Constraints on managers
Organizational culture and the environment

What constraints do managers face?

1. How much control do managers have?
2. What effect does culture have on managerial actions?
3. What kinds of cultures can managers create?
4. What influence does the environment have on managers?

The Manager: How Much Control?

The dominant view in management theory and society in general is that managers are directly responsible for an organization's success or failure. We'll call this perspective the **omnipotent view of management**. In contrast, some observers have argued that much of an organization's success or failure is due to external forces outside managers' control. This perspective has been labelled the **symbolic view of management**. Let's look more closely at each of these perspectives so we can try to clarify just how much credit or blame managers should receive for their organizations' performance.

The Omnipotent View

In Chapter 1 we discussed the importance of managers to organizations. This view reflects a dominant assumption in management theory: The quality of an organization's managers determines the quality of the organization itself. It's assumed that differences in an organization's effectiveness or efficiency are due to the decisions and actions of its managers. Good managers anticipate change, exploit opportunities, correct poor performance, and lead their organizations toward their goals, which may be changed if necessary. When profits are up, managers take the credit and reward themselves with bonuses, stock options, and the like. When profits are down, top managers are often fired in the belief that "new blood" will bring improved results. For instance, it took less than two weeks after the close of the 2004 Olympic Games in Athens for Swimming Canada to fire national coach Dave Johnson, after the swim team failed to win one medal. As Swimming Canada president Rob Colburn noted: "We made the decision on the facts and figures and the clear feeling that we needed to go in another direction. It was time—11 years. And 11 years for any coach is a long run."[4]

The view of managers as omnipotent is consistent with the stereotypical picture of the take-charge business executive who can overcome any obstacle in carrying out the organization's goals. This omnipotent view, of course, isn't limited to business organizations. We can also use it to help explain the high turnover among college and professional sports coaches, who can be considered the "managers" of their teams. Coaches who lose more games than they win are seen as ineffective. They are fired and replaced by new coaches who, it is hoped, will correct the inadequate performance.

In the omnipotent view, when organizations perform poorly, someone has to be held accountable regardless of the reasons, and in our society, that "someone" is the manager. Of course, when things go well, we need someone to praise. So managers also get the credit—even if they had little to do with achieving positive outcomes.

The Symbolic View

When both Home Hardware and Army and Navy closed their stores in downtown Regina, Blue Mantle, a thrift store in the same area, faced a loss of customer traffic. Was the sales decrease for Blue Mantle the result of manager Dave Barrett's decisions and actions, or was it beyond his control? Similarly, when SARS hit Toronto, mad cow disease struck in Alberta, and avian flu killed chickens in British Columbia, were these the result of managerial actions or circumstances outside managers' control? The symbolic view would suggest the latter. The symbolic view says that a manager's ability to affect outcomes is influenced and constrained by external factors.[5] In this view, it's unreasonable to expect managers to significantly affect an organization's performance. Instead, an organization's results are influenced by factors outside the control of managers. These factors include, for example, the economy, customers, government policies, competitors' actions, industry conditions, control over proprietary technology, and decisions made by previous managers. Barrett, in announcing Blue Mantle's closing in March 2004, explained his decision: "In the downtown area, when Home Hardware closed, and department store Army and Navy closed, that cut away a lot of our traffic to the store. We used to have lots of seniors that would swing over to our place." He also noted that the state of the economy was also a factor in why the store closed.[6]

According to the symbolic view, managers symbolize control and influence.[7] How? They create meaning out of randomness, confusion, and ambiguity or try to innovate and adapt. Because managers have a limited effect on organizational outcomes, their actions involve developing plans, making decisions, and engaging in other managerial activities for the benefit of stockholders, customers, employees, and the public. However, the part that managers actually play in organizational success or failure is minimal.

Reality Suggests a Synthesis

In reality, managers are neither helpless nor all powerful. Internal and external constraints that restrict a manager's decision options exist within every organization. Internal constraints arise from the organization's culture and external constraints come from the organization's environment.

Exhibit 2–1 shows managers as operating within the constraints imposed by the organization's culture and environment. Yet, despite these constraints, managers are not powerless. They can still influence an organization's performance. In the remainder of this chapter, we'll discuss organizational culture and environment as constraints. However, as we'll see in other chapters, these constraints don't mean that a manager's hands are tied. As Bruce Beairsto, in our chapter-opening dilemma, recognized, managers can and do influence their culture and environment.

Exhibit 2–1

Parameters of Managerial Discretion

What Is Organizational Culture?

Calgary-based EnCana was formed in early 2002 by a merger between Alberta Energy Co. Ltd. (AEC) and PanCanadian Energy Corp.[9] It was not easy bringing the two companies together, as they were marked by two very different corporate cultures. PanCanadian was known as warm and fuzzy, with a risk-averse operating style. AEC was a much more aggressive company. "If you had to distill the two companies, PanCanadian managed for profitability while AEC managed for growth," says Brian Prokop, a research analyst with Calgary-based investment firm Peters & Co. Under the merger, EnCana retains AEC's culture of growth. Each EnCana employee must follow the written goals of a "principled meritocracy." EnCana employees are not to become "egotistical or arrogant, cynical, unwilling to adapt or change or play internal politics or games but rather strive to be the best they can be." Thus, the organizational culture supports what EnCana, and its CEO, Gwyn Morgan, is trying to achieve.

What is **organizational culture**? It's a system of shared meaning and beliefs held by organizational members that determines, in large degree, how they act toward each other and outsiders. It represents a common perception held by an organization's members that influences how they behave. In every organization, there are values, symbols, rituals, myths, and practices that have evolved over time.[10] These shared values and experiences determine, in large degree, what employees perceive and how they respond to their world.[11] When faced with problems or issues, the organizational culture—the "way we do things around here"—influences what employees can do and how they conceptualize, define, analyze, and resolve issues.

How does the culture of your college or university differ from your high school?

Our definition of organizational culture implies three things:

- Culture is a *perception*. Individuals perceive the organizational culture on the basis of what they see, hear, or experience within the organization.
- Culture is *shared*. Even though individuals may have different backgrounds or work at different organizational levels, they tend to describe the organization's culture in similar terms.

- Culture is a *descriptive* term. It's concerned with how members perceive the organization, not with whether they like it. It describes rather than evaluates.

Research suggests that there are seven dimensions that capture the essence of an organization's culture.[12] These dimensions are described in Exhibit 2–2. Each dimension ranges from low (it's not very typical of the culture) to high (it's very typical of the culture). Appraising an organization on these seven dimensions gives a composite picture of the organization's culture. In many organizations, one of these cultural dimensions often is emphasized more than the others and essentially shapes the organization's personality and the way organizational members work. For instance, at Sony Corporation the focus is on product innovation. The company "lives and breathes" new-product development (outcome orientation), and employees' work decisions, behaviours, and actions support that goal. In contrast, WestJet Airlines has made its employees a central part of its culture (people orientation). Exhibit 2–3 describes how the dimensions can be combined to create significantly different organizations.

Strong vs. Weak Cultures

Although all organizations have cultures, not all cultures have an equal impact on employees' behaviours and actions. **Strong cultures**—cultures in which the key values are deeply held and widely shared—have a greater influence on employees than do weak cultures. The more employees accept the organization's key values and the greater their commitment to those values, the stronger the culture is. This explains why Bruce Beairsto brought together a team of students, parents, teachers, school administrators, and support staff to establish a new dress code for students. He wanted to ensure that he could get greater commitment to the code once it was put in place.

Whether an organization's culture is strong, weak, or somewhere in between depends on factors such as the size of the organization, how long it has been around, how much turnover there has been among employees, and the intensity with which the culture started.

Contrasting Organizational Cultures

Organization A	Organization B
• Managers must fully document all decisions. • Creative decisions, change, and risks are not encouraged. • Extensive rules and regulations exist for all employees. • Productivity is valued over employee morale. • Employees are encouraged to stay within their own department. • Individual effort is encouraged.	• Management encourages and rewards risk-taking and change. • Employees are encouraged to "run with" ideas, and failures are treated as "learning experiences." • Employees have few rules and regulations to follow. • Productivity is balanced with treating its people right. • Team members are encouraged to interact with people at all levels and functions. • Many rewards are team based.

Some organizations do not make clear what is important and what is not, and this lack of clarity is a characteristic of weak cultures. In such organizations, culture is unlikely to greatly influence managers. Most organizations, however, have moderate to strong cultures. There is relatively high agreement on what's important, what defines "good" employee behaviour, what it takes to get ahead, and so forth.

An increasing body of evidence suggests that strong cultures are associated with high organizational performance.[13] It's easy to understand why a strong culture enhances performance. After all, when values are clear and widely accepted, employees know what they're supposed to do and what's expected of them, so they can act quickly to take care of problems, thus preventing any potential performance decline. However, the drawback is that the same strong culture also might prevent employees from trying new approaches, especially during periods of rapid change.[14] Strong cultures do not always yield positive results, however. Enron had a very strong, and unethical, culture. This enabled employees and top management to engage in unethical behaviour that was concealed from public scrutiny.

Subcultures

Do the different professors you have emphasize different things such as innovative projects, a disciplined classroom, use of humour?

Organizations do not necessarily have one uniform culture. In fact, most large organizations have a dominant culture and numerous sets of subcultures.[15]

When we talk about an organization's culture, we are referring to its *dominant* culture. A **dominant culture** expresses the core values that are shared by a majority of the organization's members. It's this macro view of culture that gives an organization its distinct personality.[16] **Subcultures** tend to develop in large organizations to reflect common problems, situations, or experiences that members face. These subcultures are likely to be defined by department designations and geographical separation.

An organization's marketing department, for example, can have a subculture that is uniquely shared by members of that department. It will include the **core values** of the dominant culture, plus additional values unique to members of the marketing department. Similarly, offices or units of the organization that are physically separated from the organization's main operations may take on a different personality. Again, the core values are essentially retained but modified to reflect the separated unit's distinct situation.

How Employees Learn Culture

Culture is transmitted to employees in a number of ways. The most significant are stories, rituals, material symbols, and language.

Stories

Organizational "stories" typically contain a narrative of significant events or people, including such things as the organization's founders, rule breaking, reactions to past mistakes, and so forth.[19] For instance, at the 3M Company, the product-innovation stories are legendary. There's the story about the 3M scientist who spilled chemicals on her tennis shoe and came up with Scotchgard. Then there's the story about Art Fry, a researcher who wanted a better way to mark the pages of his church hymnal and invented the Post-it Note. These stories reflect what made 3M great and what it will take to continue that success.[20] To help employees learn the culture, organizational stories anchor the present in the past, provide explanations and legitimacy for current practices, and exemplify what is important to the organization.[21]

Rituals

Corporate rituals are repetitive sequences of activities that express and reinforce the values of the organization, what goals are most important, and which people are important.[22] One of the best-known corporate rituals is Mary Kay Cosmetics' annual awards ceremony for its sales representatives.[23] Looking like a cross between a circus and a Miss America pageant, the ceremony takes place in a large auditorium, on a stage in front of a large, cheering audience, with all the participants dressed in glamorous evening clothes. Salespeople are rewarded for their success in achieving sales goals with a variety of flashy gifts including gold and diamond pins, furs, and pink Cadillacs. This "show" acts as a motivator by publicly acknowledging outstanding sales performance. In addition, the ritual aspect reinforces late founder Mary Kay's determination and optimism, which enabled her to overcome personal hardships, start her own company, and achieve material success. It conveys to salespeople that reaching their sales goals is important, and through hard work and encouragement they too can achieve success. With Mary Kay's passing in late 2001, the need to preserve her memory has become even stronger. Regional directors have been known to visit the Texas head office of the firm where they can sit in her bathtub for good luck![24]

Material Symbols

When you walk into different businesses, do you get a "feel" for the place—formal, casual, fun, serious, and so forth? These feelings you get demonstrate the power of material symbols in creating an organization's personality. The layout of an organization's facilities, how employees dress, the types of automobiles provided to top executives, and the availability of corporate aircraft are examples of material symbols. Others include the size of offices, the elegance of furnishings, executive "perks" (extra "goodies" provided to managers such as health club memberships, use of company-owned resort facilities, and so forth), the existence of employee lounges or on-site dining facilities, and reserved parking spaces for certain employees. At Toronto-based Willow Manufacturing, everyone from the CEO down wears a uniform, to convey the message that everyone is a member of the team. Managers at Bolton, Ontario-based Husky Injection Molding Systems convey the sense of an egalitarian workplace by having employees and management share the parking lot, dining room, and even washrooms.

Language

Many organizations and units within organizations use language as a way to identify members of a culture. By learning this language, members attest to their acceptance of the culture and their willingness to help preserve it. For instance, Microsoft employees have their own unique vocabulary: *work judo* (the art of deflecting a work assignment to someone else without making it appear that you're avoiding it); *eating your own dog food* (a strategy of using your own software programs or products in the early stages as a way of testing them even if the process is disagreeable); *flat food* (goodies from the vending machine that can be slipped under the door to a colleague who's working feverishly on deadline); *face-mail* (actually talking to someone face-to-face, which is considered a technologically backward means of communicating); *death march* (the countdown to shipping a new product), and so on.[25] Markham, Ontario-based Lucent Technologies Canada conveys expectations to employees through two acronyms. GROWS summarizes high performance behaviours: *G* is for global growth mindset; *R* is for results focus; *O* is for obsession with customers and competitors; *W* is for a workplace that is open, supportive, and diverse; and *S* is for speed to market. Employees are evaluated according to Lucent Canada's TOUCH: *T* is for teamwork; *O* is for obsession with customers; *U* is for uncompromising quality; *C* is for cost effectiveness; and *H* is for helping others excel.[26]

Over time, organizations often develop unique terms to describe equipment, key personnel, suppliers, customers, processes, or products related to their business. New employees are frequently overwhelmed with acronyms and jargon that, after a short period of time, become a natural part of their language. Once learned, this language acts as a common denominator that unites members of a given culture.

How Culture Affects Managers

Because it constrains what they can and cannot do, an organization's culture is particularly relevant to managers. These constraints are rarely explicit. They're not written down. It's unlikely that they'll even be spoken. But they're there, and all managers quickly learn what to do and what not to do in their organization. For instance, you won't find the following values written down anywhere, but each comes from a real organization.

- Look busy even if you're not.
- If you take risks and fail around here, you'll pay dearly for it.
- Before you make a decision, run it by your manager so that he or she is never surprised.
- We make our product only as good as the competition forces us to.
- What made us successful in the past will make us successful in the future.
- If you want to get to the top here, you have to be a team player.

The link between values such as these and managerial behaviour is fairly straightforward. If an organization's culture supports the belief that profits can be increased by cost cutting and that the company's best interests are served by achieving slow but steady increases in quarterly earnings, managers are unlikely to pursue programs that are innovative, risky, long term, or expansionary. For organizations that value and encourage workforce diversity, the organizational culture, and thus managers' decisions and actions, will be supportive of diversity efforts. (See *Managing Workforce Diversity,* pages 69–70, at the end of the chapter, for more information on creating an inclusive workplace.) In an organization whose culture conveys a basic distrust of employees, managers are more likely to use an authoritarian leadership style than a democratic one. Why? The culture establishes for managers what is appropriate behaviour.

Exhibit 2–5

Managerial Decisions Affected by Culture

Planning • The degree of risk that plans should contain • Whether plans should be developed by individuals or teams • The degree of environmental scanning in which management will engage	**Organizing** • How much autonomy should be designed into employees' jobs • Whether tasks should be done by individuals or in teams • The degree to which department managers interact with each other
Leading • The degree to which managers are concerned with increasing employee job satisfaction • What leadership styles are appropriate • Whether all disagreements—even constructive ones—should be eliminated	**Controlling** • Whether to impose external controls or to allow employees to control their own actions • What criteria should be emphasized in employee performance evaluations • What repercussions will occur from exceeding one's budget

An organization's culture, especially a strong one, constrains a manager's decision-making options in all management functions. Exhibit 2–5 shows the major areas of a manager's job that are influenced by the culture in which he or she operates.

Defining the External Environment

The term **external environment** refers to forces and institutions outside the organization that potentially can affect the organization's performance. The external environment is made up of two components, the specific environment and the general environment, as shown in Exhibit 2-6 on page 58.

The Specific Environment

The **specific environment** includes those external forces that have a direct and immediate impact on managers' decisions and actions and are directly relevant to the achievement of the organization's goals. Each organization's specific environment is unique and changes with conditions. For instance, Timex and Rolex both make watches, but their specific environments differ because they operate in distinctly different market niches. What forces make up the specific environment? The main ones are customers, suppliers, competitors, and pressure groups.

Customers As we've said a number of times, organizations exist to meet the needs of customers. It's the customer or client who absorbs the organization's output. This is true even for government organizations and other not-for-profits.

Customers obviously represent potential uncertainty to an organization. Their tastes can change or they can become dissatisfied with the organization's products or service. Of course, some organizations face considerably more uncertainty as a result of their customers than do others. For example, what comes to mind when you think of Club Med? Club Med's image was traditionally one of carefree singles having fun in the sun at exotic locales. Club Med found, however, that as their target customers married and had children, these same individuals were looking for family-oriented vacation resorts where they could bring the kids. Although Club Med responded to the changing demands of its customers by offering different types of vacation experiences, including family-oriented ones, the company found it hard to change its image.

Suppliers When you think of an organization's suppliers, you typically think in terms of organizations that provide materials and equipment. For Paramount Canada's Wonderland in Toronto, that includes organizations that sell soft drinks, computers, food, flowers and other nursery stock, concrete, and paper products. But the term *suppliers* also includes providers of financial and labour inputs. Stockholders, banks, insurance companies, pension funds, and other similar organizations are needed to ensure a continuous supply of money. Labour unions, colleges and universities, occupational associations, trade schools, and local labour markets are sources of employees. When the sources of employees dry up, it can constrain managers' decisions and actions. For example, a lack of qualified

The External Environment

nurses, a serious problem plaguing the health care industry, is making it difficult for health care providers to meet demand and keep service levels high.

Managers seek to ensure a steady flow of needed inputs at the lowest price available. Because these inputs represent uncertainties—that is, their unavailability or delay can significantly reduce the organization's effectiveness—managers typically go to great lengths to ensure a steady, reliable flow. The application of e-business techniques is changing the way that organizations deal with suppliers. For example, Toyota Motor Corporation established electronic linkages with suppliers to ensure that it has the right materials at the right time and in the right place. Although these linkages might help managers manage uncertainty, they certainly don't eliminate it.

Competitors All organizations have one or more competitors. Even though it's a monopoly, Canada Post competes with FedEx, UPS, and other forms of communication such as the telephone, email, and fax. Nike competes against Reebok, Adidas, and Fila, among others. Coca-Cola competes against Pepsi and other soft drink companies. Not-for-profit organizations such as the Royal Ontario Museum and Girl Guides also compete for dollars, volunteers, and customers.

Managers cannot afford to ignore the competition. When they do, they suffer. For instance, until the 1980s, three major US broadcast networks—ABC, CBS, and NBC—virtually controlled what you watched on television. Now, with digital cable, satellite, DVD players, VCRs, and the web, customers have a much broader choice of what to watch. As technological capabilities continue to expand, the number of viewing options will provide even more competition for the broadcast networks. The Internet is also having an impact on determining an organization's competitors because it has virtually eliminated geographic boundaries. Through the power of Internet marketing, a small maple syrup maker in Montreal can compete with the likes of Pillsbury, Quaker Oats, and Smucker's.

These examples illustrate that competitors—in terms of pricing, new products developed, services offered, and the like—represent an environmental force that managers must monitor and to which they must be prepared to respond.

Pressure groups Managers must recognize the special-interest groups that attempt to influence the actions of organizations. For instance, both Wal-Mart and Home Depot have had difficulty getting approval to build stores in Vancouver. Neighbourhood activists worry about traffic density brought about by big box stores, and in the case of both stores there is concern that local businesses will fail if the stores move in. Home Depot's director of real estate called Vancouver city hall's review process "confusing and unfair" and "unlike anything in my experience."[36] Local hardware store owners and resident groups have lobbied against the store to city planners, hoping to keep big box stores out of the Kitsilano neighbourhood.

As social and political attitudes change, so too does the power of pressure groups. For example, through their persistent efforts, groups such as MADD (Mothers Against Drunk Driving) and SADD (Students Against Destructive Decisions) have managed to make changes in the alcoholic beverage and restaurant and bar industries, and raised public awareness about the problem of drunk drivers.

The General Environment

The **general environment** includes the broad economic, political/legal, sociocultural, demographic, technological, and global conditions that *may* affect the organization. Changes in any of these areas usually do not have as large an impact as changes in the specific environment do, but managers must consider them as they plan, organize, lead, and control.

Economic conditions Interest rates, inflation, changes in disposable income, stock market fluctuations, and the stage of the general business cycle are some of the economic factors that can affect management practices in an organization. For example, many specialty retailers such as IKEA, Roots, Birks, and Williams-Sonoma are acutely aware of the impact consumer disposable income has on their sales. When consumers' incomes fall or when their confidence about job security declines, as happened during much of the late 1980s and through much of the 1990s, they will postpone purchasing anything that isn't a necessity. Even charitable organizations such as the United Way or the Heart and Stroke Foundation feel the impact of economic factors. During economic downturns, not only does the demand for their services increase, but also their contributions typically decrease.

Political/legal conditions Federal, provincial, and local governments influence what organizations can and cannot do. Some federal legislation has significant implications.


Organizational Stakeholders
Employees
Customers
Unions
Social and Political Action Groups
Shareholders
Organization
Competitors
Communities
Trade and Industry Associations
Suppliers
Governments
Media

Case Application

United States Air Force Academy

In the shadow of the towering peaks of the Rocky Mountains outside Colorado Springs, another menacing and troubling shadow is emerging. And it's likely to force drastic changes in an organization that is rich in tradition—the United States Air Force Academy. The shadow is a sexual assault scandal that may eventually prove to encompass much more than the 56 cases of rape and sexual assault already reported over the last 10 years. Investigators are working to uncover the details, which has not been easy because of the hierarchical, tightly controlled atmosphere that characterizes this and other military institutions. But Air Force Secretary James Roche is dealing with a tougher problem: What does it take to change a culture that seems hostile to women, where sexual predators sometimes escape punishment, and where victims themselves face career-threatening reprisals if they report the crimes? In testimony before a US Senate panel, Roche said, "It's a climate problem, you're absolutely right. How we manage the place, how we lead the place has to change."

In the military's defence, in some respects it has done a better job than many organizations in dealing with racial and ethnic discrimination and in providing equal opportunity. Yet that's not true for gender and sexual issues. The US Navy's Tailhook scandal in 1991 was the first public indication of the problems that existed in the military. However, the uproar from this scandal led the Navy to institute a series of changes that included clearer definitions of appropriate conduct, procedures for anonymous reporting, and a complaint resolution system. But the most important change for the Navy was a renewed emphasis on values. "We felt that we could control behavior through regulations and discipline. But to make a lasting impact on the individuals and to begin to change attitudes, we needed to invest time and energy re-establishing basic values," said Barbara Spyridon Pope, former Assistant Navy Secretary, the person who oversaw the changes.

The Air Force Academy is hardly the only organization dealing with sexual assaults. Yet critics point out a couple of disturbing facts about the incidents at the Air Force Academy. First is the sheer number of cases being uncovered. But more alarming and potentially more serious is the way the institution and its leaders are dealing with the complaints. Female cadets who have been sexually assaulted describe an intimidating atmosphere and say they felt victimized by the academy's procedures for investigating assaults and punishing offenders.

The culture at military institutions revolves around readiness, preparation, and adherence to rules. Cadets at the Air Force Academy are expected to strongly identify with their squadron or class, and group norms play a crucial role in controlling behaviour. Yet that climate of group loyalty, rather than organizational loyalty, may be part of the problem. Secretary Roche understands that cultural change will not be easy. "Climate is something you work to change over a long period of time. Climate is how people think."

What can Secretary Roche do to change the culture of the Air Force Academy?

Sources: T. Kenworthy and P. O'Driscoll, "Climate Has to Change, Air Force Leader Says," *USA Today*, March 13, 2003, p. 4A; and The Associated Press, "Air Force May Punish Chiefs at Academy," *USA Today*, May 29, 2003, p. 4A.