Organizational Design Change and Transformation

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Module - 07
Lecture - 31
Organizational Culture

Welcome to week 7 of our course Organizational Change Design and Transformation. This is Doctor Srinivasan I am an Assistant Professor at Vinod Gupta School of Management. And for the last 6 weeks you would have you know enjoyed the lectures and tutorials from Professor Sangeeta Sahney. From this week onwards I am going to deal with the modules on organizational culture design and technology perspective.

In today's lecture what we are going to discuss is that we are going to especially talking, going to talk about Organizational Culture.

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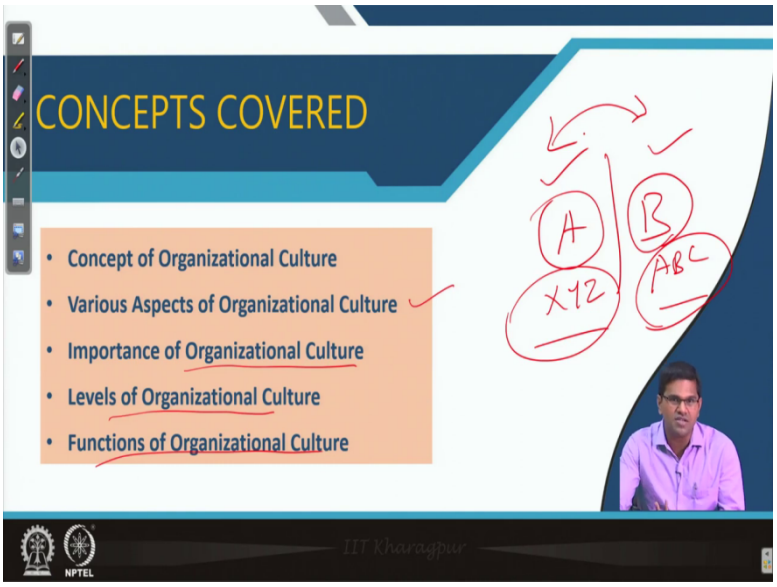

You would have seen about what is the basis of organization, how design has been considered and how various structure has been discussed in an organizational setup.

In this module what we are going to essentially focus is on organizational culture. So, in this lecture we are going to understand what is organizational culture, how do we understand organizational culture. Then we will also see what are the various aspects of organizational culture.

Then we will also spend time on understanding why are we even talking about organizational culture. What does it actually going to offer to us in terms of looking at the importance of this organizational culture. And we will also look at what are the different levels of organizational

culture exist in an organizational setup and we will also spend time on discussing the functions of organizational culture.

Now, even before I just go introduce the concept of organizational culture, I will just give a brief about why are we even concerned about organizational culture. As a human we are associated with the different communities, societies or groups we belong to right. And every group or a society or a community you belong we have different way of functioning within the society or a community or a larger nation as such.

So, now we have a certain common way or a values and belief system we have it in a society or a community we live. Similarly, if you look at every organizations are independent entity. When I say independent entity every organization will have exclusive way of functioning within their organizational setup, this actually sometimes a major factor that differentiates company to company.

For example, let us say there are two companies A and B. Now, let us say these two companies are technology based companies. Let us say I am call it XYZ technologies and ABC technologies.

Now, so let us say both of them are offering a similar products, software products or maybe a services to their customer and clients. Now, how do I see these two companies are different. Now, how do these employees or a customers working with or having relationship with these companies will feel these two companies are different.

There comes the culture organizational culture comes the differentiation factor though their products and services are similar. And a kind of a clients are similar customers are similar, but how do we distinguish these two companies comes from the organizational culture.

How do they interact within the organizational setup? How do they engage with the employees? How do they interact with the customers and clients and an external environment?

That is why organizational culture becomes an very very critical factor especially for anybody who is going to work in a company, entering a company or working as a manager or a boss in a company has to understand what is the value this organizational culture adds ok. So, let me get into this you know concept now. Let us understand what is this culture?

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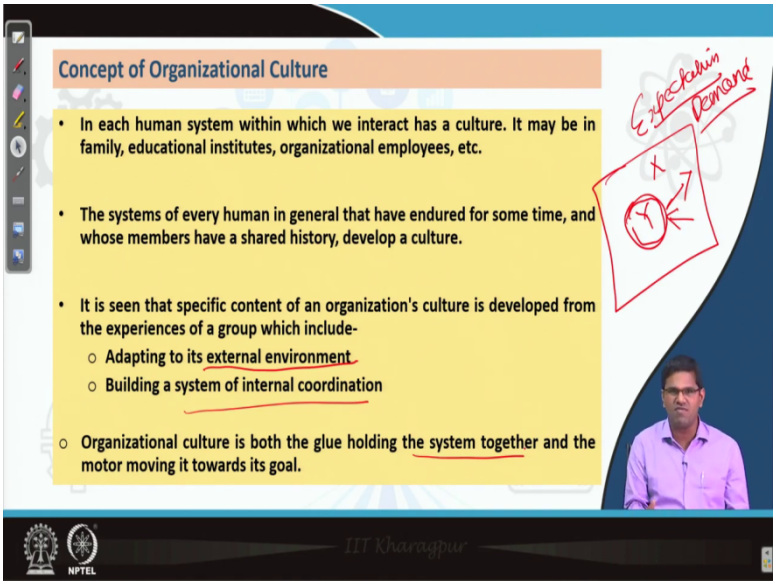

Now, in each human system when within which we interact always has a culture right. Maybe it can be a family as I was just now, I was saying about a community or maybe a society everywhere we find there is a culture, maybe there is a certain way of functioning. So, this the system of every human in general you know over the period of time we always have a shared values and beliefs that actually develops as a culture within a setup 11.

Especially in an organizational setup also the employees let us say the interaction between the subordinates or managers are between the employees where over the period of time as they

endures this relationship they would have developed a certain shared values and beliefs that is developing as a culture. Now, in a specific content of an organizational culture it is developed from an experience of a group of employees which might include adapting to its external environment.

For example, in a company we always have to interact with an external environment. So, as a company you might operate in these boundaries, but you are operating in a larger environment. So, obviously, you will have to interact from the external environment. The moment you are developing culture to adapt to these certain expectations or probably it can be either on expectations or probably it can also be a demand. So, because of these either on expectations or a demand we would have to adapt to this.

So, organizations by existence they would have adapted to the demands or expectation of the external environment or probably they would also build a system of internal coordination. Now, this is external now we are talking about internal. Within this system we have several departments, we have functional areas, functional domains, we have multiple groups, multiple employees. So, now we have to have a develop a certain system of internal coordination so that which creates a culture.

So, organizational culture is very critical for two reasons one is to it acts as a glue holding systems together and the motor moving towards its goal. So, we are always the any organizational existence is for what, you know every organization wanted to achieve a goal. To achieve a goal can we create a culture which are more conducive and promotive culture that is what organizational aims to go for that is how we are trying to understand.

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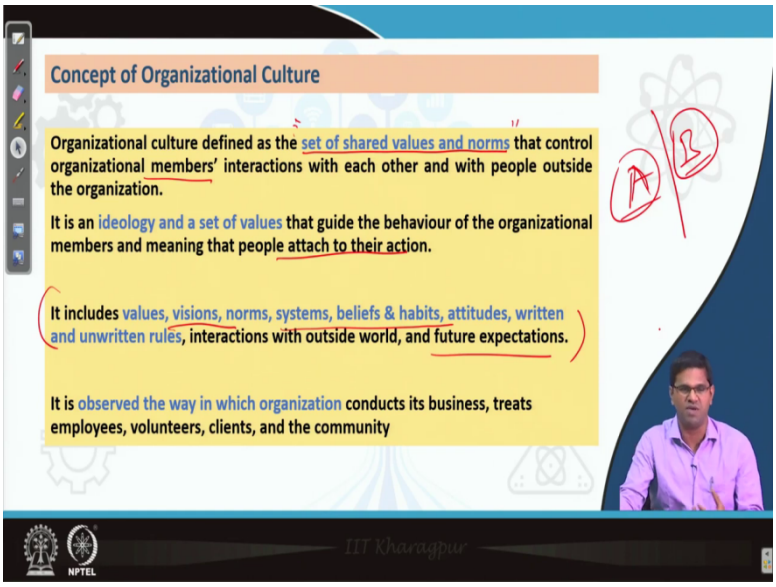

Now, we will let us look at the definition of this organizational culture. So, organizational culture is defined as set of, shared values and norms that control organizational members. We are talking about employees how employees interact with each other and of course, also people outside the organizations.

So, if you look at the culture is essentially talks about shared values believes and norms that employees accept to interact within the organization and also to how do they interact outside the organization. It is also viewed as an ideology and set of values that guide the behaviour of you know employees and how people you know of the meaning the people attach to this particular action right everybody will engage in certain interactions or a behaviour.

So, it is also an ideology or a set of values and this culture also includes values, visions of a company, norms, systems we created, believes, habits, attitudes, return and un return rules

and interactions with outside world and future expectations all that will become an you know larger component of an organizational culture.

It you know sometimes how do you understand there is a culture in an organization it is going back to the same example of A and B. Now, this you will be able to observe by way in which organizations conducts its business, how do they treat their employees and the volunteers are probably the clients in the community.

That is how you will be able to observe how the company's culture is. As I said now both the companies are having a similar business, similar you know products, but you will be able to differentiate the culture of an organization by way of understanding how do they treat their employees, how do they interact with the clients and customers and a community. So, that is how you will be able to understand the culture of an organization.

So, probably some of you might be working in an organizations that you will be able to see this is my company culture. Let us say for example, when you talk about taking a decisions in a organizational setup. So, you might be knowing that ok my company always have a certain way of taking a decision. Similarly, people students who are doing a course in a if you are under graduation or post-graduation irrespective of it.

Now, you are associated with the particular institute. Now, you will find out there are so many number of institutions. Now, each institute might differ on the way they behave that is where the institute culture also comes into place. So, you will be able to observe how do they treat their students, how do they treat their faculty members, how do they treat their staff. That is also that where also you will be able to observe the culture of the institute. I am just trying to bring in examples from the learners from various spheres ok.

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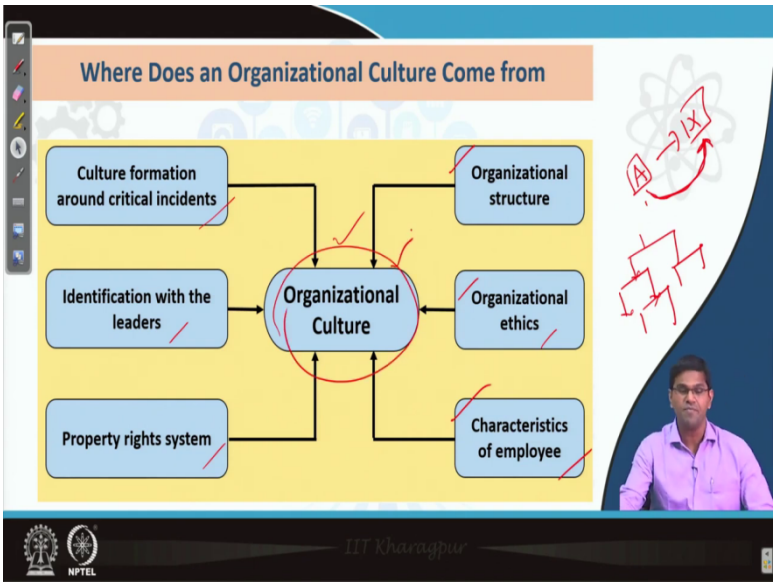

Now, comes the questions of the where does this culture comes. You know we talked about culture is values, beliefs, norms, systems and attitudes, return and un return rules. Now, we want to understand where does this actually comes from. So, this comes from multiple sources you know. Let us talk about where does this culture comes from. So, the culture formation may be around a critical incidents, may be you look at know let us say there are a challenging situations a company experience.

During the challenging experience company could have acted or reacted in a certain way, that could have been integrated part of an organizational culture, possible. Now, let us say last 2 years we had never seen a pandemic like this and you know company most of the company had lot of challenges and difficulties. Now, through that company would have learned certain way of functioning that could have become a part of their organizational culture.

So, certain critical incidents would have driven the culture and may be identification with the leaders. For example, let us say any organization look at the inception. So, it is being always in you know formed by a founder or probably a group of people. So, this individual or a group of people would have had certain values and principles right. So, obviously, what will happen the company let us say a person A starts a company X.

So, what will happen, A would have certain values and principles this would have been you know invariably become part of the organizational culture because he wants to see that this culture his values and belief systems become resonated in a organizational culture as well.

So, it is also may be a identification with the leaders and may be sometime in a property rights system that could have also led to a formation of a culture then comes an organizational structure. Whether let us say an organization will have a organogram the structure the structure could also you know infuse a culture.

Now, the way of interactions, the way communication happens, who will interact with whom, what is the level of communication, what is the power sharing distribution happens between these different levels that also become a part of this culture. So, that structure can also bring in the culture, then comes organizational ethics.

So, every company will have an ethical way of functioning. So, organizational ethics a ethical values or ethical system could also drive this organizational culture. So, how do we behave ethically, do not engage in any unethical way of conducting a business carrying out a business and also characteristics of employees.

Now, you have to understand organizations let us say any company let us talk about both the way of you know manufacturing organizations let us say somebody you know automobile industries or vice versa compare a technology organization let us say IT organizations. Now, these two are an organization. So, now organization the manufacturing organization might have a machineries whereas, in IT organization might have a IT in person for example, computer other software solutions and all that.

Now, if you look at just because of its physical existence it cannot it can only have a name for a company, but it cannot function as a company. So, now, the people in the company forms a culture. So, essentially the characteristics of the employees will also contribute to the formation of this organizational culture. Ok.

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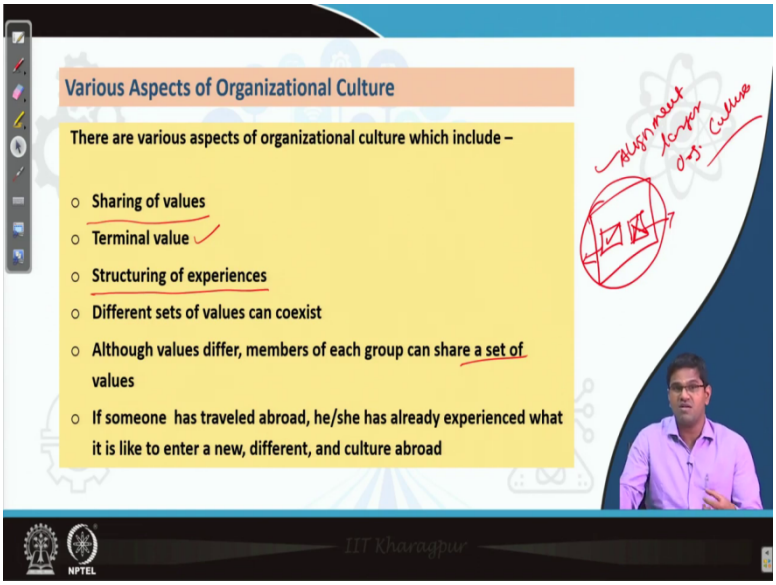

Now, let us also understand the various aspects of the organizational cultures. So, where we are going to talk about, I am going to discuss in the subsequent slide, but I will briefly touch upon here.

There are sharing of values that is what we are talking about from the beginning of the session is that no shared values and belief system. Then comes the terminal values and an instrumental value just in a too many times I am going to explain what is this terminal value and instrumental values that will also forms a certain aspects of our organizational culture and

structuring of experience, how do employees experience the structure that influence their organizational culture. And you will also find there are different set of values may coexist in an organizational setup.

You might find out that with in an organization let us say this is an organization you might have two functional groups let us say finance and an operations or probably let us say supply chain department. Now, these two people might have a different set of values, but that will come in a larger level of an organizational you know culture as well. So, you might experience there are two different set of values.

So, this particular functional domain or the department might follow a certain different way of functioning within the department, but they come under a larger organization. Similarly, this might also became in a certain way. So, it is possible that you know two different set of values may coexist within an organizational setup.

But there may be a an alignment with a larger organizational culture. So, that is where though there are existing values, but it will coexist. Then the although the values may differ, the members of each group can share a set of values as I was saying right there is there will be a definitely an alignment with a larger organizational culture.

So, for example, let us say somebody goes abroad obviously, when you go to a new place you will experience you know seeing a new culture and you might you know adapt yourself or maybe learn something new that you wanted to bring back and might resonate or reflect those in your workplaces as well. Ok.

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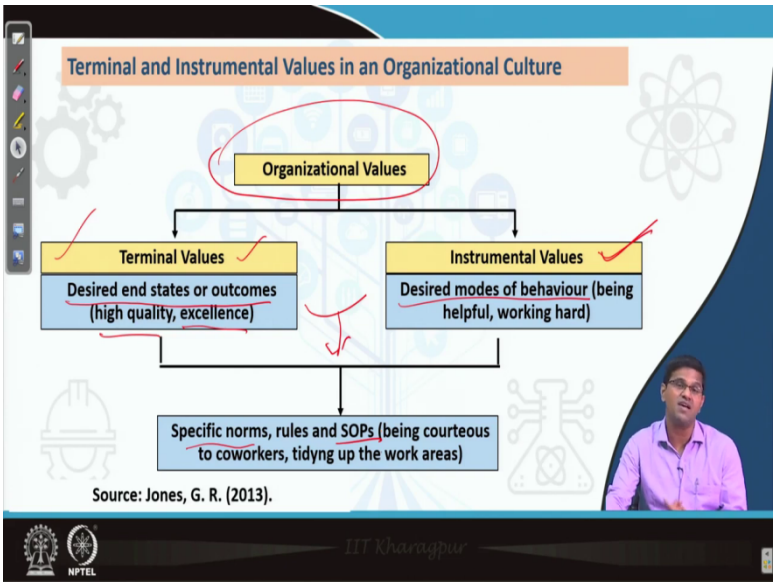

Now, let us understand these terminal instrumental values just I was talking about. Now, now talk about the organizational values. The organizational values are two things. One is terminal values and instrumental values. What is this terminal value? Terminal value is always talking about what is that nothing which you wanted to you know reach or attain right.

So, now, this is a desired end state or an outcome in an organization. Let us say a every organization might wanted to create a high quality product or provide an high quality service or maybe an excellent in your business whatever you do that may be your terminal value that is what your end desired outcome or desired state every organization wants to achieve something right.

Now, comes an instrumental values. Instrumental values is talking about how do you want to achieve it right. It is talking about a desired mode of a behaviour right. So, for example, you

wanted to achieve a high quality, but how do you want to do the process. So, terminal value talking about the end of it then this instrumental value is talking about the process of reaching that end state. That is where the terminal and instrumental values comes from. These two values together will form the larger organizational value systems.

It might result into come up with a specific norms, rules or a standard operating procedure like SOPs you know in terms of how do we interact with people, how do we coordinate, how do we communicate, how do we manage the conflicts when it arising between the people. So, that is where these values of an organization will drive in creation of such practices and systems, establishment of the systems and also rules and sops in an organizational system.

So, terminal values and instruments are very simple. Terminal values talking about what is end desired state of a company wants to achieve and instrumental values are essentially talking about the process and then the mode of you know achieving the desired state in an organization. These two will essentially drive in creation of this SOPs and the other establishment of system towards the organizational values.

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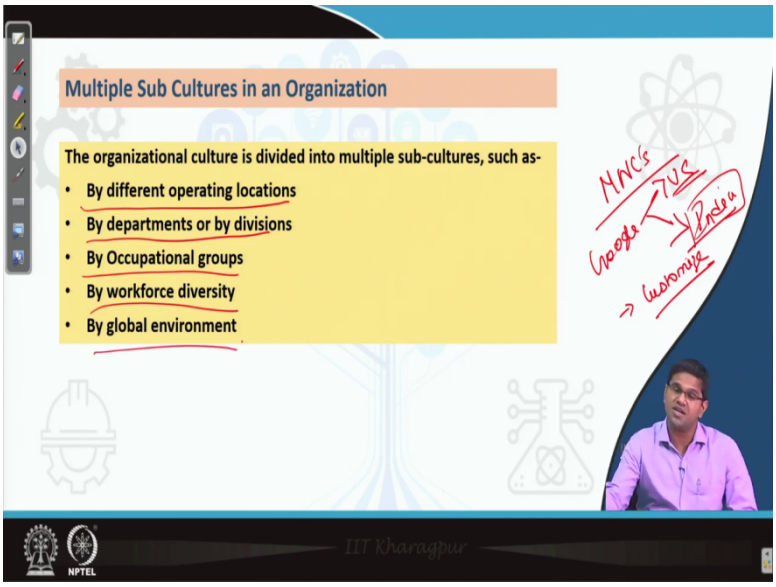

Now, we will also understand you know there can be a multiple sub-cultures in an organizations as I was talking about there can be more set of values can coexist maybe as I was talking about the subculture maybe because of by different operating locations. In a company operation two different locations possible to have you know adaptation to the localities. For example, let us talk about MNCs right. So, large number of let us take an example of a Google.

So, Google has the corporate headquarters in US as well as in India now, now though they are having two different locations largely they will have a common culture, but because of the different locations they might have to customize to understand the local culture as well right. We cannot you know function absolutely different to a local culture, you know it will become an alienation to what type of a culture the current operation is there.

So, maybe this subculture is possible because of the locations where they operate then may probably because of the department or maybe the divisions as I was you know just now, I have talked about no two different departments, functional departments or a different divisions of a business might also create a subcultures within the organizational system.

And maybe because of the occupational group or probably workplace diversity so, people we are different based on a certain diversity factors might experience a may create a subcultures within an organizational system or by maybe by a global environment might also be a subculture in an organizational culture.

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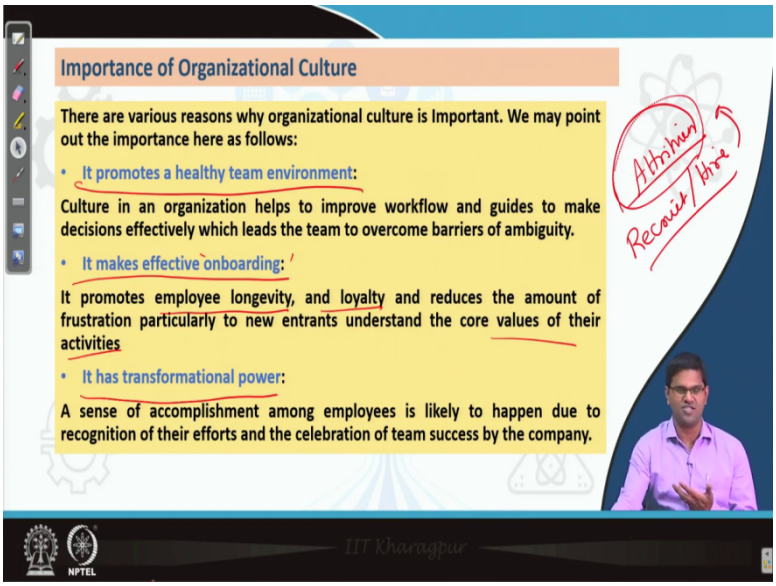

Now, having discussed about some of the fundamentals of you know what is it organizational culture, where does it comes from, what are these organizational values. Now, we are here to understand why this organizational culture is important. So, if you look at this importance and

the benefit this organizational culture going to offer then everybody will definitely accept that organizational culture is one of the key factors that every leader or a boss should pay attention right.

Now, look at the first one; it promotes a healthy team environment ok. So, culture which actually you know very conducive in an organization that helps to improve the workflow, guides to make a you know decisions more effectively and you know also will help to overcome barriers of ambiguity maybe let us certain times maybe a conflicts might be arising differences of opinions are possible.

So, now when a healthy or a conducive organizational culture will promote a better team environment, when you have a better team environment you have a better productivity you are able to manage well.

Then comes it makes effective onboarding. So, what will happen why what is this onboarding? Onboarding is bringing a new employee into your organization right. Now, when you are doing what is that it makes effective onboarding, if you are as an organization culture is so healthy and very promotive. So, it will become very easy that no you are trying to make the new employees start to internalize your own organizational culture.

So, what is the outcome of this, when you are able to onboard this employees effectively because of your cultural differentiations or the advantage of your organizational culture. It will you know make your employee longevity they wanted to stay with your company because the major concern in the current work environment is we are talking about attrition right you know large number of employees leaving the company.

So, when a company puts in lot of resources to recruit or let us say hire people then if they leave the company, I am going to incur lot of cost. When our culture is so good and you are able to on board them so effectively and these employees will stay with you the longevity and the loyalty will come and it reduces the amount of frustration particularly for a new employees right to understand the core values of their activities.

Because if your culture is not very clear and it is not very participative or a promotive what will happen for a new employee, they might feel it you know am I really fitting into this company I really do not understand how this company functions you know. So, that is very critical.

So, organizational culture has to bring this employees quickly into the existing system, otherwise you will find that no employees may not fit properly into the organizations then we will enter into this situation of attrition. So, we do not want to have this attrition we do not want people to leave the company right.

Then it has a transformational power, organizational culture can be very promotive you know it can know here create in a sense of accomplishment among employees and you know by way of recognizing their efforts and you know the culture might be celebrating the function of each other this pro creates some more effective and it can even transform the organization to a newer heights and levels.

So, the culture can be more constructive and it can also backfire in a destructive way if a culture is not so promotive culture.

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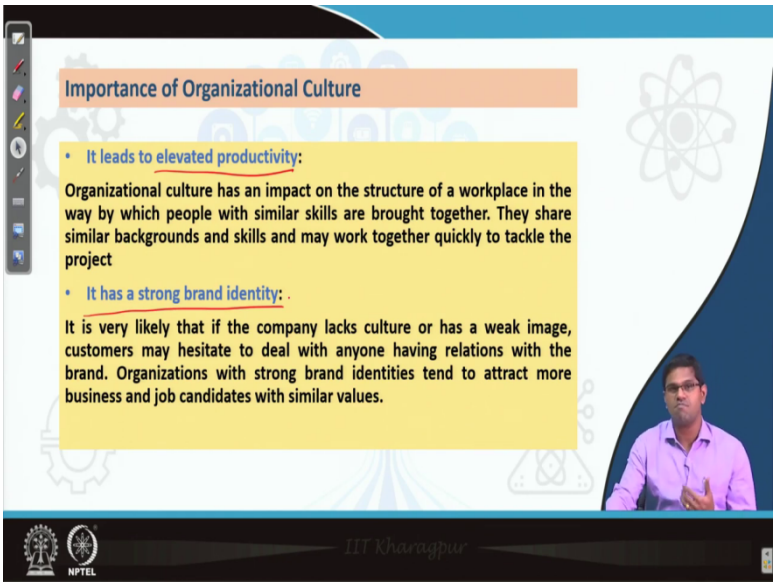

Now, it will lead to a enhanced productivity. So, when a especially organizational culture the way people interact, the way people coordinate, the way people communicate, the kind of shared values they have it has more thing to do increase your productivity. So, company which has a better organizational culture you do not need to worry about the productivity because the culture itself will promote increase the productivity in a workplace and you know it will also has a strong brand identity.

Now, when I talk about a brand identity you know. So, every company will have a brand values and brand reputations. So, if you have a better culture. So, your employees will act as an ambassador for your organizations and it will create a brand value right. Any anybody who would never wanted to associate themselves with a you know brands or an organization which will have a weak image right.

So, the culture also creates a better image or a brand reputation for an organization. So, it has lot of business value as well, when you are talking about a culture it is not just about you know talking about internally talking about employees, but this organizational culture also sends out lot of information to the outside world.

Where the outside world is observing or forming a perception about your company through your culture, the way you interact, the way you communicate and the way you conduct your business will formulate your culture and this will act as a major factor to build or enhance your brand image and identity.

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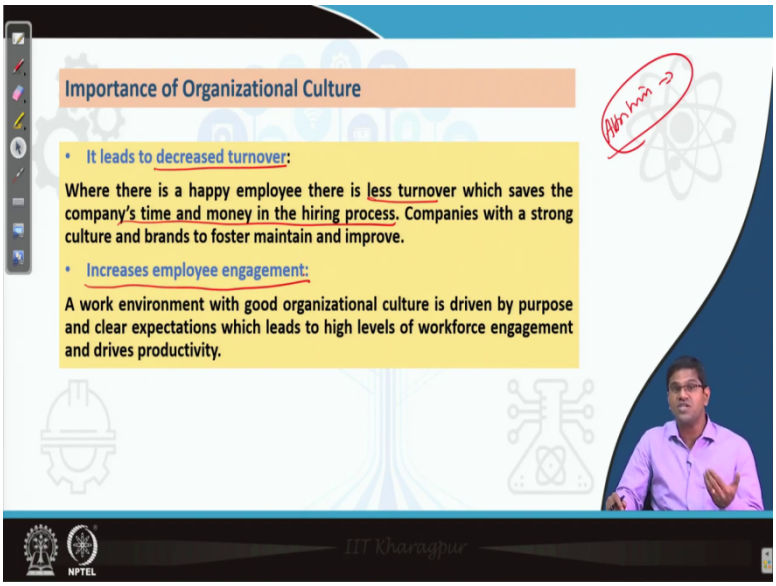

Now, it will also leads to a decreased turnover which was I was essentially talking about late in the previous one we talked about attrition. So, attrition is that you know people leaving the company it is also we are talking about now turnover is talking about number of people leave

the company. So, now if you have a better organizational culture there is less turnover where company will have a loyal employees and which saves you know company's time and money in the hiring process right.

But as I was say saying earlier, we spend a lot of resources to identify conduct interview, hire, then train them till the time you being placed in a particular job. So, it is very critical organizational culture will play a major role in keeping an employee intact with you do not leave them to a competitors.

Then comes it increases employee engagement. So, when a culture is so, promotive and people feel very conducive organizational environment you know employee will be really engaged, they will have lot of enthusiasm and interest towards doing their job. So, highly engaged employees will have a better productivity and efficiency that will always going to benefit the company in a longer way.

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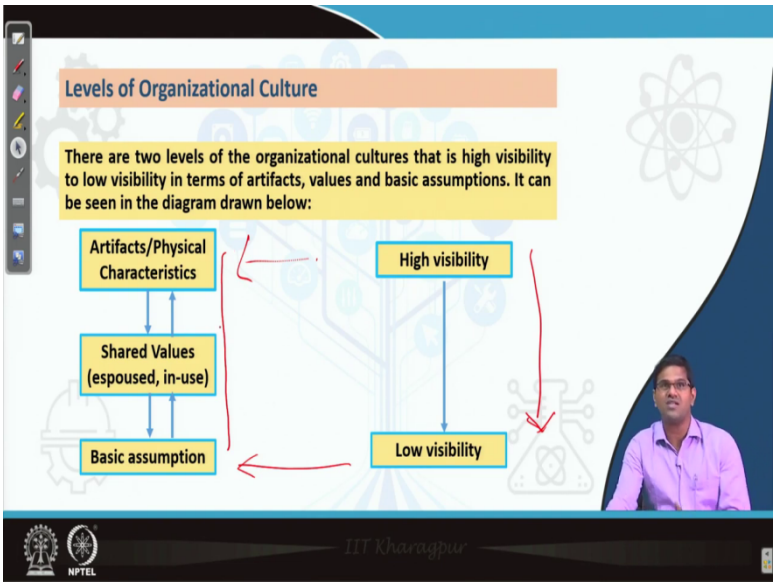

Now, so far we discussed about the importance of organizational culture. Now, we are coming into the next aspect of the this today's lecture is levels of organizational culture. So, to understand the levels of organizational culture so, organizational culture levels goes from the visibility perspective ok. So, from high visibility to low visibility.

Now, in the high visibility we are talking about a mapping to these artifacts or physical characteristics and now low visibility which may not be explicitly seen which are called a basic assumptions you know low visibility.

So, we are going to discuss on this you know continue of from high visibility to low visibility. So, low high visibility we are talking about a physical characteristics which can be easily seen and observed and whereas, the low visibility talking about which are mostly we are talking

about implicit in nature. So, we will talk about it now how what are these levels of organizational culture.

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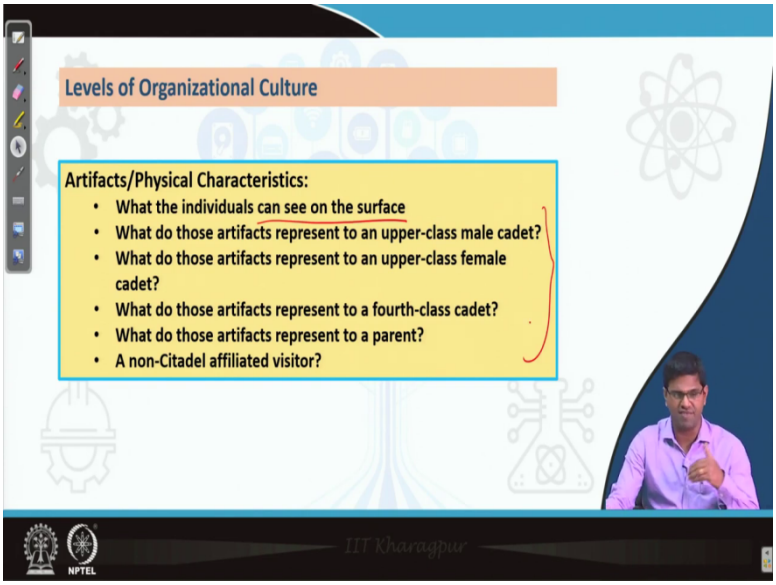

Now, let us talk about artifacts and physical characteristics. So, now, this is talking about what individual can see or observe on surface level. We are talking about surface means just by observing looking at it. So, you will be able to observe certain things in an organization. So, let us say you want to understand an organizational culture if you are just visiting a company.

You might be able to physically you know understand ok how they have been position, how they have been situated, how people are you know moving around, how things are happening. These are all we are talking about you know artifacts are a physical characteristics just by looking at you know where I am these are all relatively certain battalion as a references.

But I am just going to make it very generic. So, that everybody can read it. So, artifacts are physical characteristics of an organizational culture always refers to when you are visiting or making an visit to a company you will be able to whatever you will be able to observe surface level that is comes in the first one artifacts.

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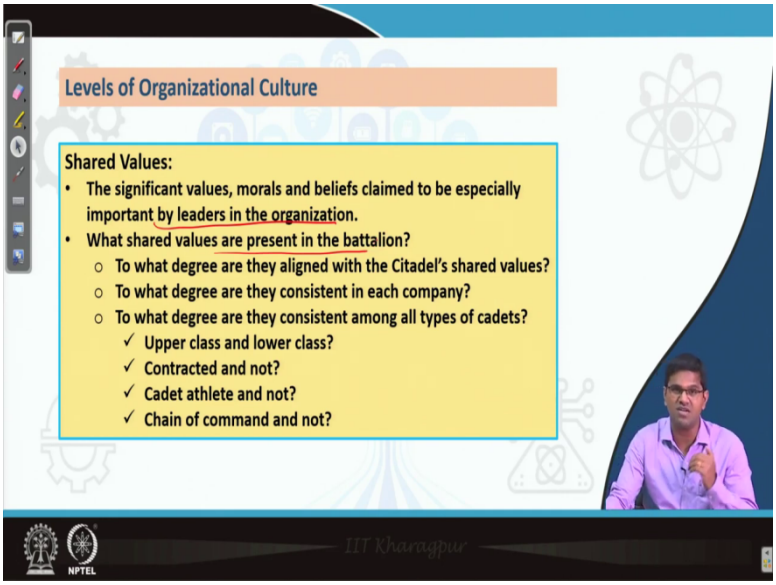

Then comes the shared values which are between this high visibility to low visibility where shared values are certain significant values or a morals and beliefs the climbed especially important by the leaders in the organization.

This this you may not be explicitly seen unless otherwise you are a part of an organization or you are part of a business may be a client or a customer you have an interactions with the

company you will be able to observe this you know values and morals and belief systems. So, now we will have to understand what are the shared values present in the organizations. Ok.

So, how things are aligned so, what type of a value systems are being present in the organization comes in the you know a mid-level of visibility then comes the low visibility of an organizational culture.

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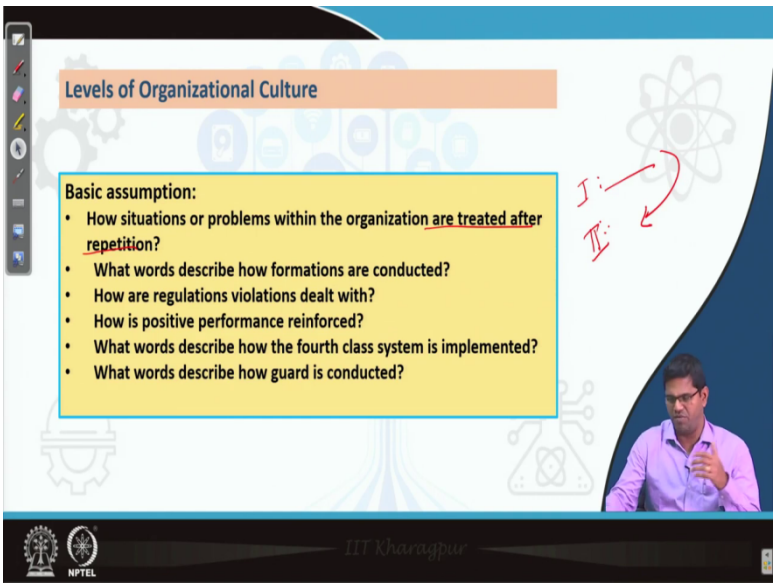

Where we are talking about a basic assumption you know, how situations are especially maybe a situation or a situation or an incident or a problems within an organization how it is being treated after repetition.

So, meaning that let us say there was a problem or a probably an incident or a challenge challenging situation has come up. Now, first time it has occurred. So, how did company

handled and if it is repeated in the second time how did they actually handled. So, this is a kind of you know this will discuss about what are the basic assumptions and what are the basic premises under which you are actually operating.

For example, so, what words describe how the formation being conducted or how the when a regulations or a rules been violated how it been dealt with right now how organization will view it, how do they respond when somebody violates the rules or a certain norms in an organizational setup.

So, how is the positive performance is reinforced, are you going to give an incentive, are you going to give recognition or appreciations, sending out you know appreciation email to all how company is going to do that is going to give a basic assumption about the way the basic permission which you operate which are low visibility of an organizational culture.

So, now also now we are also talk about you know how organizations treat their employees in terms of their interactions and all that comes on the basic assumption part of this organizational culture. So, in a level of organizational culture it is always based on the visibility from ranging from a high visibility to a low visibility.

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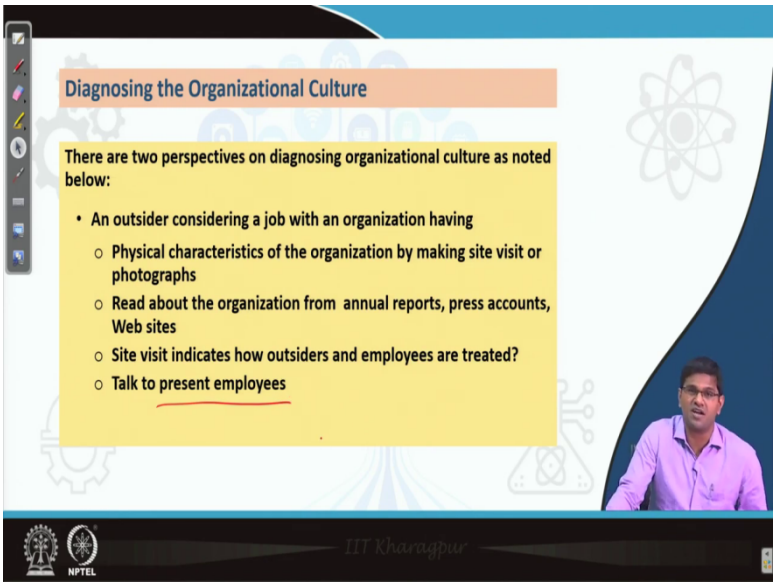

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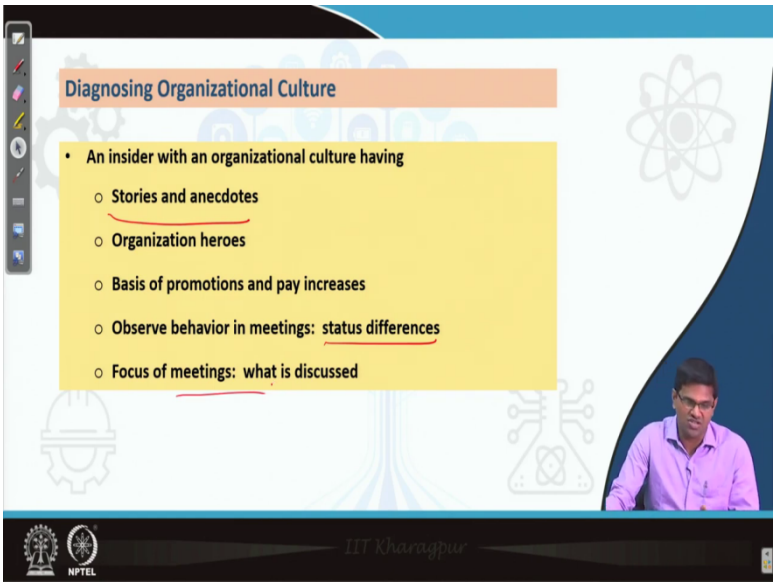

Now, so now, comes how do we diagnose the organizational culture ok. So, how do we diagnose this and how do we you know go and dissect and understand the organizational culture. Let us say there are two perspectives one is let us say as an outsider perspective let us say you are an outsider to an organization you are not part of a company either as an employee either as a client or a customer.

Now, you are an outsider. So, how will you understand the organizational culture? So, now what you can actually do is let us say you want to consider applying for a job role in a company. So, now you want to understand the organization what you have to do you have to you can actually look at the physical characteristics of the company or organizational culture by making a visit to the locations or a company right.

Then a next one is you will be able to read about the organization from an annual reports, a press account, their websites, there are various forums available now to understand how the company functions right. For example, glass door is a website where working employees or the farmer employees used to talk about their employees. So, how do they treat their employees? So, in terms of their you know practices certain systems, what do they like, what do they do not like all that is there right.

So, you will be able to understand a organization from that as well and you know making an effort to visit the places that will if you are visiting a company it will give you know how outsiders and employees are treated, you will be able to observe them right. How they treat the outsiders or how do they treat the people within the organizations. And you know next thing is you can also talk to a some of the present employees to understand the organization, that is one way to diagnose.

Now, let us say you are an insider. So, if you are an insider, so how do you know understand the carbonization culture is that you will be able to hear about the stories or read about the stories or anecdotes happened in an organizational structure, organizations how organization responded, reacted to those incidences that will tell you your organizational culture.

And you know organizational heroes talk about, some you know best you know achievers or the promoters of your company, go talk to them, you will be able to understand what type of a value system company holds on. And you know talking about their promotion and pay practices that also indicates how do they treat or position their employees.

And also, you can also observe how people interact and how do they behave during the meetings and understand what are the status differences, do they give you know opportunity to people from a lower levels of a organizational cadre right. For example, somebody may be an entry level executive, somebody may be a manager in a meeting. So, how people take the inputs coming from somebody at the entry level executives, are they giving importance paying attention to those employees as well.

And also focus of the meetings. So, you understand what is it been discussed, is it are they discussing about you know how company can grow, looking at the opportunities, or are they only talking about you know negative aspect of it, what has happened, went wrong. So, by that way also you will be able to understand the organizational culture ok.

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Now, let us the last part of the lecture we are going to talk about the functions of organizational culture. So, the there are four important functions of an organizational culture. One is an organizational identity; see the organizational culture gives the organizational identity, what is this organization is about. It is not about a name of a company, you know, the company name will also have a certain attributes of a company.

So, it is not about your product, I am talking about not the product or a service, you are talking about how is your company. So, it is not on a financial performance, we are talking

about in terms of how the company not the financial performance. We are talking about how your company is perceived right, perceived by various stakeholders right, your employees, your customers, community, other people who are engaging in a system that will actually create a organizational identity for you.

And then the collective commitment so, the organizational culture will create a kind of a collective commitment in an organizational set up and it will also have a social system stability within the organization to create a stable social system and also sense making device, how does your organizational functions.

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That becomes you know critical aspects of a functions of a organizational culture.

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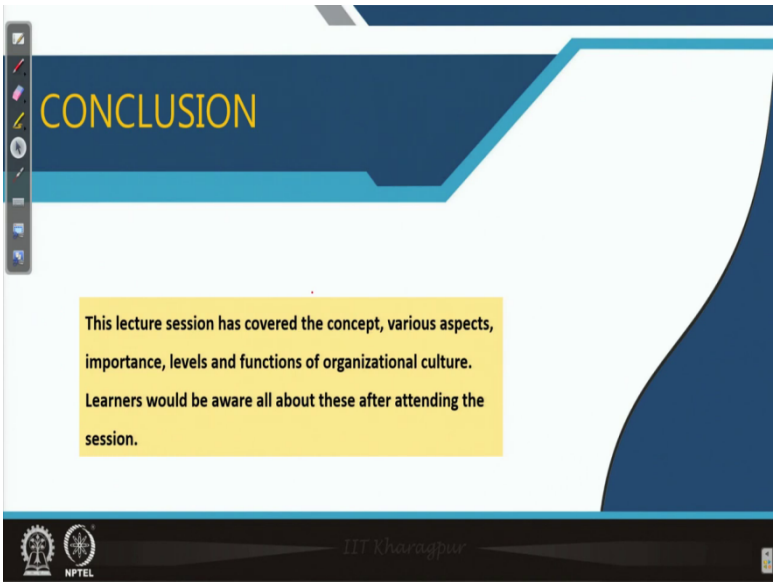

So, with this we are concluding this first lectures, in today's lecture what we discussed about, we discussed about understanding some basic understanding about organizational culture, what is this organizational culture is about and how do we you know where does this organizational culture come from and we also discussed about various levels of organizational culture.

And we also discussed about certain functions of organizational culture and of course, very importantly we also discussed about the importance of organizational culture. In the subsequent lectures, we will be looking up to you know other aspects of organizational culture and that will give you more information about the criticality and significance of organizational culture and the creation of a better organizational culture as well. So, see you in the next lecture.