



Sheffield Business School

MANAGEMENT DEVELOPMENT PROGRAM (LEADING TO THE AWARD OF MBA)

In association with the

CZECH TECHNICAL UNIVERSITY IN PRAHA DIPLOMA IN MANAGEMENT STUDIES - 1995/1996

Organisation Behaviour and Decision Making

Culture in the Organisation

1. Briefly describe the key influences on the culture of your organisation as it currently operates.
2. In what way and to what extent does the culture of your organisation affect its performance and effectiveness ?

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2. Culture - what does it mean

What is a Culture ? This word has several meanings and possible explanations. Generally it might be defined as a set of unwritten rules for behaviour which every member of the group strictly follows. This enables the people live and work together. Without it there would be no civilisation and people would be as a deer, having no technology and nothing what is called "living standard". In my opinion, this is the most general understanding of "culture".

For the purpose of this work I'll more elaborate on the first meaning - way of behaviour.

2.1 Corporate culture

With evolution of mankind the "general culture" evolved into something more specific. As the prehistoric man settled all around the world, the culture begun to develop on a geographical basis. This gave birth to a "national culture". Under this I understand a "way of behaviour" specific for a people on one territory. This is also a part of a definition of a nation. During centuries of development now the "national cultures" differ quite a lot from each other. It is given by conditions of life in particular regions.

It is obvious that a culture can be specific property of a group. In the above mentioned case this group may be a nation. But the division can continue into smaller scale and it will take us to a "professional culture" or "corporate culture".

Professional culture is a set of rules for bahaviour of people in the same profession. An example may be an ethical code for physicians or a code of behaviour for insurance brokers.

In the same way, the corporate culture may be defined as a set of behaviour rules for people in one company. This is of a prime importance for each company if it wants to be efficient and competitive in a long run. Dale and Kennedy define the corporate culture as encompassing how people in a company are likely to act in given situations both inside and outside the company. It includes a set of beliefs, a code of behaviour and minimum standards of performance and ethics.

Organisations with strong, easily identifiable cultures are likely to be more effective. The strong corporate culture comprises the following key features:

1. Characteristic and clear approach to the corporate environment - market, clients, stakeholders etc.
2. Values shared by the people who make up the organisation.
3. Heroes - people who represent and communicate these values, people who provide others with "role models".
4. Rites and rituals - systems and procedures which it is expected that people will follow.
5. Networks - the informal means of communication often known as the "grapevine".

A strong culture is one in which people may have a clearer idea of what is required of them, a clearer sense of the objectives being pursued. Such a culture may be seen as an invisible asset.

The corporate culture may evolve and exist in different forms. In one case it may have started informally, as unwritten rules and be codified later on. Later in time these rules may be codified in some official documents. I think this is the most common way and also most successful. If a new employee comes to a company which has a strong feeling of corporate structure, it is much easier for him to accept those rules. Setting and promoting these rules depends to a large extent on managers, their qualities and will to promote good ideas. This topic was dealt with in my assignment Managerial skills in the Certificate course.

In other case theoretically the corporate culture may be officially implemented from outside, for instance by a new manager coming from a company where the culture evolved according to the first scheme. This case is much more complicated and requires much more effort from the manager.

Generally speaking, an attempt at corporate culture change can only be justified where any or all the following conditions apply:

1. Where the environment is undergoing fundamental change.
2. Where the industry is highly competitive and the environment is characterised by rapid and often turbulent change (e.g. computer industry).
3. Where the organisation is growing rapidly, particularly where the organisation is becoming very large.
4. Where performance has been in sustained decline.

On the other side, if the overall climate in the society doesn't support the corporate culture, all effort in improving may be in vain. This is a major problem in Central & Eastern Europe, to some extent including even the Czech republic.

3. Corporate Culture in the Czech republic

As a legacy of the past, the corporate culture in czech companies is on quite a low level today. But there are signs of a positive change already visible. Those companies which are in a business with foreigners have learned a lot within relatively short time. And this is a core which will grow on a "snow-ball principle". In case of smaller companies this process is much easier and faster, while in big corporations it takes much longer time and more effort. But without mastering this art there is no chance for us to be admitted among the developed nations.

3.1 History and evolution

Before the WW II, Czech republic being part of Czechoslovakia ranked among the 10 highest developed nations. The market economy was working well and some of the companies were pretty succesfull. This means, there was also a high level of corporate culture. Two examples for all: Baťa shoes and Škoda Plzeň.

After 1948 the feeling of corporate culture begun to decline rapidly. All the old managers were replaced by communist activists and apparatchiks, who didn't have a basic feeling of a corporate culture. They even didn't need it, since the official doctrine didn't support it. Unfortunately, the dismissed corporate culture was not replaced by a nation-wide culture. This was the beginning of four decades of deterioration. At the end - in 1989 we ended up with people not knowing what is a pride of their company or - even worse - pride of their country.

After the changes in 1989 the process of re-establishing the culture has started again. It is very pleasant to see and hear that some czech companies now have developed their own corporate culture which is widely recognized. The only problem is that they are only few yet. But the sooner the corporate culture spreads here, the better we will be accepted by the world.

3.2 How does corporate culture influence company operations

In every larger company the decisions are being made which require a lot of information and have big financial and other implications. Moreover, the whole team of people must participate in order to make the right decision at the right time. And here the corporate culture is very important. The sophisticated and formalised procedure of decision-making can substantially contribute to reducing a risk of making bad decisions. Of course, only in case that all the staff knows it, accepts it and follows it.

In general, the organisations having a strong corporate culture are supposed to be more effective and more easily coping with all turbulences brought by the environment.

3.3 How to develop a corporate culture

With the changing environment the type of response is changing as well. This requires a well developed corporate culture. In the process of developing and changing a culture, following guidelines are recommended:

1. Peer group consensus will have an important influence on acceptance of change. Typically, People do not feel strongly opposed to a given change. However, social ties can be such that resistance to change can build within social groupings and networks. It is important to build support within these networks.
2. It is important to convey and build upon trust in communication and in how problems are handled.
3. Changes need to be treated as opportunities within which to build skills and develop people.
4. Allow enough time for changed behaviour to become a norm. This point is often ignored.
5. Encourage people to adopt new approaches, new behaviour patterns, new systems to fit their own local circumstances. Identify the underlying ideas of the change and maintain their integrity but recognize that many elements of a set of proposals are marginal. Recognize the battles you must win. Account for local circumstances. Allow people to modify your changes to help them resolve to their own local problems.

The main point here is that the performance we give in a period of change must be consistent with the corporate culture or, at least, we should recognize the fit between our approach to the tasks of managing and the prevailing corporate culture. If the corporate culture is to be changed, the organisation needs to develop and encourage new "role models", greater clarity of how it sees itself and how it relates to its markets, and now, in this case, more commercial values. Training and communication are necessary. Recognition and reward for new behaviours are needed for employees who adopt new practices.

4. Reference

[1] MBA handouts

[2] Colin A.Carnall: Managing change in organizations; Prentice Hall, 1990