

I. Tutorial Assignment – Organizational Culture

1. Organizational Culture and its Characteristics

(a) Organizational culture :

Organisational culture has profound consequences for worker behaviour, company performance and organisational change and is often necessary. It can simply be defined as a system of shared values and beliefs that influence worker behaviour. Martin (1992, 3) gives the following (lengthy) definition of culture:

As individuals come into contact with organizations, they come into contact with dress norms, stories people tell about what goes on, the organization's formal rules and procedures, its informal codes of behaviour, rituals, tasks, pay systems, jargon and jokes only understood by insiders and so on. These elements are some of the manifestations of organizational culture. When cultural members interpret the meanings of these manifestations, their perceptions, memories, beliefs, experiences, and values will vary, so interpretations will differ - even of the same phenomenon. The patterns or configurations of these interpretations, and the ways they are enacted, constitute culture.

A key role for culture is to differentiate the organisation from others and provide a sense of identity for its members. Cultures do not have to be logical or consistent, in fact they seldom are and can appear quite haphazard and chaotic to the outsider. A strong culture is one that is internally consistent, is widely shared, and makes it clear what it expects and how it wishes people to behave. According to Charles Handy an organization's culture can be in the following forms:

- (i) Power culture –In a power culture ray of power and influence spread out from a central figure or group. There may be a specialist or functional structure but central control is exercised largely through appointing loyal key individuals and interventionist behaviour from center and personal influence rather than on procedures or purely logical factors.
- (ii) Role culture - This culture is often referred to as a bureaucracy. It works by logic and rationality. Departmental functions are demarcated and empowered with their role. Co-ordination is with the senior management group. People are appointed to role

based on their ability to carry out the functions. Only role and function related performance is required.

- (iii) Task (project team) culture - This culture is like a net with small teams of cells at the interstices. It is a small team approach to organisations. As a culture, power and influence are distributed to the interstices of the net. The emphasis is on results and getting things done. Resources and decision making power is given to the right people.
- (iv) Person culture - The individual is the central point. The culture only exists for the people concerned; it has no super-ordinate objective. If a group of individuals decide to band together to do their own thing and with a secretary helping - it is a person culture.

(b) Factors that determine an organisation's culture:

Culture is a dynamic and evolving process. Key individuals have a crucial role to play in shaping and refining an organisation's culture. It is determined by many factors and many authors have different views on what makes an organisation's culture.

Key determinants of organisational culture are:

- (i) Values, administrative practices and personality of founder(s) – In most organisations the culture is greatly influenced by its founders. When Ray Kroc bought McDonald's franchise he built it around four basic concepts – quality, cleanliness, service and price. All franchisees are required to attend the McDonald University where they learn the cultural values and the proper way to run the franchise. Although Kroc is no more the culture he left behind is very much alive.
- (ii) Choices (conscious and unconscious), behaviour patterns and prejudices of top management – If top management is caring towards employees (eg: in a situation of a sickness of a family member) it would be identified as an acceptable behaviour of the organisation. Similarly if the top management want results irrespective of how they are achieved it may lead to the others using short cuts and even resorting to unethical practices to achieve results.

- (iii) The culture (norms, beliefs and values) of the society in which the organisation operates – An organisation is greatly influenced by the culture of the society in which it operates as the employees bring with them the beliefs and norms of that society. The same multinational company with branches in Japan and the United States would show different preferences to team working.
- (iv) The nature of industry the organisation is in – An organisation operating as a stable utility provider (eg; water board) would operate in a totally different way from one that operates in a competitive industry such as the commercial banking industry. Similarly if the industry is going through turbulent times its culture would reflect this to respond to and overcome the situation.
- (v) The organisation's code of conduct – The code of conduct establishes the workplace culture by communicating the employer's true attitudes. For example an organisation that does not require employees to sign in and out gives the message that the employer is not very bureaucratic but instead allows employees to act responsibly by allowing flexible working hours.
- (vi) The structure of the organization – The culture of a team based organization would be totally different to a hierarchical organization where each person has his/ her own boundaries to work within. This view is supported by Charles Handy.
- (vii) Past experiences of the organization – An organization's culture is greatly influenced by its past experiences. Schein argues that culture is the outcome of the shared experiences arising from an organisation's attempts to resolve fundamental problems of adapting to the external world and achieving internal integration and consistency. This constructs a collective pool of knowledge that determines what is appropriate behaviour, directs understanding and gives guidance on how to resolve problems. An organization that has had difficult time with trade unions in the past will be mindful of their action at all times.

(c) Common characteristics that make up organisational culture (dimensions of organisational culture):

How we uniquely identify one organisation's culture from another's is using the common characteristics shown by its people. These common characteristics can be elaborated as follows:

- (i) Observed behaviour regularities – There is a common language, terminology and rituals unique to most organizations. At Ceylon Tobacco Company it is a ritual to check your work area for safety, be it in the factory or the office, prior to commencing work. Short morning meetings to share information are another key behavior.
- (ii) Norms – There exists standards of behavior including how much work to do. Amount of risk taken by individuals in decision making is another norm. Having retirement banquets for all employees, irrespective of them being fired, would be a norm in one company. At a consultancy company such as Ernst and Young it would be the usual norm to share knowledge by creating a knowledge asset for each completes project.
- (iii) Dominant values – Values are the foundation of any organizational culture. They guide behavior on a daily basis. At Disney making people happy the dominant value and this is achieved by making all employees feel they are in “show” rather than in a job.
- (iv) Philosophy – There are policies that set forth the organisation's beliefs about how employees and customers should be treated. At Hewlett-Packard employees show a common concern for product innovativeness and responsiveness to customer needs. All employees in a financial research company such as AMBA Research would pay attention to detail.
- (v) Rules – These are the strict guidelines related to getting along in the organization, which newcomers must learn to be accepted as fully fledged members of the group. At a Sri Lankan University it would be an unwritten rule that all female staff should be dressed in the national dress – the sari. Although employees are allowed to wear casual on Fridays, the need to only wear collared shirts is another example.

(vi) Organisational climate – This is the overall feeling that is conveyed by the physical layout, the way members interact and the way members conduct themselves with customers or outsiders. Nike is an example of a company that revealed its corporate culture through the corporate design by the campus design demonstrating characteristics of energy, youth and vitality. A company with cubicles for management would demonstrate that it had a high power-distance relationship and not much open communication.

2. Observable Culture at Ceylon Tobacco Company

(a) Culture at CTC:

Ceylon Tobacco Company (CTC) is a subsidiary of British American Tobacco (BAT) the second largest tobacco manufacturer in the world. CTC is the only legal cigarette manufacturer in Sri Lanka and has been in business for the last seventy-five years. It has total employee strength of 400+ with almost 250 shop floor employees. Three Executive Committee members including the CEO are expatriates and the company is part of a large multinational organization where the employees have to constantly interact with member of other Operating Companies. The company operates in a slightly declining market with no visible opportunities for growth in volumes.

CTC's culture is greatly influenced by that of the parent company BAT. The culture theme for BAT reads "We have an open, confident and winning culture, shaped by the Guiding Principles, where we are all fully aligned in delivering consumer satisfaction."

BAT pays enormous emphasis on the four guiding principles which describe the core values of the organisation. The guiding principles - open mindedness, enterprising spirit, freedom through responsibility and strength from diversity - define who BAT is and what differentiates us from the rest and are meant to act as a point of reference for every aspect of our working life, from communication to decision making. How BAT expects its members to live the guiding principles is given in appendix 1.

CTC's culture has evolved over time influenced by BAT's culture as well as the past experiences of the company. The company has an extremely friendly atmosphere which is valued by all employees. Employees are treated well, feel a sense of belonging and are proud to be part of the company despite it operating in a controversial industry. This is confirmed by CTC being voted as the "most preferred employer of the year" for two consecutive years 2002 and 2003 by Lanka Monthly Digest magazine.

Emphasis and drive towards safety is another key characteristic. The company hasn't had a single lost work-day case in the last five years and was honored by BAT for this.

Open office concept, common facilities such as a common canteen, common car park for management as well as shop floor employees are some unique features at CTC. It is this concept that is said to have ironed out most differences and built trust among the management and shop floor employees. CTC won the award for the Best Union in 2002 despite being a company that had enormous industrial disputes upto early 1990's.

The company promotes open communication and leadership at all levels. Teamwork is common but teams end up with few people doing the work. It is easy to make change happen at CTC as everyone is committed when any program is rolled out in the company.

There are many unwritten rules at CTC. A fear culture is prevalent in the company mainly due to past experiences of downsizing. Employees are not very risk taking. New employees feel there is a formula for success which is hard to find.

From time to time climate surveys are done to assess the status of the company. Designed to consider and help optimise the dependencies between tangible business results and organisational culture, WOW+ is a BAT specific tool reflecting the issues and priorities (against the guiding principles) to help shape our business moving forwards. The recent survey results indicate that the company needs to reinforce the culture.

(b) Functional and dysfunctional effects of organisational culture on people:

Open culture, emphasis on safety and common facilities, such as common canteen and car park where management and factory workers meet, have helped improve communication and build trust at all levels. It is also common to see factory employees involved, informed and feeling important in many teams looking at issues such as illicit and counterfeits. This has helped the company motivate and guide them towards change leading to productivity improvements. The 2004 collective agreement (signed after only three rounds of discussions) facilitated the introduction of a new work arrangement where technicians run machines and thus improve performance.

The top management tries to promote openness and communication at all levels. However we Sri Lankans are not very comfortable to receive feedback, specially at unexpected times, and there are instances where this has led to embracement. Team briefings are held monthly

where employees are required to raise questions on the companies' activities. However, very few questions surface due to shyness and the fear of being ridiculed and punished.

Although the company designs many activities revolving around teams it is clear that effective teamwork is lacking due to few active members. This is a result of the performance appraisal system revolving around individual performances and the company being thinly manned with each person in charge of his/ her own area. While management staff shows signs of individualism shop floor employees recently showed preference for teamwork by expressing their wish for productivity bonus to be distributed equally among the larger group.

CTC has a very friendly and caring culture where all can perform and achieve excellent results. However the friendly culture creates an environment where weak performers are not highlighted.

Change is very common at CTC. It's heartening to see how all employees contribute whole heartedly to any initiative driven by the company. Preparation for the global audit to check "records management" compliance was an excellent example when most employees worked half day on a Saturday to clean and arrange their records. However this rapidly changing environment has created a feeling of uncertainty as employees unsure as to when and where their next move would be.

(c) Effects of organisational culture on organisational performance:

Much effort has been expended in attempting to frame organisational culture in terms of 'cultural types' when considering performance in the marketplace. Specific companies are held up as prime examples of 'successful' and 'high-achieving' organisational cultures (Deal & Kennedy, 1982; Peters & Waterman, 1982). This apparently straightforward relationship was questioned by Ernest (1985), who stated that "effective business planning...requires an understanding of not only the external competitive environment but also the internal corporate culture. There must be a 'fit' between planning and the beliefs, values and practices within the organization." He argued that there is no single cultural 'type' which leads to success, but that organisational plans are often ineffective because of the incompatibility of those plans with organisational culture(s).

CTC's very friendly and caring culture helps retain the best people. These excellent individuals help the company achieve superior performance, by being innovative and showing commitment to any company initiative -be it local or global, in a market that is not growing. However the friendly culture creates an environment where weak performers are safeguarded.

Leadership at all levels has helped the company reach grater heights. All employees understand and believe in the company vision making it easier to understand why attainment of the set objectives is important. Although CTC has a low volume base it is respected in BAT as a centre of excellence. CTC achieved MRPII Class A status (awarded by Oliver Wright – UK) for the third time mainly through the commitment of the people who strive for world class processes in all areas of business. This also helped the company spin off a subsidiary providing Operational Excellence consultancy to rest of BAT.

Lack of emphasis on local market conditions in the light of global directives led to loss in market share last year. The company did a small visual change to its main brand, on a global directive, without proper consumer feedback and this led to volume losses thus depriving the company of an excellent rating and higher performance bonus.

The goodwill between management and the workforce has led to many productivity and quality improvements over the years. Increased emphasis on safety has also helped build worker confidence. CTC, by reporting zero lost workday cases due to accidents, was recognised by BAT as one of the safest factories around the world.

Having the best corporate culture in Sri Lanka (endorsed by being voted LMD Employer of the Year - 2002 and 2003) has helped CTC retain the best people and thus achieve greater heights.

Appendix 1

Guiding Principles and Expectations from Employees

Living the Guiding Principles			
Open Minded	Enterprising Spirit	Freedom through responsibility	Strength from Diversity
<ul style="list-style-type: none"> # Encourages everyone to contribute, actively listens, is receptive to new ideas & open to different perspectives # Questions and challenges the conventional. # Engages in constructive dialogue to deepen understanding of what's expected # Networks effectively and leverages information, ideas and experience across the company (and/or companies) 	<ul style="list-style-type: none"> # Seeks out opportunities for success, strives for innovation # Acts with a sense of urgency in getting things done. # Delivers what is promised and continually strives to out-perform expectations. # Displays tenacity in the achievement of difficult goals # Identifies and celebrates successes 	<ul style="list-style-type: none"> # Takes decisions and actions by accepting personal responsibility within the parameters of the organisation's strategic goals. # Pushes decisions down the organisation to the appropriate level, as close to the consumer as possible. # Accepts responsibility for decisions taken. # Acts with integrity and solid business ethics. # Takes personal responsibility for continuous learning and development, allocating meaningful time and resources against this. 	<ul style="list-style-type: none"> # Optimises the diversity of people and ideas to create opportunities and competitive advantage. # Creates a working environment where everyone can flourish and succeed # Shows respect for individual differences

Source: British American Tobacco Intranet, Culture Home Page

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