

Chapter 2

OB IN CONTEXT

CHAPTER OVERVIEW

This chapter focuses on the importance of context in organizational behavior. It begins by examining the facets of context, including strategy, rewards, and structure. This includes a discussion of organizational charts and hierarchies, as well as organic, mechanistic, and matrix structures. The chapter then turns to another dimension of context: organizational culture. The elements of organizational culture are explored, including stories, rites, and rituals, as well as layers and analysis of culture. Finally, strategies for building and maintaining strong cultures are discussed.

CHAPTER OUTLINE

WHY CONTEXT MATTERS IN OB

Why Does Context Matter?

Strategy: What Is Important and Valued in An Organization

Rewards: Why People Do What They Do

Structure: How People Work (or Don't Work) Together

BUILDING EFFECTIVE ORGANIZATIONAL CULTURES

What Is Organizational Culture?

How Do We Identify an Organization's Culture?

How Do We Build Strong Cultures?

CHAPTER LECTURE NOTES

LO 1: DEFINE ORGANIZATIONAL CONTEXT AND HOW IT AFFECTS BEHAVIOR

Why Does Context Matter?

Context matters because it shapes behavior. *Organizational context* is the characteristics of a job, organization, or work situation that affect the way people in that situation act and interact. In order to read a situation, we must understand the roles of strategy, rewards, structure, and culture.

Strategy: What Is Important and Valued in An Organization

Organizational strategy is the actions an organization takes to achieve long-term business goals. It represents the purpose that brings people together and is reflected in the mission, vision, and values of an

organization. In OB, we always need to consider how what we are doing aligns with the organization's strategy.

Rewards: Why People Do What They Do

Rewards help us to understand why people do what they do. The Greek concept of *hedonism* states that people seek pleasure and avoid pain. An organization's reward system is an essential aspect of the context in which work gets done. Good questions to ask in respect to rewards include:

- How is success measured?
- How are individuals rewarded?
- How are incentives calculated and assigned?
- How and when are bonuses granted?
- What events are highlighted in the company newsletter, and which behaviors and activities are publicly recognized?

Structure: How People Work (or Don't Work) Together

Organizational structure is the way work is organized and coordinated and can be thought of as the skeleton of the company. The best way to know what a company's structure is like is to look at its organization chart.

How to Read an Organization Chart

- *The organization chart* is a diagram that depicts the formal structures of organizations.
 - While an organization chart may clearly indicate who reports to whom, it is also important to recognize that it does not show how work is completed, who exercises the most power over specific issues, or how the firm will respond to its environment.
 - The *chain of command* is a listing of who reports to whom up and down the organizational hierarchy.
 - *Unity of command*. — the notion that each individual should have one boss and each unit one leader — is considered necessary to avoid confusion, to assign accountability to specific individuals, and to provide clear channels of communication up and down the organization.
- Line Versus Staff
 - *Line units* are work groups that conduct the major business of the organization whereas *staff units* are work groups that assist the line units by performing specialized services to the organization.
 - Staff units can be assigned predominantly to senior-, middle-, or lower-level managers. When staff responsibilities are assigned predominantly to senior management, the capability of senior management to develop alternatives and make decisions is expanded.
- Tall Versus Flat
 - *Span of control* refers to the number of individuals reporting to a supervisor.

- Narrower spans of control are expected when tasks are complex, when subordinates are inexperienced or poorly trained, or when tasks call for team effort.
- Narrow spans of control yield many organizational levels that are not only expensive but also make the organization unresponsive to necessary change.
- Centralization and Decentralization
 - *Centralization* is the degree to which the authority to make decisions is restricted to higher levels of management. *Decentralization* is the degree to which the authority to make decisions is given to lower levels in an organization's hierarchy.
 - Greater centralization is often adopted when the firm faces a single major threat to its survival.
 - Decentralization has the following effects:
 1. It provides higher subordinate satisfaction.
 2. It provides a quicker response to a diverse series of unrelated problems.
 3. It assists in on-the-job training of subordinates for higher-level positions.
 4. Decentralization encourages participation in decision making.
- Departmentalization

Since the pattern of departmentation is so visible and important in a firm, managers often refer to their pattern of departmentation as the departmental structure. The traditional types of departments are:

1. **Functional Departments** group individuals by skill, knowledge, and action.

Advantages of departmentation by function include the following:

- Yields very clear task assignments, consistent with an individual's training.
- Individuals within a department can easily build on one another's knowledge, training, and experience.
- Provides an excellent training ground for new managers.
- It is easy to explain.
- Takes advantage of employee technical quality.

Disadvantages of departmentation by function include the following:

- May reinforce the narrow training of individuals.
- May yield narrow, boring, and routine jobs.
- Communication across technical area is complex and difficult.
- "Top management overload" with too much attention to cross-functional problems.
- Individuals may look up the organizational hierarchy for direction and reinforcement rather than focus attention on products, services, or clients.

LECTURE ENHANCEMENT

Ask students to think about how the curriculum at their college/university addresses the different functions of business. Are marketing, finance, production, and human resource management, for

instance, taught as stand-alone courses, or are they taught in some integrated fashion? As stand-alone courses, what does this convey to students about the functional chimneys of business? What does any integrated format convey about tearing down these functional chimneys?

2. **Divisional Departments** group individuals and resources by products, territories, services, clients, or legal entities.

Advantages of divisional departmentation include the following:

- Promotes adaptability and flexibility in meeting the demands of important external groups.
- Allows for spotting external changes as they emerge.
- Provides for the integration of specialized personnel.
- Focuses on the success or failure of particular products, services, clients, or territories.

Disadvantages of divisional departmentation include the following:

- Does not provide a pool or highly trained individuals with similar expertise to solve problems and train others
- Allows duplication of effort, as each division attempts to solve similar problems.
- May give priority to divisional goals over the health and welfare of the overall organization.
- Creates conflict between divisions over shared resources.

What Types of Structures Are There in Organizations?

- **Mechanistic Structure**
 - The *mechanistic type* (or *machine bureaucracy*) emphasizes vertical specialization and control.
 - Mechanistic organizations stress rules, policies, and procedures; specify techniques for decision making; and emphasize developing well-documented control systems backed by a strong middle management and supported by a centralized staff. Firms often use the mechanistic design in pursuing a strategy of becoming a low cost leader.
 - The prime advantage of the mechanistic type is efficiency through extensive vertical and horizontal specialization. Tied together with elaborate controls and impersonal coordination mechanisms.
 - Disadvantages of the mechanistic type include the following:
 - Employees may not like rigid designs, which may result in motivational problems.
 - Unions further solidify narrow job description by demanding fixed work rules to protect employees from extensive vertical controls.
 - Key employees may leave.
 - The organization is less able to adjust to subtle external changes or new technologies.
- **Organic Structure**

- The *organic type* (or *professional bureaucracy*) is much less vertically oriented than its mechanistic counterpart and it emphasizes horizontal specialization.
- Organic organizations have minimal procedures and rely on the judgments of experts and personal means of coordination. Firms using the organic design find it easier to pursue strategies that emphasize product quality, quick response to customers, or innovation.
- Advantages of the organic type include the following:
 - It is better than the mechanistic type for problem solving and serving customer needs.
 - Centralized direction by senior management is less intense.
 - The organization is good at detecting external changes and adjusting to new technologies.
- Disadvantages of the organic type include the following:
 - It is not as efficient as the mechanistic type.
 - It has restricted capacity to respond to central management direction.

LECTURE ENHANCEMENT

Xerox is an example of an organization that has moved back and forth between a mechanistic structure and an organic structure. Under Xerox's founder, Joseph Wilson, the company was positioned on the organic end of the continuum as evidenced by its "loose organizational structure." Wilson's successor as CEO, Peter McClough moved Xerox toward the mechanistic end through the implementation of much-needed controls. When David Kearnes took over as CEO, however, he found that slow decision making, unnecessary layers of management, and an inability to respond to face-paced market changes characterized the mechanistic structure McClough had implemented. Kearnes responded to these problems by moving Xerox back toward an organic design that included small product teams and encouraged diversification.

(Source: "Culture Shock at Xerox," *Business Week*, June 22, 1987; "Remaking the American CEO," *New York Times*, January 25, 1987, p. C-8.)

- Matrix Structure
Advantages of matrix departmentation include the following:
 - Combines strengths of both functional and divisional departmentation.
 - Blends technical and market emphasis.
 - Provides a series of managers able to converse with both technical and marketing personnel.
Disadvantages of matrix departmentation include the following:
 - Very expensive.
 - Unity of command is loose (individuals have more than one supervisor).
 - Authority and responsibilities of managers may overlap, causing conflicts and gaps in effort across units and inconsistencies in priorities.
 - It is difficult to explain to employees.

LO 2: EXPLAIN WHAT CULTURE IS, KNOW HOW TO RECOGNIZE IT, AND LEARN HOW TO BUILD MORE EFFECTIVE ORGANIZATIONAL CULTURES**What Is Organizational Culture?**

Organizational culture is the shared actions, values, and beliefs in an organization that guide the behavior of its members.

Culture Influence Behavior

Typically people gravitate to the kind of culture they like, but not always. Sometimes we don't know what a culture is until we join an organization and learn the culture by experiencing it.

The process of watching and learning the expected norms and behaviors of the organization is called *socialization*, and is part of success in an organization. It occurs through formal processes, such as training and orientation, and informally through colleagues who explain or model expected behaviors.

Culture Builds Collective Identity

Organizations with a clear identity are said to have a strong culture. They share an understanding regarding who organizational members are and what it means to be part of an organization.

Managers play an important role in building strong cultures by being clear about mission, vision, values, and purpose.

How Do We Identify an Organization's Culture?Layers of Cultural Analysis

The three important levels of cultural analysis in organizations are observable culture, shared values, and common assumptions.

- The first level of cultural analysis is *observable culture*, which refers to “the way we do things around here.” The observable culture includes unique stories, ceremonies, and corporate rituals that make up the history of the firm or a group within the firm.
- The second level of cultural analysis involves the *shared values* that link people together and provide a powerful motivational mechanism for members of the culture. Every member may not agree with the shared values, but they have all been exposed to them and have often been told they are important.
- The deepest level of cultural analysis involves *common cultural assumptions*, which are the taken-for-granted truths that collections of corporate members share as a result of their joint experience. It is often extremely difficult to isolate these patterns, but doing so helps explain why culture invades every aspect of organizational life.

LECTURE ENHANCEMENT

Divide the class into groups of five or six students. Have each group focus on a different campus organization — fraternities and sororities are excellent choices — and analyze the organization's observable culture, shared values, and common cultural assumptions.

Subcultures and Countercultures

- *Subcultures* are groups of individuals with a unique pattern of values and philosophy that are not inconsistent with the organization's dominant values and philosophy.
- *Countercultures* are groups whose patterns of values and philosophies outwardly reject those of the larger organization or social system.
- Within an organization, mergers and acquisitions may produce adjustment problems. Employers and managers of an acquired firm may hold values and assumptions that are quite inconsistent with those of the acquiring firm. This is known as the "clash of corporate cultures."

Reading Signs of Culture

To begin understanding a corporate culture, it is often easiest to start with stories of the company's founding, its successes and failures, and its winners and losers.

- *Sagas* are embellished heroic accounts of accomplishments.
- *Rites* are standardized and recurring activities used at special times to influence the behaviors and understanding of organizational members.
- *Rituals* are systems of rites. Rites and rituals may be unique to subcultures within an organization.
- A *cultural symbol* is any object, act, or event that serves to transmit cultural meaning.

How Do We Build Strong Cultures?

Organizations with *strong cultures* possess a broad and deeply shared value system, which offers strong corporate identity and collective commitment.

Culture Leaders and Roles Models

Managers establish and maintain effective cultures by protecting and promoting core values, treating employees with respect, reinforcing ethical standards, and designing and implementing effective reward systems.

CHAPTER STUDY GUIDE

What is organizational context and why does it matter?

- Organizational context is the characteristics of a job, organization or work situation that affects the way people act and interact.
- It helps us read a situation and diagnose the motivation for a person's behavior.

What are the major contexts of OB?

- Strategy is the actions an organization takes to achieve long-term business goals. It helps us know what is important and values in organizations.
- Rewards help us know what drives behavior. People do what they are rewarded for.
- Structure is the way work is organized. It helps us understand how people work (or don't work) together.
- Culture lets us know what it is like to work in an organization.

How do we know what an organization's structure is?

- We know about structure from the organization chart, which tells us about tall/flat, centralization/decentralization, departmentalization, and line v. staff.
- The most common types of structure are mechanistic, organic, and matrix.
- Mechanistic is machine-like and offers efficiency; organic is like an organism that adapts to the environment and offers flexibility; matrix combines the two to offer efficiency and flexibility.

What is organizational culture?

- Organizational culture is the system of shared actions, values, and beliefs that develops within an organization and guides the behavior of its members.
- Employees learn culture through socialization, which occurs through interpersonal interactions and helps people in organizations learn the expected norms and behaviors of the organization.
- Culture builds a collective identity that helps people understand who is a group member, what behavior is acceptable, and who is a friend.
- A strong culture aligns and motivates everyone toward shared needs and goals.
- Subcultures are groups of individuals who exhibit a unique pattern of values and a philosophy that is consistent with the organization's dominant values and norms, while countercultures are groups whose patterns of values and philosophies reject those of the larger organization.

How do we know what an organization's culture is?

- The culture of an organization has several layers: observable culture – the unique stories, ceremonies, and corporate rituals that make up the history of the company shared values that link people together; and common cultural assumptions, or core values – the deeply held beliefs that members of an organization share.

How do we build more effective cultures?

- Effective cultures are often strong cultures that provide positive workplaces for employees, a unified direction toward mission and vision, and flexibility to adapt.
- The biggest determinant of organizational culture is its leadership.
- Leaders, including those at lower levels, can influence what it feels like to work in the organization, in positive or negative ways, by influencing organization climate, which is the perceived work environment that affects employee motivation, morale, and productivity.
- To build and maintain an effective corporate culture, what leaders do must match what they say.
- Effective culture managers treat their employees with respect, reinforce ethical standards, and design effective reward systems.

KEY TERMS

Bureaucratic organization: one which is highly ordered, regimented, and standardized to generate efficiency and effectiveness.

Centralization: the degree to which authority to make decisions is restricted to the highest levels of management.

Core values: the taken-for-granted truths that collections of corporate members share as a result of their joint experience.

Counterculture: groups whose patterns of values and philosophies reject those of the larger organization or social system.

Decentralization: the degree to which the authority to make decisions is shared throughout the organization's hierarchy.

Departmentalization: a division of labor that establishes specific work units or groups within an organization.

Divisional departmentalization: groups individuals together by products, territories, services, clients, or legal entities.

Enacted values: the values and norms that are practiced.

Espoused values: the explicitly states values and norms that are preferred by an organization.

Functional departmentalization: groups individuals by skills, knowledge, and action.

Hedonism: people seek pleasure and avoid pain.

Hierarchy of authority: the listing of positions of responsibility and who reports to whom.

Line units: direct line authority for conducting the major business of the organization.

Matrix structure: uses both the functional and divisional forms simultaneously.

Mechanistic structure: emphasizes hierarchy and control based on rules, policies, and procedures.

Observable culture: the ways things are done in the organization.

Organic structure: highly fluid and adaptable, designed to change in accordance with the needs of the environment.

Organizational chart: a diagram that depicts the formal structure of an organization.

Organizational context: comprised of characteristics of a job, organization, or work situation that affect the way people in that situation act and interact.

Organizational culture: the shared actions, values, and beliefs in an organization that guide the behavior of its members.

Organizational myths: unproven and frequently unstated beliefs that are accepted without criticism.

Organizational strategy: the mission, vision, and initiatives an organization takes to achieve long-term business goals.

Organizational structure: the way work is organized and coordinated.

Rites: standardized and recurring activities that are used at special times to influence the behaviors and understanding of organizational members.

Rituals: system of rites.

Sagas: embellished heroic accounts of accomplishments and overcoming epic challenges.

Shared values: the commonly held beliefs about what are the important and right things to do.

Socialization: the process of learning the accepted norms or customs of the organization through formal and informal social interaction.

Span of control: the number of individuals reporting to a manager.

Staff units: serve in an advisory capacity to line units.

Strong culture: characterized by consistency of beliefs and values that align and motivate members.

Strong cultures: provide positive workplaces for employees, a unified direction toward a mission and vision, and flexibility to adapt.

Subcultures: groups of individuals who exhibit a unique pattern of values and a philosophy that is consistent with the organization's dominant values and norms.

Symbol: an artifact, object, act, or event that serves to transmit cultural meaning.

SPECIAL FEATURES

Be a Critical Thinker: Age Becomes an Issue in Job Layoffs

Picture the manager – well meaning, an overall good person, but facing a real dilemma: job cuts need to be made in a bad economy. Who gets laid off? Sarah is young, single and years out of college; she is very hard working topped the performance ratings this year, and always steps forward when volunteers are needed for evening work or travel. Mary is in her mid-40s, has two children, and her husband is a pediatrician; her performance is good, always at or above average during performance reviews, but she has limited time available for evening work and out of town travel. Ask students who they would pick for the layoff and why? Ask them further what other criterion can be used to decide who gets laid off in organizations? Should organizations always make sure that lay off decisions are ethical and legal? Have students debate both sides of this question.

Bringing OB to Life: Pixie-Dusting New Employees at Disney

Disney is known for its strong culture, and people come from all over the world, not just for the parks, but to work for the company. New cast members go through an orientation known as Heritage and Traditions that socializes them into the culture of Disney which teaches them the company vision and the plan to enact that vision, which is acting like the seven dwarves: 1) Be *happy*, 2) Be like *Sneezy* and spread the spirit of hospitality, 3) Don't be *Bashful*, seek out Guest contact, 4) Be like *Doc* and provide immediate service recovery, 5) Don't be *Grumpy*, 6) Be like *Sleepy* and create dreams, and 7) Don't be *Dopey*, thank each and every Guest. Through this program, Disney ensures that everyone starts off on the same page. Ask students what orientation experiences they had at their jobs or universities that may be similar to Disney's strategy.

Checking Ethics in OB: Flattened into Exhaustion

Flattening an organization by cutting supervisors and calling remaining employees "coaches" can mean more work coordinating subordinates and often forcing those coaches to take work home, which cuts into

family and personal time, and can result in emotional exhaustion and burnout. Ask student if they feel it is ethical to restructure, cut management levels, and expect the remaining employees to do more work.

OB in the Office: Maintaining the Corporate Culture at Cousins Subs in a Time of Change

Christine Specht is a natural...if you can think of a company president as a natural. In the summer of 2010 she unveiled the new logo and restaurant design for Cousin Subs. As the second generation to head this firm, she often stresses the importance of culture and her intention to keep stressing the key attributes her father instilled. Yet there is also the new. When she became Cousins president, Christine Specht visited all of the franchise operations and then reorganized the central office operations. Ask students what are some factors that have caused this organization to remain successful long term? Ask the students further how they think the organization could go about using social media to reinforce their original culture and values to their main stakeholders.

Research Insights: Coordination in Temporary Jobs

Many individuals have jobs that take them to a number of different temporary settings, and coordinating the actions of the members is often a challenge. Recent research by Beth Bechky studied workers on a movie set to find out how individuals mesh who have only been working together for a few hours. Bechky found that the more experienced crew may provide enthusiastic appreciation and polite admonishing to the less experienced members, using humor, sarcasm, and teasing, with displays of anger being rare and frowned upon. With these mechanisms, it only takes a few hours for the crew to emerge as an integrated unit. Have students perform a team case study with majors in different areas and observe is members negotiate distinct roles. Do they use humor, teasing or sarcasm? Do they form an integrated group?

Worth Considering or Best Avoided? Is It Time to Make the Workplace a Fun Place?

As a new generation enters the workplace, traditional organizational cultures with their 'work comes first' rules are under pressure. Could it be that allowing people to have more fun at work actually increases performance? "Goofing off" time is considered valuable time at the online retailer Zappos.com. Ask students do we need more employers that are willing to build "fun" into day-to-day work routines? Should managers be spending time and money to remake organizational cultures so that the workplace also becomes a fun place?