Organizational Culture Midterm

By:

Kanasha L. N. Blue

Niagara University

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Organizational Culture

Organizational culture, as defined by Gareth Jones (2013), are the shared norms, behaviors and values within an organization that contributes to the unique psychological and social environment of a company. Organizational culture is made up of the organization's experiences, expectations, goals, and philosophy. This unique culture is expressed as the inner workings of the organization as reflected by the written and unwritten rules, standard operating procedures, interactions amongst members, and the shared attitudes and customs. These cultural values in an organization, guides and influences the actions, behaviors, and the amount of freedom allotted in decision making, personal expression and idea innovation. Organizational culture depicts many norms within an organization such as the way business is carried out, the treatment of employees, customers, and the external vaster community. Organizational culture also determines the influence of power, and the flow of information through the hierarchy of the company. Productivity, performance, product quality, safety, customer service, care, and commitment of employee has direct correlations with the organization's culture according to Jones (2013).

Sources of Organizational Culture

Characteristics of the People

Jones describes four sources of where organizational culture comes from in a company. The first and ultimate source is the characteristics of people within the organization. Organizational culture differs amongst organizations because each organization attracts, select, and retain members with different ethics, values, and personality (Jones, 2013). An organization hires people who already poses morals, ethics, standards, and attrition that match that of the company. The characteristics of the people within the organization starts with the values and

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beliefs of the organization's founder, and as more members join over time, the people within

become more and more similar, creating the unique organizational culture.

Characteristics of the People at Southwest Airlines

The growth and success of Southwest Airlines provide a good illustration of the critical

role the characteristics of people within the organization play in developing a unique and healthy

organizational culture. According to the vice president of people at Southwest Airlines, Julie

Weber, the organization looks to attract people whose values are in sync with that of Southwest

Airlines (Weber, 2015). Southwest Airlines aims to employ individuals, not for their skills but

individuals who already poses the following attributes: A warrior spirit or the desire to act with

courage, a servant's heart by putting others first, and a fun-loving attitude. The expectations of

these attributes are defined in each job descriptions and are tested for with behavioral interview

questions during the hiring process. In 2005, Southwest Airlines received 287,422 applications

but only hired 6,582 individuals or about 2% of applicants. Just employing 2% of the applicants

is a testament to the organization's culture that they will not hire people who do not have the

right values, "No matter how long the job has gone unfilled" (Weber, 2015). Weber (2015), goes

on to say Southwest will always hire and promote the company's values.

Property Rights

The next cause of organizational culture according to Gareth Jones (2013), is property

rights which is the different levels of rights given to members of an organization by that

institution and determines the use of organizational resources. The property rights the

organization assigns the rights and responsibilities of each group of stakeholders in the company.

Each group develops different values, norms, and attitudes toward the organization based on the

level of property rights the group receives. The various groups in an organization with property

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rights include shareholders, top management, and the workforce. Shareholders have ownership

of the organization resources, giving them the most substantial property rights. Examples of

shareholders property rights include decision making authority and control over resources. Top

managers are so given robust property rights to create motivation and encourage hard work for

the success of the company. According to Jones (2013), senior managers property rights includes

the authority to make some decisions, control over organizational resources, large salaries, stock

options and hefty payouts upon termination. The general workforce rights comprise of pension

and benefits, long-term employment, input in decisions making, employee stock options,

notification of layoff and severance payments (Jones, 2013). In a nutshell, property rights

distribution to different stakeholders determines organizational effectiveness and shapes the

culture that will emerge within the organization.

Property Rights at American Express

American Express is an example of an organization who uses the property rights offered

to employees to attract and retain employees. In 2017, American Express earned Fortune.com

honors as the 23rd best company to work for because of all the property rights its employees are

giving (Fortune 100 Best, 2017). The article goes on to report that American Express,

"Understands that employees are the company's vital asset" (Fortune 100 best, 2017). American

Express employs 20,431 workers in the in the United States with yearly revenue of 35.58 billion

dollars (Great Place to Work, 2018 & Fortune 100 Best, 2017). Some of the property rights

offered by American Express includes company paid health insurance and paid sick days for

part-time employees, up to 6% retirement matching, up to $7,500 in tuition reimbursement.

American Express also offers work-life balance property rights to employees including 28 paid

days off after one year of employment, telecommuting options, compressed work weeks, flexible

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work schedule and job sharing (Great Place to Work, 2018). Family care perks offered to

employees include 130 days of paid time off for new mothers, 100 days off for paternity leave

and $35,000 adoption and surrogacy benefits, lactation rooms, and paid childcare during

business travel. 88 percent of the 995 American Express employees surveyed by Great Place to

Work (2018), stated their workplace was a great place to work because the culture offers

extraordinary challenges, atmosphere, rewards, and have great bosses.

Organizational Structure

Another source of organizational culture according to Jones (2013), is organizational

structure. Organizational structure is a mechanism that uses the formal system of rules, task, and

authority relationship to establish control of organization activities. Mechanistic structure and

organic structures are two types of organizational structure that are described by Jones (2013).

Jones identifies that different organizational structure gives rise to different corporate cultures.

Examples of mechanistic structures identified by Jones (2013), includes individual employees

specializing in one defined task, clearly defined hierarchical authority, vertical communication.

In a mechanistic structure, the power to control assignments is dispensed from top management

and the organization participate in the extensive use of rules and standard operating procedures

to execute tasks and work procedure. Organic structures of an organization include optimizing

task performance by using teams and task forces, and the use of units to create sophisticated

integrating mechanisms. Communication in an organic structured organization is lateral as the

authority of task delegation comes from all levels, and work processes are unpredictable as the

coordination of task changes amongst the teams (Jones, 2013).

Organizational Structure of The Coca-Cola Company

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The conglomerate beverage manufacturer and distributor, the Coca-Cola Company, is an example of an organization culture made up of both mechanistic and organic structures. Traditionally, manufacturing companies with significant batch mass production usually have a mechanistic structure as the focus is effective production (Jones, 2013). Before the 2004 restructuring, Coca-Cola was experiencing extreme low growth rate, reduction in employee motivation and high employee turnover. The company initiated a structural shift from strictly mechanistic to a blend of organic and mechanistic to address these concerns (Narayan, 2010; Gilhuly, 2014). Coca-Cola maintained centralization of the company's marketing and innovation to continue to facilitate effective mass production of products. To coordinate between the different divisions and levels of the company, the implementation of characteristics of an organic structure took place. Changes included the new CEO using teams of top managers to implement regular face to face meetings to keep employees at the local level informed. Surveys and the intranet was also used to improve communication and create real-time sharing of information laterally and vertically (Narayan, 2010).

Organizational Ethics

Sources of Organizational Ethics

The second source of organizational culture according to Gareth Jones is organizational ethics. Jones defines corporate ethics as the guiding values, beliefs, rules, principals, and standards by which a business analyze, interprets and operates in situations of right and wrong dilemmas (Jones, 2013). The company demonstrates organizational ethics through acts of fairness, integrity, honor, compassion, and responsibility. There are three sources of organizational ethics as noted by Jones (2013), societal ethics, professional ethics and individual ethics. Societal ethics refers to the written and unwritten norms and values that exist in society's

customs, practices, and legal system and governors how people interact with each other's. The organizing of a group of people to set values and moral rules to control how task completion take place and the resources used is known as professional ethics (Jones, 2013). Professionals such as doctors and lawyers maintain professional codes of ethics to act in their client's best interest.

Individual ethics are the personal and moral standards individual's governors themselves by when it comes to decision making and performing specific actions. Similarly, to the characteristics of the people within the organization, organizational ethics are driven by the organization founders and top management. The senior executives in the organization purposefully develop the ethical values communicated to employees through focus training on the company standards to control members behaviors (Jones, 2013).

Organizational Ethics of Gravity Payments

In 2004, Dan Price and his brother created Gravity Payments. A startup that specialized in credit card processing, loyalty card, and capital advancement services for small to medium-size businesses on the values of honesty, transparency, and responsibility (Gravitypayments.com, 2016). In 2013, Gravity Payments earned 13.1 million dollars in revenue and was ranked 2864 on the 2014 Inc 5000 Greatest and most inspirational entrepreneurial companies (Keegan, 2018). Gravity Payment is an excellent example of a company with strong organizational ethics. CEO and founder, Dan Price was informed by an employee of Gravity Payment that he was unhappy because of the low pay he was earning. The employee expressed the feelings of being robbed by the company. After bringing this to Price attention, Price had a decision to make. Raise the wages of the employee and reduce his profit margin or do nothing. Price shocked the nation by deciding to set a minimum salary of $70,000 for all 120 employees. Price stated, "Most people live paycheck to paycheck. So how come I need ten years of living expenses, and you

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(employees) don't (Keegan, 2018). Price lowered his pay from $1.1 million to $70,000 to help

offset the cost of the raises. When asked why he did it, Price replied: "There's a moral

imperative to lead and do the right thing for those that you are leading" (Gravitypayments.com,

2016). Keegan (2018), reports that each year the 20 percent raise was implemented, the company

saw profit growth that outpaced the wage increases. This bold move by Price gave rise to the

national Fight for 15 movements, which called for a fair living wage across the company,

changing current societal ethic towards minimum wages. Price efforts also attached employees

who were willing to take a pay cut to join an organizational culture of such a high moral standard

(Keegan, 2018).

Gravity Payments and The Organizational Ethics Audit Model

Based on Weber and Gerde's Organizational Ethics Audit Model, Gravity Payments

would fit the bill of an Integrity Organization on the Organizational Ethics Continuum. Some of

the criteria's outlined by Weber and Gerde (2013) to be an Integrity Organization are

communication, training and help/hotlines. For a company to be an Integrity Organization, it

must partake in frequent two-way communication and have a means for employees to report

unethical behavior through a third party. Regular ethical training, follow up, and reports on the

feedback must also be conducted for an organization to be an Integrity Organization (Weber &

Gerde, 2013). Gravity Payment implemented a weekly anonymous survey to all employees that

is ran by TINYpulse a third party company to allow employees to offer feedback on areas such

as leadership, performance, personal development, transparency, and communication

(Gravitypayment.com, 2016). Gravity also uses personal interviews as a training type to maintain

the Integrity Organizational culture within the company. Each team member at Gravity meets

with an HR representative semi-annually to provide feedback on professional and personal

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development (Gravitypayment.com, 2016). The use of TINYpulse and the personal interviews are forms of two-way communications, which help maintain a positive organizational ethical work climate.

Conclusion

No two-organizational cultures are the same; differences can be found in companies' communication style, differences in approaches to decision making, and attitudes in task completion to name a few. The assembling of company culture is affected by the characteristics of the employees, starting with the founders and top managers. Organizational ethics, property rights and the organizational structure plays a vital role in the success of an organization and the cultural work clime that it creates. Southwest Airlines, Gravity Payments, The Coca-Cola Company and American Express are all examples of companies who have organizational cultures.

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