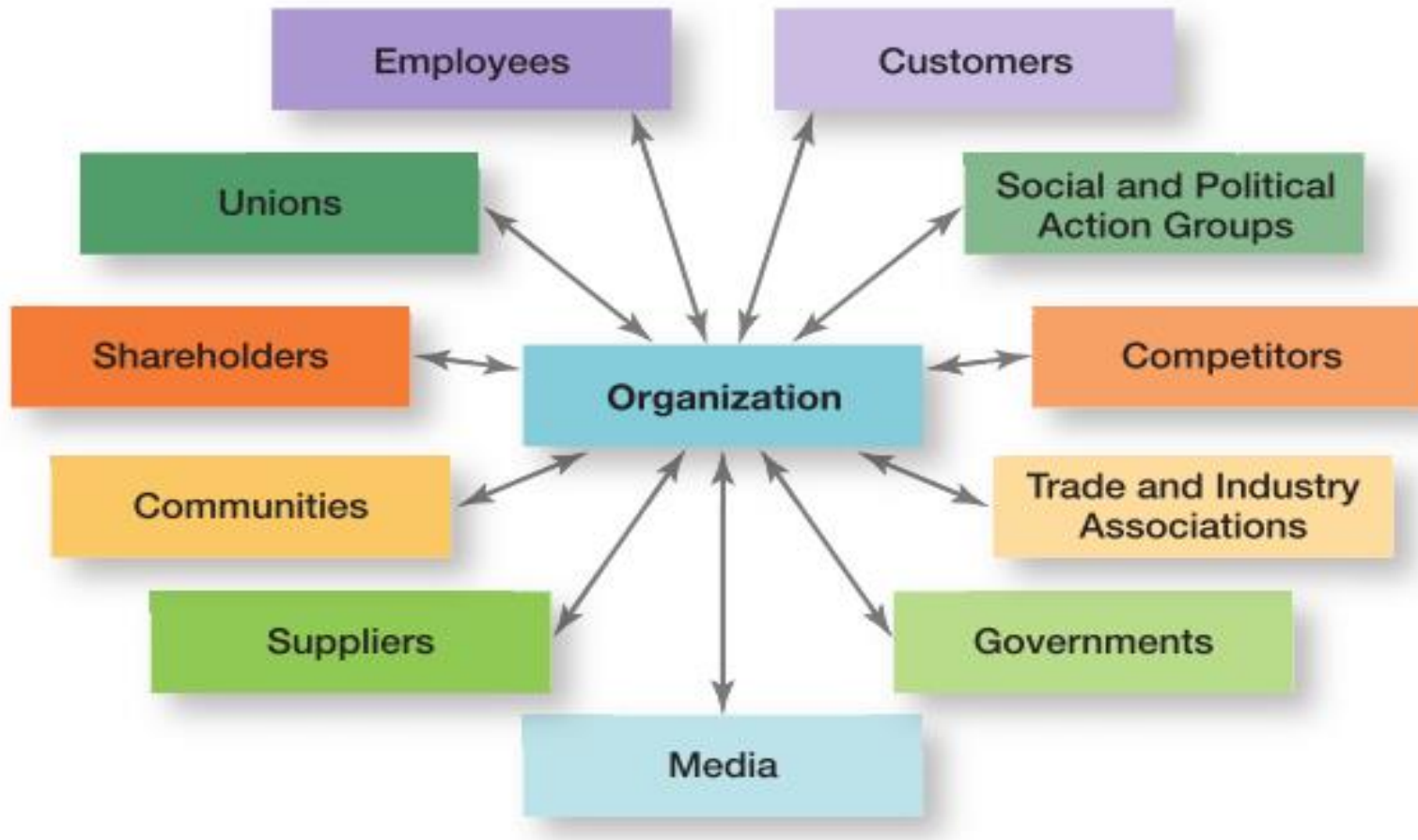


Exhibit 3-4 identifies some of an organization's most common stakeholders

Benefits of Good Stakeholder Relationships

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

Organizational Culture

- Just as each individual has a unique personality, an organization, too, has a personality.

What is Organizational Culture?

- **Organizational culture:** the shared values, principles, traditions, and ways of doing things that influence the way organizational members act and that distinguish the organization from other organizations

Exhibit 3-5

Dimensions of Organizational Culture

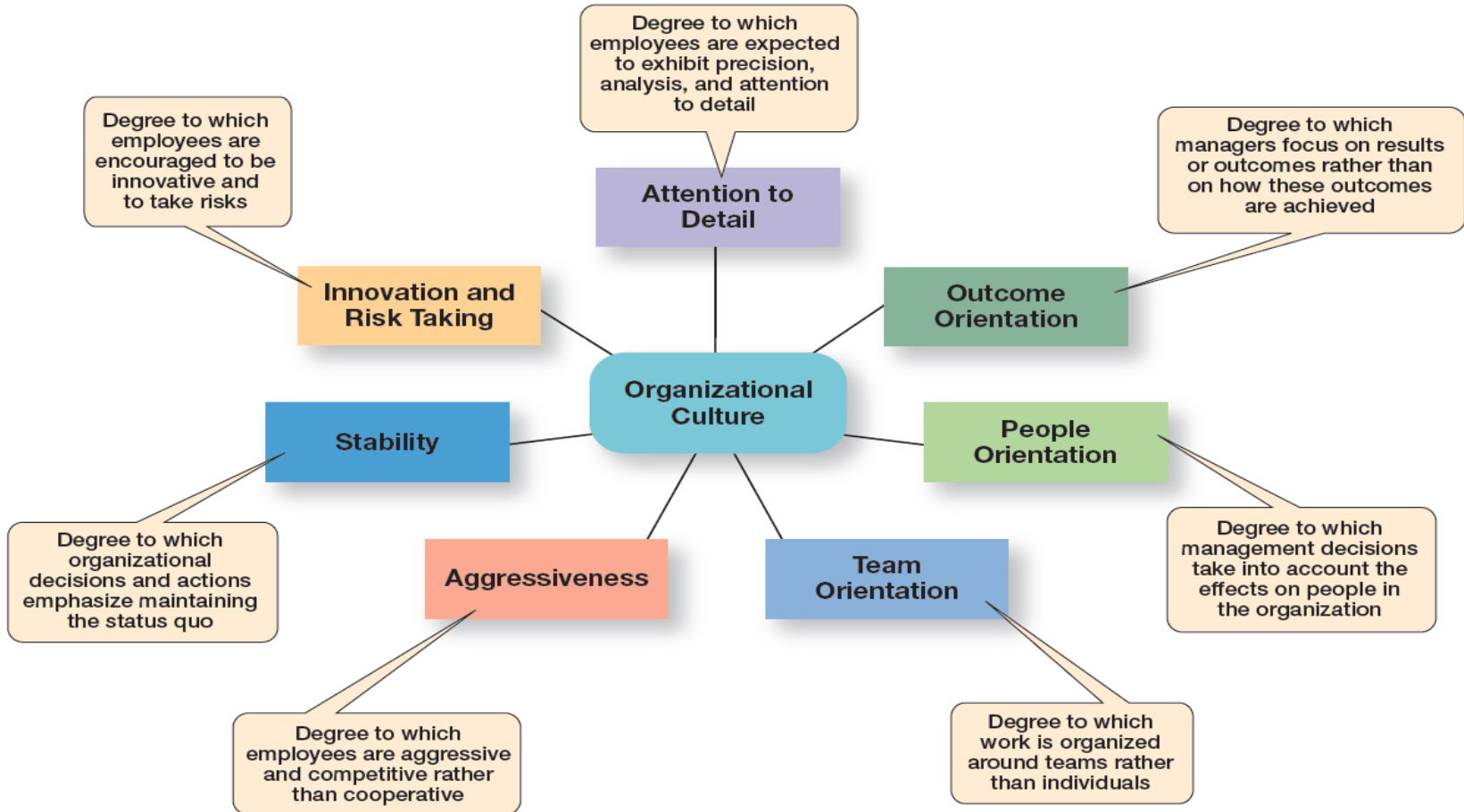


Exhibit 3-5 identifies the seven dimensions of organizational culture.

Contrasting Organizational Culture

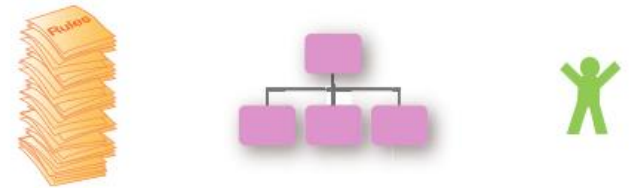
- At Tesla Motors, the focus is product innovation (innovation and risk taking).
- In contrast, Southwest Airlines has made its employees a central part of its culture.

Exhibit 3-6

Contrasting Organizational Culture

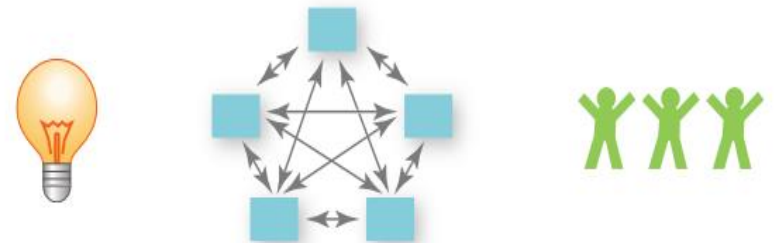
- Risk-taking and change discouraged
- Creativity discouraged
- Close managerial supervision
- Work designed around individual employees

Organization A



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

Organization B



Strong Cultures

- **Strong cultures:** organizational cultures in which the key values are intensely held and widely shared

Exhibit 3-7

Strong Versus Weak Cultures

Strong Cultures

Values widely shared

Culture conveys consistent messages about what's important

Most employees can tell stories about company history or heroes

Employees strongly identify with culture

Strong connection between shared values and behaviors

Weak Cultures

Values limited to a few people – usually top management

Culture sends contradictory messages about what's important

Employees have little knowledge of company history or heroes

Employees have little identification with culture

Little connection between shared values and behaviors

Where Culture Comes From and How it Continues

- The original source of the culture usually reflects the vision of the founders.
- Once the culture is in place, certain organizational practices help maintain it.
- The actions of top managers also have a major impact on the organization's culture.

Exhibit 3-8

Establishing and Maintaining Culture

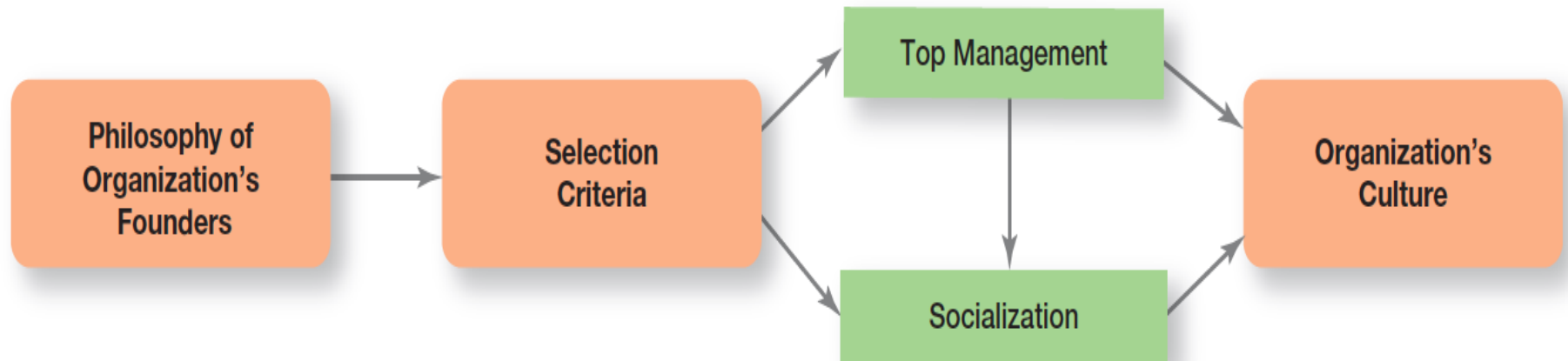


Exhibit 3-8 illustrates how an organization's culture is established and maintained.

How Employees Learn Culture

- Stories
- Rituals
- Material Artifacts and Symbols
- Language

How Culture Affects Managers

- Because an organization's culture constrains what they can and cannot do and how they manage, it's particularly relevant to managers.

Exhibit 3-9

Types of Managerial Decisions Affected by Culture



As shown in Exhibit 3-9, a manager's decisions are influenced by the culture in which he or she operates.

Creating an Innovative Culture

- Challenge and involvement
- Freedom
- Trust and openness
- Idea time
- Playfulness/humor
- Conflict resolution
- Debates
- Risk taking

Exhibit 3-10

Creating a Customer Responsive Culture

Characteristics of Customer Responsive Culture

Suggestions for Managers

Type of employee

Hire people with personalities and attitudes consistent with customer service: friendly, attentive, enthusiastic, patient, good listening skills

Type of job environment

Design jobs so employees have as much control as possible to satisfy customers, without rigid rules and procedures

Empowerment

Give service-contact employees the discretion to make day-to-day decisions on job-related activities

Role clarity

Reduce uncertainty about what service-contact employees can and cannot do by continual training on product knowledge, listening, and other behavioral skills

Consistent desire to satisfy and delight customers

Clarify organization's commitment to do whatever it takes, even if it's outside an employee's normal job requirements

Creating a Sustainability Culture

- For many companies, sustainability is developed into the organization's overall culture.

Review Learning Objective 3.1

- **Contrast the actions of managers according to the omnipotent and symbolic views.**
 - Omnipotent view: Managers are directly responsible for the organization's success or failure.
 - Symbolic view: Much of the organization's success or failure is due to external forces outside of the manager's control.
 - The two constraints on managers' discretion are organizational culture (internal) and the environment (external).

Review Learning Objective 3.2

- **Describe the constraints and challenges facing managers in today's external environment.**
 - The external environment includes those factors and forces outside the organization that affect its performance).
 - The main components of the external environment are economic, demographic, political/legal, sociocultural, technological, and global.
 - These components can constrain and challenge managers because they have an impact on jobs, environmental uncertainty, and stakeholder relationships.


Review Learning Objective 3.3

- **Discuss the characteristics and importance of organizational culture.**
 - The seven dimensions of culture are: attention to detail, outcome orientation, people orientation, team orientation, aggressiveness, stability, innovation, and risk taking.
 - The stronger the culture, the greater the impact on the way managers plan, organize, lead, and control.
 - The original source of the organizational culture reflects the founder's vision.
 - Culture is transmitted through stories, rituals, material symbols, and language.

Review Learning Objective 3.4

- **Describe current issues in organizational culture.**
 - The characteristics of an innovative culture are challenge and involvement, freedom, trust and openness, idea time, playfulness/humor, conflict resolution, debates, and risk taking.
 - A customer responsive culture has five characteristics: outgoing and friendly employees; jobs with few rigid rules, procedures, and regulations; empowerment; clear roles and expectations; and employees who are conscientious in their desire to please the customer.
 - Companies that achieve business goals and increase long-term share-holder value by integrating economic, environmental, and social opportunities into business strategies may develop sustainability into the organization's overall culture.

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