

3 Lenses

1. FORMAL STRUCTURE LENS

2. NETWORK LENS

3. SYMBOLIC/CULTURE LENS

CHAPTER 1: ORGANIZATION AND ORGANIZATIONAL THEORY

Current Challenges

- Globalization
- Ethics and social responsibility
- Speed of responsiveness (to environmental changes, organizational crises, shifting customer expectations)
- The digital workplace
- Diversity

What is an Organization?

- Social entities that are goal-directed, designed as deliberately structured and coordinated activity systems and linked to the external environment.
- Importance of human resources to empower with greater opportunities to learn and continue to the common goal.

Perspectives of Organizations

- Open System Approach:
 - Must interact with the environment to survive; consumes resources and exports resources to the environment.
 - System: set of interacting elements that acquires inputs for the environment transforms them, and discharges outputs to the external environment.
 - Subsystems: perform specific functions required for organizational survival (production, maintenance).
- **Organizational Configuration: 5 BASIC PARTS OF AN ORGANIZATION**
 - Management: responsible for directing and coordinating other parts of the organization.
 - **1. TOP MANAGEMENT:** direction, strategy, goals, policies for entire parts of the organization.
 - **2. MIDDLE MANAGEMENT:** implementation and coordination at the department level; mediate between top and technical core.
 - **3. TECHNICAL CORE:** people who do the basic work of the organization.
 - Produces the product and service outputs of the organization.
 - Primary transformation of inputs and outputs takes place here.
 - ex: Air Canada's technical core includes pilots, flight attendants, baggage handlers, etc...
 - **4. TECHNICAL SUPPORT:** helps organizations adapt to the environment; engineers, researchers, etc...

- **5. ADMINISTRATIVE SUPPORT:** smooth operation and upkeep of the organization; recruiting, hiring, training, development, etc...

Dimensions of Organizational Design

- Structural dimensions: provide labels to describe the internal characteristics of an organization.
 - Basis of measuring and comparing organizations.
- Contextual dimensions: characterizes the whole organization, including the size, technology, environment and goals.
 - Represent both the organization and the environment.
- **Structural Dimensions:**
 - **1. FORMALIZATION:** amount of written documentation.
 - **2. SPECIALIZATION:** degree to which tasks are subdivided.
 - **3. HIERARCHY OF AUTHORITY:** who reports to whom and the span of control for each manager.
 - **4. CENTRALIZATION:** when organization is kept at the top level; delegated at lower level is decentralized.
 - **5. PROFESSIONALISM:** level of formal education and training of employees.
 - **6. PERSONNEL RATIOS:** deployment of people to various functions and departments.
- **Contextual Dimensions:**
 - **1. GOALS & STRATEGIES:** purpose and competitive techniques that set apart from other organizations.
 - **2. ENVIRONMENT:** all elements outside the boundary; customers, government, industry, etc...
 - **3. SIZE:** number of people in the organization.
 - **4. CULTURE:** set of shared values, beliefs, understandings.
 - **5. TECHNOLOGY:** tools, techniques, actions to transform inputs to outputs.
- Performance and Effectiveness:
 - Efficiency: amount of resources used to achieve the organization's goals.
 - Based on quantity of raw materials, money and employees necessary to produce a given level of output.
 - Effectiveness: the degree to which an organization achieves the goals.
 - Need clear, focused goals and appropriate strategies for achieving them.
 - To be effective, managers must balance needs of various stakeholders in setting goals and striving for effectiveness.

CHAPTER 2: STRATEGY, ORGANIZATIONAL DESIGN, AND EFFECTIVENESS

The Role of Strategic Direction in Organizational Design

- The primary responsibility of top management is to determine an organization's goals, strategy and design, therein adapting the organization to a changing environment.
- Strategic Direction:
 - Define mission, official goals
 - Select operational goals, competitive strategies
- Organizational Design:
 - Structural form: learning vs. efficiency
 - Information and control systems
 - Production technology
 - Human resource policies, incentives
 - Organizational culture
 - Inter-organizational linkages
- Effective Outcomes:
 - Resources
 - Efficiency
 - Goal attainment
 - Competing values

Organizational Purpose

- Mission:
 - Organization's reason for existence.
 - Exhibits its vision, shared beliefs and reason for being.
 - Define business operations and may focus on values, markets, and customers that distinguish the organization.
 - Mission statements serve as a communication tool for current and prospective employees, customers, investors, suppliers and competitors.
- Operative Goals:
 - Designate the ends sought through actual operational procedures.
 - Specific measurable outcomes and are often concerned with the short-run.
 - Goals concern overall performance, boundary spanning, maintenance, adaptation and production activities.
- The Importance of Goals:
 - Official goals:
 - Describe a value system for the organization.
 - Legitimize the organization.
 - Operative goals:
 - Represent the primary tasks of the organization.
 - More explicit and well-defined.
 - Can provide employees with a sense of direction.

A Framework for Selecting Strategy and Design

- Strategy: plan for interacting with the competitive environment to achieve organizational goals.
- Goals define where the organization wants to go; strategies define how it will get there.

2 Models for formulating strategies:

• PORTER'S COMPETITIVE STRATEGIES (2)

- **DIFFERENTIATION:** organizations attempt to distinguish their products or services from others.
 - Learning orientation; acts in a flexible, loosely knit way, with strong horizontal coordination.
 - Strong capability in research.
 - Values and builds in mechanisms for customer intimacy.
 - Rewards employee creativity, risk-taking and innovation.
- **LOW-COST LEADERSHIP:** tries to increase market share by emphasizing low cost compared to competitors.
 - Efficiency orientation; strong central authority; tight cost control, with frequent, detailed control reports.
 - Standard operating procedures.
 - Highly efficient procurement and distribution systems.
 - Close supervision; routine tasks; limited employee empowerment.

• MILES AND SNOW'S STRATEGY TYPOLOGY (4)

- **PROSPECTOR:** strategy to innovate, take risks, seek out new opportunities, and grow.
 - For dynamic, growing environment
 - Creativity > Efficiency
- **DEFENDER:** strategy to retain stability or even retrenchment.
 - To hold on to current customers.
 - Neither innovates nor seeks to grow.
 - Concerned primarily with internal efficiency and control to produce reliable, high-quality products for steady customers.
- **ANALYZER:** strategy to maintain a stable business while innovating on the periphery.
 - Attempts to balance efficient production for current product lines with the creative development of new product lines.
- **REACTOR:** strategy to respond to environmental threats and opportunities in ad ad hoc fashion.
 - Top management has not defined a long-range plan or given the organization an explicit mission or goal, so the organization takes whatever actions seem to meet immediate needs.

Contingency Effectiveness Approaches

- **RESOURCE-BASED APPROACH:** looks at the input side of the transformation process.
 - Obtaining and successfully managing resources.

- Bargaining position - to obtain valued and scarce resources (financial, raw materials, human resources)
- Abilities to correctly perceive and interpret the real properties of the external environment.
- Ability for managers to use tangible (supplies, people) and intangible (knowledge) resources in day-to-day organizational activities.
- Ability to respond to change.
- **INTERNAL-PROCESS APPROACH:** effectiveness is measured as internal organizational health and efficiency.
 - Smooth, well-oiled internal process; employees are happy and satisfied and department activities mesh to ensure high productivity.
 - Does not concern itself with the external environment.
 - Strong organizational culture and positive work climate
 - Team spirit, group loyalty, and teamwork.
 - Confidence, trust and communication between workers and management.
 - Rewards to managers for performance, growth and development.
 - Efficient use of resources and harmonious internal functioning are ways to assess organizational effectiveness.
 - Short-comings: total output and external relationships are not evaluated.
- **GOAL APPROACH:** identifying an organization's output goals and assessing how well the organization has attained those goals.
 - Important goals are operative.
 - Two problems that must be resolved are the issues of multiple goals and subjective indicators of goal attainment.
 - High achievement in one goal could mean low achievement in another.
 - Most indicators for certain goals are objective; profit, growth.
 - Subjective assessment is needed for other goals, such as employee welfare or social responsibility.

Four Approaches to Effectiveness Values

- **HUMAN RELATIONS EMPHASIS:**
 - Primary goals: human resources development
 - Subgoals: cohesion, morale, training
- **OPEN-SYSTEMS EMPHASIS:**
 - Primary goals: growth and resource acquisition
 - Subgoals: flexibility, readiness, external evaluation.
- **INTERNAL-PROCESS EMPHASIS:**
 - Primary goals: stability, equilibrium
 - Subgoals: information management, communication
- **RATIONAL-GOAL EMPHASIS:**
 - Primary goal: productivity, efficiency, profit
 - Subgoals: planning, goal setting

CHAPTER 3: FUNDAMENTALS OF ORGANIZATIONAL STRUCTURE

- **FUNCTIONAL STRUCTURE**
- **FUNCTIONAL STRUCTURE WITH HORIZONTAL LINKAGES**
- **DIVISIONAL STRUCTURE**
- **GEOGRAPHICAL STRUCTURE**
- **MATRIX STRUCTURE**
- **VIRTUAL NETWORK STRUCTURE**
- **HORIZONTAL STRUCTURE**
- **HYBRID STRUCTURE**

Organizational Structure

- Designates formal reporting relationships (number of levels in hierarchy, span of control of managers, etc...)
- Identifies the grouping together of individuals into departments and of departments in the total organization.
- Includes the design of systems to ensure effective communication, coordination and integration of efforts across departments.
- Represented by Organizational Configuration (Chapter 1).
 - Top Management - thinking and decision-making
 - All physical work is performed by employees who are organized into distinct, functional departments.

Information-Processing Perspective on Structure

- Organization should be designed to provide both vertical and horizontal information flow as necessary to accomplish the organization's overall goals.
- Vertical linkages: designed primarily for control.
- Horizontal linkages: designed for coordination and collaboration.
- Vertical Organization: designed for efficiency:
 - Dominant structure
 - Specialized tasks
 - Strict hierarchy, many rules
 - Vertical communication and reporting systems
 - Few teams, task forces or integrators
 - Centralized decision-making
- Horizontal Organization: designed for learning:
 - Shared tasks, empowerment
 - Relaxed hierarchy, few rules
 - Horizontal communication, face-to-face
 - Many teams and task forces
 - Decentralized decision-making
- Thus, managers are always searching for the best combination of vertical control and horizontal collaboration, centralization and decentralization for their own situations.

- **Vertical Information Linkages:**

- Used to coordinate activities between top and bottom levels of an organization.
- Employees at the lower level should carry out tasks consistent with top-level goals.
- Hierarchical Referral:
 - Chain of Command: if a problem arises that employees don't know how to solve, it can be referred up to the next level in hierarchy. When solved, it's passed back to lower level.
 - Rules and Plans: put in place so employees know how to respond without communicating directly with their managers.
 - Vertical Information Systems: include periodic reports, written information, computer-based communications distributed to managers.

- **Horizontal Information Linkages:**

- Refers to the amount of communication and coordination horizontally across departments.
- Information systems: computerized systems can enable managers or front-line workers throughout the organization to routinely exchange information about problems, opportunities, decisions, etc...
- Direct contact:
 - Create a special liaison
 - Locate people closer together so they will have direct contact on a regular basis.
- Task forces:
 - Temporary committee composed of representatives from each organizational unit affected by a problem.
 - Effective horizontal linkage device for temporary issues.
- Full-time integrators:
 - Project manager, program manager, etc...
 - Does not report to one of the functional departments being coordinated.
 - Located outside the departments and has the responsibility for coordinating several departments.
 - Do not have formal authority over team members with respect to raises, hiring, firing, etc...
- Teams:
 - Strongest horizontal linkage mechanism.
 - Permanent task forces and are often used in conjunction with a full-time integrator.
 - Activities among departments; cross-functional teams.
 - Virtual teams or virtual cross-functional teams.

Organizational Design Alternatives

1. Required Work Activities:

- Created to perform tasks strategically important to the company.
- As organizations grow larger and more complex, more and more functions need to be performed.

2. Reporting Relationships:

- How activities and departments should fit together in the organizational hierarchy.
- Chain of command: unbroken line of authority.

3. Departmental Grouping Options:

- Departmental Grouping:
 - Employees share a common supervisor and common resources.
 - Jointly responsible for performance.
 - Tend to identify and collaborate with one another.
- Functional Grouping:
 - Places together employees who perform similar functions or work processes
 - Bring similar knowledge and skills to bear.
- Divisional Grouping:
 - Organizing according to what the organization produces.
 - Ex: all people required to produce toothpaste (marketing, manufacturing, sales, etc...) are grouped together under one executive.
- Multifunctional Grouping:
 - Organization embraces two structural grouping alternatives simultaneously.
- Horizontal Grouping:
 - All the people who work on a core process are brought together in a group rather than being separated into functional departments.
- Virtual Network Grouping:
 - Departments are separated organizations that are electronically connected for the sharing of information and completion of tasks.

Functional, Divisional and Geographical Designs

• FUNCTIONAL STRUCTURE:

- Activities are grouped together by common functions from the bottom to the top of the organization.
- All human knowledge and skills for specific activities are consolidated, providing a valuable depth of knowledge for the organization.
- Structure is most effective when there is little need for horizontal coordination.
- Strength - promotes economy of scale within functions.
- Promotes in-depth skill development of employees.
- Weakness - slow response to environmental changes that require coordination to environmental changes that require coordination across departments.
- Innovation is slower because of poor coordination, and each employee has restricted view of overall goals.

• FUNCTIONAL STRUCTURE WITH HORIZONTAL LINKAGES:

- Managers improve horizontal coordination by:
 - Using information systems
 - Direct contact between departments
 - Full-time integrators or project managers
 - Task forces or teams.

- **DIVISIONAL STRUCTURE:**

- Also known as a product structure or strategic business units.
- Divisions can be organized according to:
 - Individual products
 - Services
 - Product groups
 - Major projects or programs
 - Divisions
 - Businesses or profit centers.
- Differences between **divisional** and **functional**:
 - Functional structure can be redesigned into separate product groups, and each group contains the functional departments of R&D, manufacturing, accounting, etc... - coordination among departments is MAXIMIZED.
 - Divisional structure promotes flexibility and change because each unit is smaller and can adapt to needs of its environment.
- Decentralizes decision-making.
- Excellent for achieving coordination across functional departments.
- Suited to fast change in an unstable environment and provides high product or service visibility.
- Works best in organizations that have multiple products or services and enough personnel to staff separate functional units.
- Disadvantages:
 - Organization loses economies of scale.
 - Product lines become separate from each other, and coordination across product lines can be difficult.

- **GEOGRAPHICAL STRUCTURE:**

- Most common structure.
- Each unit includes all functions required to produce and market products and services in that region.
- The national organization provides brand recognition, coordinates services and handles some shared administrative values.
- Local/regional units take care of day-to-day control and decision-making.
- Organization can adapt to specific needs of its own region, and the employees identify with regional goals.
- Horizontal coordination with a region is emphasized.

Matrix Structure

- Can be used when both technical expertise and product innovation and change are important for meeting organizational goals.
- Strong form of horizontal linkage.
- Both product division and functional structures (horizontal and vertical) are implemented simultaneously.
- Product managers and functional managers have equal authority.

- **Conditions for the Matrix Structure:**

- 1. Pressure exists to share scarce resources across product lines.
- 2. Environmental pressure exists for two or more outputs:
 - A balance of power is needed between functional and product sides of the organization
 - Dual-authority structure is needed as well.
- 3. Environmental domain of the organization is both complex and unstable.
- Ex: Company makes clothes.
 - Product A: footwear, Product B: outerwear, Product C: sleepwear.
 - Each product line serves a different market, but the designers are shared across product lines, effectively using people and helping develop the in-depth expertise to serve all product lines efficiently.
- **FUNCTIONAL MATRIX:** functional bosses have primary authority and the project or product managers simply coordinate product activities.
- **PRODUCT MATRIX:** project or product managers have primary authority and functional managers simply assign technical personnel to projects and provide advisory expertise.
- Strengths and Weaknesses:
 - Matrix structure is best when environmental change is high and when goals reflect a dual requirement.
 - Facilitates discussion and adaptation to unexpected problems.
 - Enables organizations to meet dual demands from customers.
 - Employees experience dual authority, reporting to two bosses and sometimes juggling conflicting demands.

Horizontal Structure

- Organizes employees annual core processes.
- Re-engineering: the redesign of a vertical organization along its horizontal workflows and processes.
- Process: organized group of related tasks that work together to transform inputs to outputs.
- Rather than focusing on narrow jobs structured into distinct functional departments, managers emphasize core processes that cut horizontally across the organization, after re-engineering.
- The horizontal structure virtually eliminates both the vertical hierarchy and old departmental boundaries.
- Numerous organizations have experimented with horizontal mechanisms such as cross-functional teams to achieve coordination across departments or task forces to accomplish temporary projects.
- Characteristics:
 - Cross-functional core processes
 - Self-directed teams
 - Process owners have responsibility for each core process
 - Teams are given skills, tools, motivation and authority to make decisions central to team's performance.
 - Teams have freedoms to think creatively.
 - Effectiveness is measured by end-of-process performance objectives.

- Culture - openness, trust, collaboration, improvement.
- Strengths and Weaknesses:
 - Promotes flexibility and rapid response to change in customer needs
 - Directs all attention to the production and delivery of value to customers
 - Focus on teamwork and collaboration.
 - Determining core processes is difficult and time consuming
 - Requires changes in culture, job design, management philosophy, etc...
 - Requires significant training of employees to work effectively in a horizontal team environment.
 - Can limit in-depth skill development.

Virtual Network Structure

- Outsourcing: to contract out certain corporate functions, such as manufacturing, to other companies.
- Advantages:
 - Provide short-term trouble avoidance.
 - Offer long-term contribution in terms of maximizing opportunities.
- Virtual network structure: firm subcontracts many or most of its major processes to separate companies and coordinates their activities from a small headquarters organization.
- How the structure works:
 - Central hub surrounded by outside specialists.
 - Use computers to exchange data.
 - Incorporates a free market-style to replace traditional vertical hierarchy.
 - Hub maintains control over processes and transfers other activities to other organizations.
 - Advantageous for start-up companies.
- Strengths:
 - Enables small organizations to obtain talent and resources worldwide.
 - Gives company immediate scale and reach without huge investments in factories, etc...
 - Enables high flexibility and response to change.
- Weakness:
 - Managers do not have hands-on control.
 - Great deal of time to manage relationships and potential conflicts with contract partners.
 - Risk of organizational failure.
 - Employee loyalty and organizational culture may be weak.

Hybrid Structure

- Combines characteristics of various approaches tailored to specific strategic needs.
- Tend to be used in rapidly changing environments because they offer the organization greater flexibility.
- **Common hybrid - functional/divisional.**

Symptoms for Structural Deficiency

- Decision-making is delayed or lacking quality.
- The organization does not respond with innovation to a changing environment.
- Employee performance declines and goals are not being met.
- Too much conflict is evident.

CHAPTER 10: ORGANIZATIONAL CULTURE AND ETHICAL VALUES

Organizational Culture

- Every organization has a set of values that get out of alignment with the environment and creates problems for the organization.
- Strong cultures can have a profound impact, which can be either positive or negative for the organization.
- It works to hire the right people, to keep staff well-informed, and to collect feedback from its employees.
- 3 Clarities:
 - **CLARITY OF STRUCTURE:** Where do I fit in with this company?
 - **CLARITY OF DIRECTION:** Where am I going?
 - **CLARITY OF MEASUREMENT:** How do I know I did a good job?
- Negative culture norms can damage an organization just as powerfully as positive ones can strengthen it.
- Social capital: the quality of interactions among people and whether they share a common perspective.
 - High degree: relationships are based on trust, mutual understandings and shared norms/values that enable people to cooperate (goodwill).
 - Build social capital by being open and honest and cultivating positive relationships among employees and outsiders.

What is Culture?

- Culture: set of values, norms, guiding beliefs and understandings that are shared among group members of an organization and is taught to new members.
- 2 Levels of Culture:
 - Surface: visible artifacts and observational behaviors (ex: way people dress and act, symbols, stories, ceremonies)
 - Underlying values: assumptions, beliefs, thought processes.

Emergence and Purpose of Culture

- Sense of organizational identity.
- Generally begins with a founder or early leader who articulates and implements particular ideas and values as a vision philosophy or business strategy.
- When ideas/values lead to success, they become institutionalized and an organizational culture emerges that reflect vision and strategy of the founder or leader.
- Cultures serve 2 critical functions in an organization:
 - 1. To integrate members so that they know how to relate to one another.
 - To help the organization adapt to the external environment.
- Internal integration: members develop a collective identity and know how to work together efficiently.
- External integration: how the organization meets goals and deals with outsiders.
- It can help organizations respond rapidly to customer needs or the moves of a competitor.

- Organizational culture also guides employee decision-making in the absence of written rules or policies.

Interpreting Culture

- Requires that people make inferences based on observable artifacts.
 - An award ceremony on one company can mean something different in another company.
- Rites and Ceremonies:
 - Elaborate, planned activities that make up a special event and are often conducted for a benefit of an audience.
 - 4 Types of Rites:
 - Passage: Introduction, basic training, etc...
 - Enhancement: Annual awards night
 - Renewal: organization development activities
 - Integration: office holiday party
 - Facilitate the transition of employees into new social roles
 - Create stronger social identities
 - Increase employee status
 - Create common bonds among employees
 - Increase commitment
- Stories:
 - Narratives based on true events that are frequently shared among organizational employees and told to new employees to inform them about an organization.
 - Heroes, legends and myths are what make up most organizational stories.
- Symbols:
 - Something that represents another thing.
 - Premium parking spots (symbol of power)
- Language:
 - Specific sayings, slogan, metaphor or form of language to convey special meaning to employees.

Organizational Design and Culture

- Organizational culture should reinforce the strategy and structural design that the organization needs to be effective within its environment.
- Culture can be assessed along many dimensions, such as the extent of collaboration vs. isolation among people and departments.
- **THE ADAPTABILITY CULTURE:**
 - Strategic focus on the external environment through flexibility and change to meet customer needs.
 - Encourages entrepreneurial values, norms and beliefs that support the capacity of the organization to detect, interpret and translate signals.
 - Innovation, creativity and risk-taking are valued and rewarded.
- **THE MISSION CULTURE:**

- Emphasis on a clear vision of the organization's purpose and on the achievement of goals, such as sales growth, profitability or market share, to help achieve the purpose.
- Because the environment is stable, they can translate the vision into measurable goals and evaluate employee performance for meeting them.
- Mission cultures reflect a high level of competitiveness and a profit-making orientation.
- **THE CLAN CULTURE:**
 - Primary focus on the involvement and participation of the organization's members and on rapidly changing expectations from the external environment.
 - An important value is taking care of employees and making sure that they have whatever they need to help them be satisfied, as well as productive.
- **THE BUREAUCRATIC CULTURE:**
 - Internal focus and a consistency orientation for a stable environment.
 - Symbols, heroes and ceremonies support cooperation, tradition and following established policies and practices as ways to achieve goals.
 - Today, most managers are shifting away from bureaucratic culture because of a need for greater flexibility.
- A Culture of Discipline:
 - Level 5 Leadership: Level 5 leaders are characterized by an almost complete lack of personal ego, coupled with a strong will and ambition for success of the organization.
 - The right values: leaders build a culture based on values of individual freedom and responsibility, but within a framework of organizational purpose, goals and systems.
 - The right people in the right jobs: leaders of good-to-great organizations look for self-disciplined people who embody values that fit the culture.
 - Determined, diligent, precise, systematic, consistent, focused, etc...
 - Knowing where to go: where to take the organization in the best economic way.
 - Culture Strength and Organizational Subcultures:
 - Culture Strength: refers to the degree of agreement among members of an organization about the importance of specific values.
 - Typically associated with the frequent use of ceremonies, symbols, stories, heroes and slogans.
 - Increase employee commitment to the values and strategy of a company.
 - Companies that want to maintain strong organizational culture often emphasize the selection and socialization of employees.
 - Culture, however, is NOT uniform throughout the organization, particularly in large companies.
 - Subcultures: develop to reflect the common problems, goals and experiences that members of a team, department or other unit share.
 - Although the dominant culture of an organization may be a mission culture, various departments may also reflect characteristics of adaptability, clan, or bureaucratic cultures.
 - Subcultures typically include the basic values of the dominant organizational culture and additional values unique to members of the subculture.

- Can lead to conflicts between departments, especially in organizations that do not have strong overall organizational cultures.

Organizational Culture, Learning and Performance

- A strong culture that encourages adaptation and change enhances organizational performance by:
 - Energizing and motivating employees
 - Unifying people around shared goals and a higher mission
 - Shaping and guiding employee behavior so that everyone's actions are aligned with strategic priorities.
 - A number of studies have found a positive relationship between cultures and performance.
 - Companies that intentionally managed cultural values outperformed similar companies that did not.
 - A danger for many successful organizations is that the culture becomes set and the company fails to adapt as the environment changes.
 - Strong adaptive cultures often incorporate the following values:
 - 1. The whole is more important than the parts, and boundaries between parts are minimized.
 - 2. Equality and trust are primary values.
 - 3. The culture encourages risk-taking, change and improvement.
 - Adaptive cultures:
 - Managers are concerned with customers and employees as well as with the internal processes and procedures that bring about useful change.
 - Maladaptive cultures:
 - Managers are more concerned about themselves or their own special projects.
 - Their values discourage risk-taking and change.

Ethical Values and Social Responsibility

- Sources of Individual Ethical Principles:
 - Ethics: code of internal principles and values that governs the behaviors of a person or group with respect to what is right/wrong.
 - Ethical values set standards as to what is good or bad in conduct and decision-making.
 - Societal morality: reflected in norms of behavior and values about what makes sense for an orderly society.
 - In organizations, an individual's ethical stance may be affected by peers, subordinates and supervisors, as well as by the organizational culture.
- Managerial Ethics and Social Responsibility:
 - Strict ethical standards are becoming part of the formal policies and informal cultures of many organizations.
 - Rule of Law: arises from a set of codified principles and regulations that describe how people are required to act, that are generally accepted in society, and that are enforceable in court.

- **Managerial Ethics:** principles that guide the decisions and behaviors of managers with regard to whether they are right or wrong.
- **Social Responsibility:** refers to management's obligation to make choices and take action so that the organization contributes to the welfare and interest of all organizational stakeholders.
- **Ethical dilemmas:** arises in a situation concerning right and wrong in which values are in conflict.
- **Does it Pay to Be Good?:**
 - Studies have provided varying results but generally have found that there is small positive relationship between ethically and socially responsible behavior and financial results.
 - Corporate philanthropy adds to shareholders wealth.

Sources of Ethical Values in Organizations

- External shareholders can influence standards of what is ethical and socially responsible.
- Formal organizational system influence values and behaviors according to the organization's policy framework and reward systems.
- Organizations consider how their actions may be viewed by customers, government agencies, shareholders and the general community.
- **Personal Ethics:**
 - Personal values and the moral reasoning that translates these values into behavior are an important aspect of ethical decision-making in organizations.
 - People go through stages of moral development that affect their ability to translate values into behavior.
 - **Low level of moral development:** making decisions and behaving to obtain rewards and avoid punishment. ex: children
 - **Intermediate level of moral development:** people learn to conform to expectations of good behavior as defined by colleagues and society. ex: managers
 - **High level of moral development:** people who develop on internal set of standards.
 - **Ethical Framework:**
 - **UTILITARIAN THEORY:** argues that ethical decisions should be made to generate the greatest benefits for the largest number of people.
 - **PERSONAL LIBERTY:** decisions should be made to ensure the greatest possible freedom of choice and liberty for individuals.
 - **DISTRIBUTIVE JUSTICE:** moral decisions are those that promote equity, fairness and impartiality with respect to the distribution of rewards and the administration of rules.
- **Organizational Culture:**
 - To promote ethical behavior in the workplace, companies should make ethics an integral part of the organization's culture.
 - Organizational culture has a powerful impact on individual ethics because it helps to guide employees in making daily decisions.
 - When the culture supports wrongdoing, it is easier for individual employees to go along.
- **Organizational Systems:**

- Includes the basic architecture of the organization, such as:
 - Whether ethical values are incorporated in policies and rules
 - Whether an explicit code of ethics is available and issued to members
 - Whether organizational rewards (praise, attention, promotions) are linked to ethical behavior.
 - Whether ethics is a consideration in the selection and training of employees.
- External Stakeholders:
 - Important external stakeholders include:
 - Government agencies: operate within limits of certain government regulations (safety laws, environmental protection requirements, etc...)
 - Customers: concerned with safety, quality and affordability of goods/services.
 - Special-interest groups: one of the largest stakeholder concerns that companies face (natural environment organizations, etc...)
 - Environmentalism is becoming an integral part of organizational planning and decision-making for leading companies.
 - Concept of sustainable development (mixture of economic growth and environmental sustainability concerns) has been gaining ground among many business leaders.

How Leaders Shape Culture and Ethics

- Values-Based Leadership:
 - Relationship between a leader and followers that is based on shared, strongly internalized values that are advocated and acted upon by the leader.
 - Leaders influence cultural and ethical values by:
 - Articulating a vision for organizational values that employees can believe in
 - Communicating the vision throughout the organization
 - Institutionalizing the vision through:
 - Everyday behavior
 - Rituals
 - Ceremonies
 - Symbols
 - Organizational systems and policies
- Formal Structure and Systems:
 - Structure: managers assign responsibility for ethical values to a specific position.
 - Ethics committee
 - Ethics departments, headed by Chief Ethics Officer
 - Ethics hotlines
 - Disclosure mechanisms: establishing policies and procedures to support and protect whistleblowers.
 - Whistle-blowing: employee disclosure of illegal, immoral or illegitimate practices on the part of the organization.
 - Organizations can view whistle-blowing as a benefit to the company, helping to prevent the kind of disasters that have hit companies such as Enron, etc...

- Code of Ethics: formal statement of the company's values concerning ethics and social responsibility.
 - Clarifies to employees what the company stands for and its expectations for employee conduct.
- Training Programs: include frameworks for ethical decision-making, such as the utilitarian approach.

Organizational Culture and Ethics in the Global Environment

- Various cultural and market factors must be addressed in different areas of the world.
- Creates complexities of the environment and organizational domain creates a greater potential for ethical problems and misunderstandings.
- Organizational culture and national culture are usually intertwined.
- Employees who come from different countries often have varied attitudes and beliefs that make it difficult to establish a sense of community and cohesiveness based on the organizational culture.
- Social audit: measures and reports the ethical, social and environmental impact of a company's operations.
- Organizations can perform social audits internally or ask an outside company to perform an independent audit to measure how well the company is living up to its ethical and social values.