CORPORATE CULTURE

Culture followed by an organization e.g. informal culture where people are easy – going so most probably less aggressive objectives.

It is the way things are done in a business e.g. democratic culture where objectives are discussed.

DEFINITION:
-    The pattern of shared beliefs, attitudes, assumptions and values which shape the way people act and interact which strongly influence the way that things get done.
-    It is the code of behaviour and attitudes that influence the decision – making style of the managers and other employees of the business. It is actually the way of doing things that is shared by all those in the organization.

Factors that determine the corporate culture:
1.   The philosophy and personality of the leader.
2.   The history and tradition of the organization.
3.   The nature of activities of the business.
4.   The structure of the organization.
5.   The focus of management   (Task culture – Theory X) or
                                     (people culture – Theory Y)

1.   If the leader is authoritative or autocratic then he doesn't consult the employee but imposes his decisions. Employees therefore won't give opinions as to the decision making and would be afraid. There is very less communication. So this will lead to jobs switching. If the organization doesn't take care of the employees because employees feel loyalty to organizations that give them proper working conditions alongwith pay. Conspiracies and secret grouping are also possible.
      However, at times it is necessary to work fast as there is no time, then it would be better if no discussions are held to make decision.
2.   History and tradition involves the reputation of the business. If the reputation is good and there has been continuous growth in the past, then the employees would want to become a part of it as the culture would be of job security. Traditions would include dress codes e.g. informal dressing on Saturdays. It would also include get togethers and dinners for both employees and management.
3.   nature of activity is the type of activity a business is in e.g. in media related business there is an open culture. Here a lot of communication and interaction between people occurs and is necessary for programs to be made and discussions held. However, in manufacturing organizations, there may be a very monotonous atmosphere. Only tasks would be set for employees and very less interaction may occur. This is closed culture.
      Nature of activity would also depend on the scale of organizations, whether large scale or small scale and they are multinationals. This affects the culture by e.g. close contact with customers in small scale organizations. Then businesses following ethical and environmental regulations would reflect it in their organization by working clearly and friendly.
4.   The structure means the organizational structure of the organization starting with the CEO on top. If the structure is centralized, this means the organization is autocratic with all decisions made at the top levels of management. If structure is de-centralised then the culture is more democratic with employees and lower levels or organization involved in decision – making. The narrower and longer structures means less communication. Broader structure means more discussions as greater no. of subordinates under one person. It is the hierarchy of an organization.

5.   Focus means the focus of management and the choice of managerial theories they select to implement and follow in the organization 2.

Theories X and Y. Theory X: Employees are in nature lazy and wouldn't work unless and until clear orders are given to them and punishments decided if they don't follow the orders. Money or monetary reward is the main resources or incentive they wok for. They do not wish to have responsibility. When tasks are set, they must be completed by hook or by crook. There is a lot of negotiating. Also such workers require a lot of supervision.

Theory Y: employees, subordinates or people in general are responsible and are able to make decisions. They need monetary reward alongwith non-monetary areas. They also like slight leniency. They don't need a lot of monitoring and are easily motivated. They like to given the will to make decisions and like being given responsibility.

No particular theory is best. They must be made to work together. However, control is necessary. Theory is that control should be strict and rigid so that work is done on time and there is minimal absenteeism.

Theory Y managers believe consideration should be given and interaction is good for decision making and delegation of responsibilities should also be exercised.

Leaders may also use certain tools like lying and black – mailing as well as cheating. However if they are honest and don't use these then employees too are usually honest. No one really teaches the culture but the juniors of an organization usually do what their seniors do.

STRATEGY

Type of strategies:
- Corporate strategies
- Divisional / Departmental Strategies
- Global strategies

e.g. in multinationals there is a change of strategy, then the entire strategy worldwide is affected. Quality standards globally should be maintained.
- Generic Strategies
  (Cost Leadership, Differentiation, Focus)

Cost Leaderships means that leading in terms of cost i.e. by cutting down costs raise profits but not by raising prices e.g. China is following this. So prices of its products are low and quality good. However, the quality standards change from country to country. Due to this exports of China are spread throughout the world.

Differentiation – setting up a strategy to make the company's product different from others by introducing unique features. Keep on innovating different products.

Focus only on one market segment e.g. diamonds are only for higher class and they don't deal with mass-market. Research on drugs for specific patients is-focus-strategy while precautions are for mass-marketing.

Factors on which strategy depends:
1. Strengths of a business
2. Competitive environment
3. Resources available
4. Company objectives

1. Strength would be the financial strength as well as the type of people working – whether good or bad.

2. Resources available decide the type of equipment used so how innovative a product could be made e.g. adverts.

3. company objectives – growth, expansion, profits

   SWOT Analysis – Strategic analysis
   The process of reviewing existing plans and identifying new opportunities and risks associated with them is known as strategic analysis

   Strengths   internal
   Weaknesses   - resources of a business
   Opportunities   external
   Threats   - e.g. Free Gwador Port
                        but too many imports.

CORPORATE CULTURE

Q.   Write a comprehensive note on corporate culture.

Ans.   Corporate culture is one of the factors that determine the corporate objectives of an organization. It is the pattern of shared beliefs, attitudes, assumptions and values which shape the way people act and interact. It is the costs of behaviour and attitudes that influence the decision making style of the manager and other employees. It is actually the way of doing things that is shared by all those in the organization e.g. at Microsoft, the employee dress casually and work long hours. This is their culture or the norms of their business life.

Corporate cultures may be created by business leaders as part of their strategy to increase the efficiency of a business and its competitive advantage. The cultures may also influence decision – making. e.g. insurance companies encourage caution and conservation so that employees don't take risky decisions. There are several factor that determine the corporate culture of an organization: the philosophy and personality of the leader, the history and tradition of the organization, the nature of activities of business, the structure of the organization and the focus of management.

Autocratic and authoritative leader would cause a culture of no discussions before decision – making to flourish. The leader to CEO would set all strategies and tasks that everyone from managers to employees would have to follow. The workforce would be afraid to voice its opinions that would lead to frustration and a culture of high labour turnover and absenteeism amongst employees. Job switching would be common. However, if the leader encourages employees (e.g. in a computer company) to perform tasks in creative ways then this would become a positive culture. The employees may be able to come up with innovative ideas for products and gain advantage over other competitors. Also, if the leaders are honest and don't use tools like lying, cheating and black-mailing then a culture of honesty would be attached to the organization as employees too tend to be honest. It is basically the tendency of juniors to follow their seniors. Therefore if the leader is one who believes in discussions to gain better ideas for the running of the business, the employees are eager to participate in talks.

Every organization has its history and tradition. The organization may have a casual dress code for Saturdays. It may hold get together for employees once every month which would give a feeling of care and loyalty to workers for the company. The history of an organization may to some extent reflect its objectives. An organization which has grown continuously in the past would have several of its workers for years and so a culture of job security would prevail. If the business is profitable then it may have a culture of profit – sharing amongst employees.

Nature of business activity affects its culture greatly. If the business takes care of environmental considerations, then the employees may be very particular about the recycling of papers, switching off lights for conservation of energy and being very tidy at their workplace. If the business is a media network, then it would have an open culture. There would be a lot of communication between workers and many discussions take place in order to come up with the best ideas for program preparations. However in manufacturing businesses there is closed culture. The working atmosphere is very monotonous as there are no discussions. The workers are given tasks that must be completed and they tend to be very serious and no interaction is required.

The organizational structure also plays an important role in corporate culture determination. It is the hierarchy of an organization with the CEO (Chief Executive Officer) on top. If there is a centralized structures this would means that all decisions, whether of strategic importance or of day–to–day business, would be taken at the top levels of management. They would then be passed down the chain of command and must be acted upon by lower level of management and employees. So this would cause a culture of fear and instant obedience without discussions in the organization.

However, if the structure is decentralized then lower management would also take decisions and workers would be delegated responsibility. The culture would be of interaction and dutifulness.

Finally the focus of management decides the culture. If it follows managerial theory X, then this would mean that workers are thought of being generally lazy. Their main and only incentive is money / monetary reward. They don't want responsibility and must be ordered about and just given tasks to be completed in a limited time in whatever way but the job must be completed on time. This is task culture. On the other hand the theory Y managers believe that people in general are responsible. They don't like too much supervision and wish to be able to make decisions. They like being delegated and receive non-monetary rewards too. This is people's culture. Several types of culture exist depending on the type of leadership. Adaptive cultures are those where managers are able to introduce changes in corporate cultures according to changes in outside environment. They are most suitable for the modern business world. In them employees are encouraged to take entrepreneurial decisions, is decentralized and has close relations to customers. Inert cultures are those that can't adapt to changes and follow old norms. Usually decisions are centralized. Solidarity and sociability are other ways of explaining cultures. Solidarity is the unity amongst workers to get things done while sociability is the friendliness amongst employees. High sociability and low solidarity is the culture of networked organizations, while mercenary organizations have low sociability and high solidarity e.g. Pepsi Co. Fragmented organization have both low solidarity and sociability while communal organizations have high solidarity and high sociability and so are more cohesive, goal – oriented and have shared values.

Corporate cultures that are strong and clear and are influential in the corporation have several benefits. The employees gain a feeling of identity and have a sense of being a part of the organization. This makes workers flexible and increase their ability to adapt to changes in the company or difficulties it may face. They help workers to identify amongst themselves. Due to this greater teamwork is possible and employees are more unified. This also helps employees feel committed to the organization so labour turnover and absenteeism is low. This may enable higher productivity and efficiency. So industrial relation problems are low and employees are highly motivated. The cultures also enable employees to understand what they are required to do as well as what the business activity is about. So misinterpretations and lack of understanding, instructions may be prevented. The cultures enable management to set up corporate strategy as it provides a control of the employee behaviour. It may also provide a sense of direction to the workers.

However there are certain limitations to corporate cultures. It is not always true that economic performance is improved by minimal culture gap. The organizations with strong cultures are as likely to prove a successful as those with a weak culture because there are several external influences such as fashion trend changes that cultures can do nothing about. Also a business could have a number of sub-cultures existing together. In certain cases they may co-exist in harmony while in others there may be a conflict between the different interests and opinions. Then while lack of strong centres due to decentralization is common, corporate cultures may not be able to exist where temporary and part – time workers are appointed. Also the fast changing working practices could alienate some workers socially. This may be seem as negative as a corporate cultures doesn't exist yet for business life, it is positive.

People don't do things at times because it is a culture established by their senior management but because it is their interest, beliefs and philosophy.