جامعة بيرزيت

BIRZEIT UNIVERSITY

Principles of Management

BUSA230

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The test bank contains questions related to the underlined sentences and texts.

Chapter 1: Managers and You in the Workplace

The ABC's of Managing Your Time

Time management: One of the aspects of management. Time is considered a unique and valuable resource, but a limited resource too, and an equal-opportunity resource.

Suggestions to help better manage the time:

1. Keep a list of all current, upcoming, and routine goals.

2. Rank goals according to importance.

3. List the activities/tasks/actions necessary to achieve goals.

4. Divide them into categories using an A,B, and C classification: A's: important and urgent. B's: either important/ urgent (not both). C's: routine – not important/ urgent, but still need to be done.

5. Schedule them according to the priorities that are set.

6. Plan a to-do list each day so that it includes a mixture of A, B, and C activities/tasks: Spread the 3 types of tasks throughout the day to not lump together all demanding tasks. Also, be realistic about what you can achieve in a given time period.

7. Recognize that technology makes it too easy to stay connected: Some daily digital and in-person interactions are essential to the tasks at hand, while others are distractions that do not require immediate attention, which can make it hard to stay on task.

8. Realize that priorities may change: As you get new information, reassess your list of priorities and respond accordingly.

9. Remember, the goal is to manage getting work done as efficiently and effectively as possible.

Who Is a Manager?

Manager: Someone who coordinates and oversees the work of other people so organizational goals can be accomplished. In other words, a manager works with and through other people by coordinating and directing their work activities. "Manager's job is **NOT** all about personal achievement, it's about helping others do their work".

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How did the definition of a manager change over time?

It used to be simple to define who managers were: Organizational members who told others what to do and how to do it. It was easy to differentiate them from **non-managerial employees**: Organizational members who worked directly on a job or task and had no one reporting to them.

Now, it isn't that simple: In many organizations, changing work dynamics have blurred the line between managers and non-managerial employees. Many traditional non-managerial jobs include managerial activities in today's workplace. Most employees are multi-skilled and cross-trained. Within a single shift, an employee can be a team leader, equipment operator, maintenance technician, quality inspector, or improvement planner.

In traditionally structured organizations, managers can be classified into:

1. first-line (front-line) managers

Managers at the lowest level of management who manage the work of non-managerial employees who typically are involved with producing the organization's products or servicing the organization's customers. (Responsible for many employees who assemble components into a finished product).

These managers often have titles such as: Supervisor, Shift managers, District managers, Department managers, or Office managers.

2. Middle managers

Managers between the lowest level and top levels of the organization who manage the work of First-Line Managers.

These managers often have titles such as: Regional Manager, Project Leader, Store Manager, Division Manager, or Plant Manager.

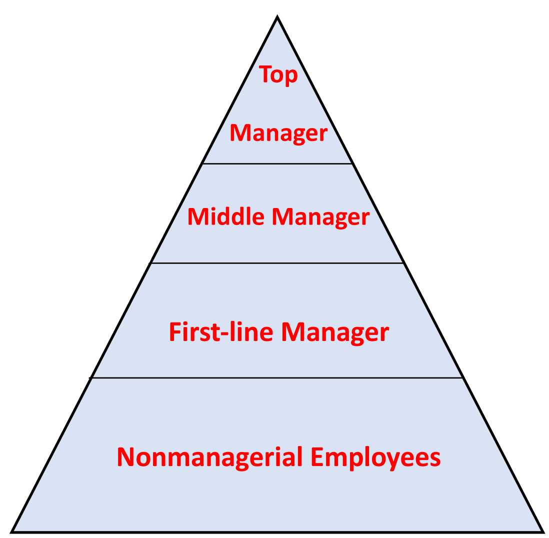
Middle Managers are mainly responsible for turning company strategy into action.

3. Top managers

Managers at or near the upper levels of the organization structure that are responsible for making organization-wide decisions and establishing the goals and plans that affect the entire organization.

These managers often have titles such as: Executive Vice President, President, Managing Director, Chief Operating Officer, or Chief Executive Officer.

"If an org. chart has titles like these, the org. has a traditional pyramid chart"



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Not all organizations are structured to get work done using a traditional pyramid form. However, some organizations are more loosely configured with work done by ever-changing teams of employees who move from one project to another as work demands arise. "All 3 levels work together to manage the non-managerial employees".

Employees' levels change according to the place in which they work in the org.:

E.g.	University		Faculty	
	Top	Academic Vice President	Top	Dean
	Middle	Dean	Middle	Dept. Presidents
	First-line	Dept. Presidents	First-line	Instructors
	Non-Managerial	Instructors	Non-Managerial	Assistances

Where Do Managers Work?

Managers work in:

1. Small businesses (the business has only one manager)

2. Organizations

Organization: A deliberate arrangement of people to accomplish some specific purpose.

This arrangement can happen when two manufacturers, for example, merge and top managers must decide on how the work will be divided and who will do what work.

Common characteristics of organizations:

1. An organization has a **distinct purpose** typically expressed through goals the organization hopes to accomplish.

2. Each organization is composed of **people**. It takes people to perform the work that is necessary for the organization to achieve its goals.

3. All organizations develop a **deliberate structure** within which members do their work. That structure may be open and flexible with no specific job duties or strict adherence to explicit job arrangements.

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Why Are Managers Important?

What can a great boss do?

1. Inspire you professionally and personally.

2. Energize you and your co-workers to accomplish things together that you couldn't get done by yourself.

3. Provide coaching and guidance with problems.

4. Provide you feedback on how you're doing.

5. Help you to improve your performance.

6. Keep you informed of organizational changes.

7. Change your life.

3 reasons why managers are still important, even in the changing organizational structures in use today:

1. Organizations need their managerial skills and abilities in uncertain, complex, and chaotic times. As organizations deal with today's challenges, changing workforce and technology, the worldwide economic climate, ever-increasing globalization. Managers play an important role in identifying critical issues and crafting responses.

2. They are critical to getting things done: They create/ coordinate the workplace environment and work systems so that others can perform tasks. Or, if work isn't getting done, they find out why and get things back on track. These managers are key players in leading the company into the future.

3. Managers do matter to the organization: The most important variable in employee productivity and loyalty is the quality of the relationship between employees and their direct supervisors. The way a company manages its people can significantly affect its financial performance, and leadership is the largest influence on employee engagement. Managerial ability is important in creating organizational value.

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What Do Managers Do?

Management: Coordinating and overseeing the work activities of others so their activities are completed efficiently and effectively.

Efficiency (Concerned with the means): Doing things right (not wasting resources) or getting the **most output** from the **least amount of input** (inputs are reduced). Managers deal with scarce resources, including people, money, and equipment, and want to use those resources efficiently.

E.g. Efficient manufacturing techniques can be implemented by doing things such as cutting inventory levels, decreasing the amount of time to manufacture products, and lowering product reject rates.

An automobile manufacturer increased the total number of cars produced while keeping the production costs the same.

Inefficiency: More resources (personnel) than needed "wasted resources"

Effectiveness (Concerned with the ends): Associated with doing the right thing or doing those work activities that will result in achievement goals.

E.g. Eileen achieves her departmental goals, this is an indication of her effectiveness as a manager.

Management strives for: low resource waste (high efficiency), high goal attainment (high effectiveness).

"Inefficiency + effectiveness (or the opposite) = poor management"

Organizational Goals can include: meeting customers' rigorous demands, executing world-class manufacturing strategies, and making employee jobs easier and safer. Through various work initiatives these goals can be pursued and achieved.

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Approaches to describe what managers do:

1. Functions Founder: Henri Fayol (POCCC)

In the early part of the 20th century, he suggested that all managers perform five functions; planning, organizing, commanding, coordinating, and controlling. Today, **we use four functions:**

a) Planning: Involves setting goals, establishing strategies, and developing plans to integrate and coordinate activities.

"A manager can be engaged in reviewing orders, scheduling them to machines, assigning employees to run them, deciding on how many units of output employees should produce".

b) Organizing: Involves arranging and structuring work to accomplish the organization's goals.

When managers organize, they determine what tasks to be done, who to do them, how the tasks are to be grouped, who reports to whom, and where decisions are made (line of authority)

E.g. Human Resources manager is meeting with the production manager to write job descriptions and to decide how to group jobs for a new production line. They are organizing.

c) Leading: Involves working with and through people to accomplish organizational goals.

When managers direct/ motivate subordinates, help resolve work-group conflicts, influence individuals or teams as they work, select the most effective communication channel, or deal in any way with employee behavior issues; they are leading.

E.g. Telling someone that they can fully fulfill a schedule because they are good and skilled employees is part of performing the leading function.

- Are all leaders managers, and are all managers leaders?

- Not all managers are leaders, but by function they take the role. In general, a manager should be one.

* To be a leader, one should have followers that are influenced by them.

d) Controlling: Involves monitoring, comparing, and correcting work performance.

E.g. Checking the amount of output that employees have completed and the number of units that have been rejected.

To ensure goals are met and work is done as it should be, managers monitor and evaluate performance. Actual performance is compared with the set goal. If those goals aren't achieved, it's the manager's job to get work back on track.

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2. Roles Founder: Henry Mintzberg

He developed a categorization scheme for defining what managers do, consisting of **10 different but highly interrelated roles**. "Managers play an important role in dealing with various challenges being faced by org. today".

Managerial roles: Specific actions or behaviors expected of and exhibited by a manager.

a) Interpersonal Roles: Involve people (subordinates, and persons outside the organization) and other ceremonial and symbolic duties. They include **figurehead, leader, and liaison (Focuses outsiders, networking, advancing resources).**

E.g. When a mayor officiates at the ribbon-cutting ceremony for the new bridge.

b) Informational Roles: Involve collecting, receiving, and disseminating information. They include **monitor (collect/receive info), disseminator (Shares info received to team members), and spokesperson**.

c) Decisional Roles: Entail making decisions or choices. They include **entrepreneur (suggests new activities or ideas), disturbance handler, resource allocator, and negotiator**.

"As managers perform these roles, their activities include both reflection (thinking), and action (doing)".

Disseminator, figurehead, negotiator, liaison: Most important to high-level managers.

Leader: More important for lower level managers than it is for either middle or top-level managers.

"A vice president of finance might use – based on their LoM – the role of disseminator than leader"

- Depending on the size of the org. and number of employees, a manager can take more than one role at a time.

The test bank contains questions related to the underlined sentences and texts.

3. Skills **Founder**: Robert L. Katz

Katz proposed that managers need three critical skills in managing:

1. Technical skills: Job-specific knowledge, and techniques needed to proficiently perform work tasks.

These skills tend to be **more important for first-line managers**; because they typically manage employees who use tools and techniques to produce the organization's products or service the organization's customers. Often, employees with excellent technical skills get promoted to first-line managers.

This includes understanding machine operating instructions to production managers.

E.g. An employee helping in troubleshooting a problem with a production machine.

These skills are utmost priority to shift managers. The importance reduces when they get promoted to department managers.

"It becomes less important as managers move into higher levels of management".

2. Interpersonal human skills: Involve the ability to work well with other people both individually and in a group. All managers deal with people. These skills are **equally important to all levels of management**.

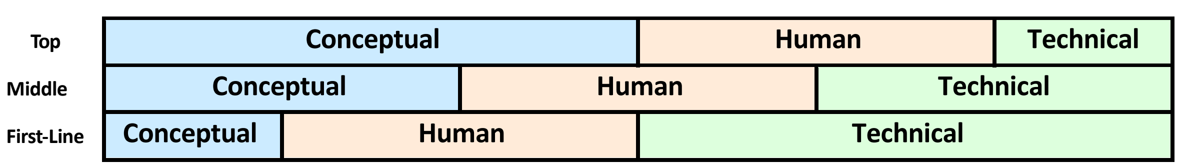
Managers with good human skills get the best out of their people. They know how to communicate, motivate, lead, and inspire enthusiasm and trust.

E.g. Meeting with a HR manager to discuss a complaint filed by one of the employees in the production department.

3. Conceptual skills: Skills managers use to think and conceptualize about abstract and complex situations. Using these skills, managers see the organization as a whole, understand the relationships among various subnets, and visualize how the organization fits into its border environment.

These skills are **most important to top managers (presidents)**. A CEO, using this skill, must understand the industry in which the business competes, its future, and the competition.

E.g. A search for new technologies that can be used in production processes.



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How Is the Manager's Job Changing?

Environmental situations around the org. can make a job of a manager change. Like political situations, economics, global market...

The most important changes facing managers:

Change	Impact of Change (Resulted In)
Changing Technology (Digitalization)	**1.** Shifting organizational boundaries. **2.** Virtual workplaces. **3.** More mobile workforce. **4.** Flexible work arrangements. **5.** Empowered employees. **6.** Work life-personal life balance. **7.** Social media challenges.
Increased Emphasis on Organizational and Managerial Ethics	**1.** Redefined values. **2.** Rebuilding trust. **3.** Increased accountability of employees. **4.** Sustainability.
Increased Competitiveness	**1.** Customer service. **2.** Innovation. **3.** Globalization. **4.** Efficiency/productivity.
Changing Security Threats	**1.** Risk management (employees). **2.** Uncertainty over future energy sources/prices. **3.** Restructured workplace. **4.** Discrimination and globalization concerns. **5.** Employee assistance. **6.** Uncertainty over economic climate.

Other changes affecting managers:

1. Focus on Customers

Importance: Focusing on them and delivering excellent customer service is essential to success, as organizations rely on customers to exist. While once seen as marketing's role, employee attitudes /behaviors greatly impact customer satisfaction. Managers must ensure employees are friendly, accessible, knowledgeable, prompt in responding to customer needs, and committed to meeting customer needs in order to survive in today's environment. Listening to customers helps businesses find new opportunities and understand customers' loyalty and attrition.

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2. Focus on Technology

Although technology cannot completely replace human interactions and judgment, it can automate, routine, and hazard those tasks, thereby freeing humans for more complex tasks. It can make humans more productive, reduce costs, and increase profitability.

It's **a myth** that social skills are less important now because of more technology in the workplace.

3. Focus on Social Media

Social media: Forms of electronic communication through which users create online communities to share ideas, information, personal messages, and other content.

Managers need to understand and manage the power and peril of social media. More and more businesses are turning to it as a way to connect to customers. Employees can use social media to support and promote their employer and to cooperate and collaborate with each other.

Advantages of Social Media: low cost, awareness spread, existence of online businesses.

4. Focus on Innovation

Innovation: Exploring new territory, taking risks, and doing things differently.

Innovation isn't just for high-tech organizations. Innovation efforts can be found in all types of organizations, and it can provide the competitive advantage necessary for continued success. If a firm doesn't innovate, it undertakes great risks. Innovation is critical at all levels in the organization. Customers demand new, better, more robust products and services.

Difference between creativity and innovation	
Creativity	Create sth new that never existed before "thinking new things".
Innovation	Enhance on sth that already existed before/ to apply creative solution "doing things".

5. Focus on Sustainability

Sustainability: A company's ability to achieve its business goals and increase long-term shareholder value by integrating economic, environmental, and social opportunities/impacts into its business strategies.

Sustainability has widened corporate responsibility, driving efficient/ effective management and strategic responses to environmental and social challenges. Customers expect businesses to provide quality products/ services with the smallest footprint possible, preserving resources for the future.

Sustainability issues are now moving up the agenda of business leaders and the boards of thousands of companies. Running a sustainable org. requires making informed bus. decisions based on thorough stakeholder communication and understand their requirements, and integrating various factors into business goals.

6. Focus on the Employee

Progressive companies value employee well-being, knowing it's both right and good for business. Well-treated employees go the extra mile when performing their job.

"Well-treated Employees will treat customers well, contributing to business success/ profitability".

Why Study Management?

The University of Management

It is defined as the reality that management is needed in:

Management is needed in…

All sizes of organizations
Small ----------------------- Big

All organizational areas
(Marketing, HR, Accounting…)

All types of organizations
Profit ------- Not-for-Profit

All organizational levels
Bottom --------------- Top

All managers in all organizations perform the four management functions.

Management is universally needed at all organizations, so finding ways to improve the way org. are managed is needed. Organizations that are well-managed, develop a loyal customer base, grow and prosper during challenging times. Those that are poorly managed lose customers and revenues. By studying management, one will be able to recognize poor management and work to get it corrected.

The Reality of Work

Studying management is important because, after graduating, most people will either manage or be managed. Even those who don't see themselves as managers will likely work with them and have some managerial responsibilities. Understanding management provides insight into how bosses, employees, and organizations function, making it valuable regardless of career goals.

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Rewards and challenges of being a manager

Rewards	Challenges
• Create a work environment in which organizational members can work to the best of their ability.	• Tough, hard work.
• Have opportunities to think creatively and use imagination.	• Managers (especially at lower org. levels) may entail duties that are more clerical than managerial.
• Help others find meaning and fulfillment in work.	• Spend a lot of time in meetings.
• Support, coach, and nurture others.	• Have to deal with interruptions and a variety of personalities.
• Work with a variety of people.	• Often have to make do with limited resources.
• Receive recognition and status in organization and community.	• Motivate workers in chaotic and uncertain situations.
• Play a role in influencing organizational outcomes.	• Blend knowledge, skills, ambitions, and experiences of a diverse work group.
• Receive appropriate compensation in the form of salaries, bonuses, and stock options.	• Success depends on others' work performance.
• Good managers are needed by the org.	

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Chapter 1.a: Management History Module

3000 BC – 1776	1911 – 1947	Late 1700s – 1950s	1940s – 1950s	1960s - present
Early Management	Classical Approach	Behavioral Approach	Quantitative Approach	Contemporary Approach

Early Management

Early examples of management

Management and organized endeavors directed by people responsible for the 4 function activities have existed for thousands of years and **before their definition**.

E.g. Large ancient projects like the Egyptian pyramids and the Great Wall of China required tens of thousands of workers (100k+) and took decades (20y) to complete. Managers were responsible for planning, organizing labor and materials, ensuring tasks were completed, and maintaining control over the process.

Adam Smith

Adam Smith's "*The Wealth of Nations (1776)*" argued the economic advantages organizations and society would gain through division of labor (job specialization).

Division of labor: The breakdown of jobs into narrow and repetitive tasks.

Smith concluded that division of labor increased productivity by increasing workers' skills and dexterity, saving time and creating labor-saving inventions and machinery.

"At first, increasing productivity was the main goal to division of labor until they figured out that it was just **one of the mechanisms**, not the main goal of it".

Industrial revolution (late 18th century)

The **Industrial Revolution** marked a shift from human to machine power, making factory production more economical. Factories required managers to forecast and oversee demand and production, assign tasks, and ensure efficiency.

"Formal management theories did not develop until the early 1900s".

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Classical Approach

Classical approach: First studies of management which emphasized rationality and making organizations and workers as efficient as possible.

2 major theories composing this approach:

1. Scientific management

Contributors: Frederick W. Taylor, Frank and Lilian Gilbreth

a) Frederick W. Taylor (known as the *father of scientific management*) was a mechanical engineer in a steel company, his book "*Principles of Scientific Management (1911)*" described the theory of **scientific management.**

Scientific management: The use of scientific methods to define the "one best way" for a job to be done.

Taylor was frustrated by workers' inefficiencies: Using different methods for the same tasks, laziness, no work standards, assigning tasks without considering whether the skills matched job requirements… Taylor aimed to fix this by applying the approach, therefore, he argued that there are **four principles of management that would result in prosperity for workers and managers**:

1.	Develop a science for each element of an individual's work to replace the old rule-of-thumb method.
2.	Scientifically select and then train, teach, and develop the worker.
3.	Heartily cooperate with the workers to ensure that all work is done in accordance with the principles of the science that has been developed.
4.	Divide work and responsibility almost equally between management and workers. Management does all work for which it is better suited than the workers.

Did the principles work?

Yes! The pig iron experiment is a good example. He aimed to increase productivity by scientifically analyzing the job. Initially, workers loaded 12.5 tons daily, but Taylor improved output to 47-48 tons per day by using the right person, tools, and methods. He also motivated workers with higher wages and instructions. This approach led to a consistent productivity increase of +200% in various jobs.

b) Frank Gilbreth, a construction contractor, left his career to study scientific management after hearing Taylor's speech. He and his wife Lillian, a psychologist, studied work to eliminate inefficient motions. They also experimented with proper tools and equipment for optimizing work performance.

Frank is best known for his bricklaying experiments. By analyzing the job, he reduced unnecessary motions in laying exterior brick from **18 to 5** and interior brick from **18 to 2**. Using his techniques, bricklayers became more productive and less fatigued.

The Gilbreths invented a microchronometer to record hand-and-body motions and time spent on each. Wasted motions, missed by the naked eye, could be eliminated. They also created **therbligs,** to analyze work more precisely.

Therbligs: A classification scheme for labeling basic hand motions.

- Many principles from are still used today to improve efficiency. Managers analyze tasks, use time and motion studies to eliminate wasted motions, hire the best workers, and apply incentive systems based on output. Adaptive robotics also boost efficiency by reducing repetitive tasks.

2. General administrative

Contributors: Henri Fayol, Max Weber

General administrative theory: An approach to management that focuses on describing what managers do and what contributes good management practice.

a) Henry Fayol wrote during the same time period as Taylor. While Taylor was concerned with **first-line managers** and **the scientific method**, Fayol was concerned with **the activities of all managers**. He wrote from his personal experience as the managing director of large French coal mining firm.

Fayol developed fundamental principles of management:

Principles of management: Fundamental rules of management that could be applied to organizational situations and taught in schools.

1.	**Division of work:** Increases output by making employees more efficient.
2.	**Authority:** Managers must be able to give orders, and authority gives them this right.
3.	**Unity of command:** Every employee should receive orders from only one superior.
4.	**Centralization:** Refers to the degree to which subordinates are involved in decision-making.

b) Max Weber, a German sociologist, developed a theory of authority structures based on ideal type of org. called **bureaucracy.**

Bureaucracy: A form of organization characterized by division of labor, a clearly defined hierarchy, detailed rules and regulations, and impersonal relationships.

Weber's ideal bureaucracy was intended as a theoretical framework for organizing work in large groups, rather than an existing model. His theory has influenced the structure of many contemporary/ modern organizations.

Weber's bureaucracy shares similarities with scientific management, focusing on rationality, predictability, impersonality, technical competence, and authoritarianism.

Characteristics of Weber's Bureaucracy:

1. Division of Labor: Jobs broken down into simple routine, repetitive, and well-defined tasks.

2. Authority Hierarchy: Positions organized in a hierarchy with a clear chain of command.

3. Formal Selection: People selected for jobs based on technical qualifications.

4. Formal Rules and Regulations: System of written rules and standard operating procedures.

5. Impersonality: Uniform application of rules and controls, not according to personalities.

6. Career Orientation: Managers are career professionals, not owners of units they manage.

Although many characteristics of Weber's bureaucracy are still evident in large organizations, his model isn't as popular today as it was in the 20th century (**Why?**)

1. The bureaucratic structure hinders individual employees' creativity.

2. It limits an organization's ability to respond quickly to an increasingly dynamic environment.

"Still, bureaucratic mechanisms are necessary to ensure that resources are used efficiently and effectively".

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Behavioral Approach

Organizational Behavior (OB): The study of the actions (behavior) of people at work.

"Much of what managers do today when managing people has come out of the OB research".

Early OB advocates

Robert Owen	• Concerned about deplorable working conditions. • Proposed Idealistic Workplace. • Argued that money spent improving labor was smart investment.
Huga Munsterberg	• Pioneer in field of industrial psychology-scientific study of people at work. • Suggested using psychological tests for employee selection, learning theory concepts for employee training, and study of human behavior for employee motivation.
Mary Parker Follett	• One of the first to recognize that organizations could be viewed from perspective of individual and group behavior. • Proposed more people-oriented ideas than scientific management followers. • Thought organizations should be based on group ethic.
Chester Barnard	• Actual manager who thought organizations were social systems that required cooperation. • Behaved manager's job was to communicate and stimulate employees' high levels of effort. • First to argue that organizations were open systems.

All of them agreed that people (employees) were the most important assist of the organization and should be managed accordingly.

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Hawthorne studies

The most important contribution to the OB field came out of it.

Hawthorne studies: Series of studies during the 1920s and 1930s that provided new insights into individual and group behavior. "They were designed as a scientific management experiment".

Hawthorne studies examined **the effect of lighting levels on worker productivity**. Control and experimental groups were set up, with the experimental group exposed to various lighting intensities and the control group under constant intensity. The expectation was that productivity in the experimental group would relate to light intensity. However, as light increased, productivity rose in both groups. As light decreased, productivity still increased in both groups, only dropping when reduced to a moonlit night. Engineers concluded lighting intensity was not directly related to productivity but couldn't identify the actual cause.

In 1927, Western Electric engineers asked Harvard professor **Elton Mayo** and his associates to join the study. This relationship included experiments in job redesign, changes in workday and workweek length, rest periods, and wage plans. Researchers concluded **social norms or group standards were key determinants of individual work behavior**.

What conclusions (by Mayo) led to a new emphasis on human behavior in management?

1. Behavior and attitudes are closely related.

2. Group factors significantly affect individuals.

3. money is less important than group standards, attitudes, and security.

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Quantitative Approach

Quantitative approach: The use of quantitative techniques to improve decision-making, also known as **management science.**

It evolved from: Mathematical and statistical solutions, WWII, used later for bus. purposes.

What does the quantitative approach do?

It helps managers improve managerial decision-making. It involves statistics, optimization models, information models, computer simulations… etc. to management activities. Techniques like linear programming improve resource allocation decisions. Critical path improves scheduling. The economic order quantity model optimizes inventory levels.

Total Quality Management (TQM)

A quality revolution in the 1980s/90s was inspired by **W. Edwards Deming** and **Joseph M. Juran**.

Their ideas, initially overlooked in the U.S. during the 50s, were embraced by Japanese organizations. As Japanese manufacturers surpassed U.S. competitors, Western managers adopted thier principles, forming the modern quality management.

Total Quality Management (TQM): A philosophy of management that is driven by continuous improvement and responsiveness to customer needs and expectations.

What is quality management?

1. Intense focus on the customer: The customer includes outsiders who buy the org.'s products or services, and internal customers (employees and suppliers) who interact with and serve others in the org.

2. Concern for continual improvement: Quality management is a commitment to never being satisfied. “Very good” is not good enough. Quality can always be improved. It isn't possible without accurate measurements, which require statistical techniques that measure every critical variable in the org.'s work processes. and are compared against standards that identify and correct problems.

3. Process focus: Quality management focuses on work processes as the quality of goods and services is continually improved.

4. Improvement in the quality of everything the org. does: This relates to the final product, how the org. handles deliveries, how rapidly it responds to complaints, how politely the phones are answered, and the like.

5. Accurate measurements: Quality management uses statistical techniques to measure every critical variable in the organization's operations. These are compared against standards to identify problems, trace them to their roots, and eliminate their causes.

6. Empowerment of employees: Quality management involves the people on the line in the improvement process. Teams are widely used in quality management programs as empowerment vehicles for finding and solving problems.

"Quantitative approach contributes directly to management decision making in the areas of planning and controlling".

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Contemporary Approach

Most of the earlier approaches focused on managers concerns **inside** the organization. In the 1960s, management researchers began to look at what was happening in the external environment **outside** the boundaries of the organization.

Perspectives of contemporary management: Systems and contingency.

Systems theory, originally from the physical sciences, was first applied to organizations by **Chester Barnard** in "*The Functions of an Executive (1938)*", saying that an organization functioned as a cooperative system. It gained serious attention from management researchers in the 1960s.

1. System

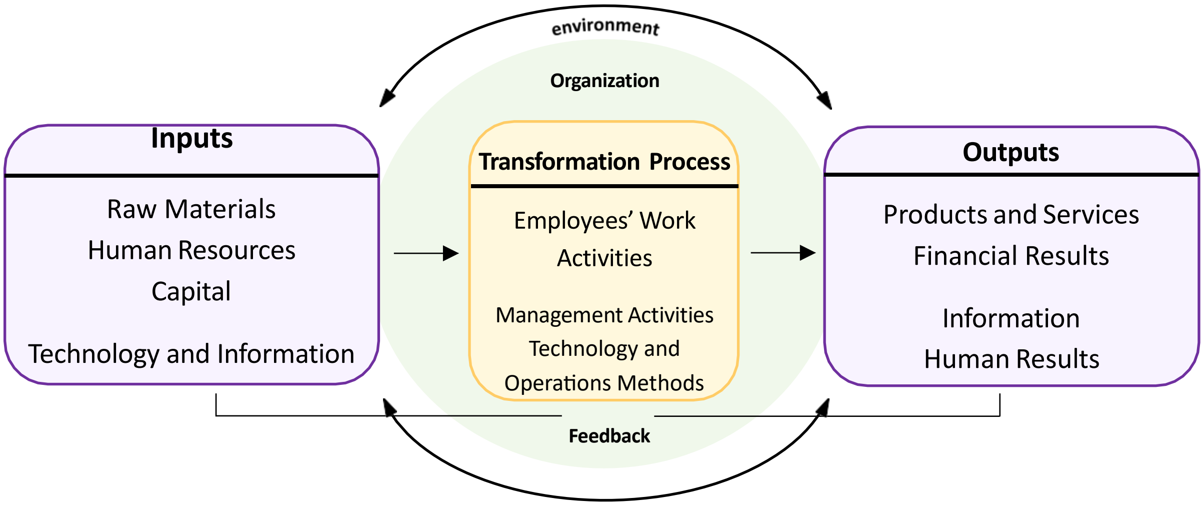
It is a set of interrelated and interdependent parts arranged in a manner that produces a unified whole.

Types of systems: Closed systems: Not influenced by and do not interact with their environment.

Open systems: Influenced by and do interact with their environment. Today, when describing organizations as systems, we mean open systems.

The test bank contains questions related to the underlined sentences and texts.

Organization from an open systems perspective:



How does the systems approach contribute to our understanding of management?

1. Researchers imagine organizations as complex systems of individuals, groups, structure, goals, status, and authority. Managers coordinate activities to ensure all parts work together to achieve goals.

E.g. The systems approach recognizes that no matter how efficient the production department is, the marketing department must anticipate customer changes and work with product development—otherwise, performance suffers.

2. Decisions and actions in one organizational area will affect other areas.

E.g. For example, if the purchasing department doesn't acquire the right quantity and quality of inputs, the production department won't be able to do its job.

3. Organizations are not self-contained. They rely on their environment for essential inputs and as outlets to absorb their outputs. No organization can survive for long if it ignores government regulations, supplier relations, or the varied external constituencies on which it depends.

"The systems approach to management is known to be quite relevant".

2. Contingency approach

Early management theorists believed their principles were universally applicable, but later research found exceptions. Effective management requires adapting approaches based on different situations rather than relying on fixed principles.

The test bank contains questions related to <u>the underlined sentences and texts.</u>

Contingency approach (situational approach): A management approach that recognizes organizations as different, which means they face different situations, contingencies, and require different ways of managing.

It would be surprising to find universally applicable management rules that would work in all situations. But, of course, it's one thing to say that the way to manage depends on the situation, and another to say what the situation is. Management researchers continue working to identify situational variables.

Popular contingency variables/ factors

1. Organization Size: As size increases, so do the problems of coordination.

E.g. The type of organization structure appropriate for an organization of 50,000 employees is likely to be inefficient for an organization of 50 employees.

2. Routineness of Task Technology: To achieve its purpose, an organization uses technology. Routine technologies require organizational structures, leadership styles, and control systems that differ from those required by customized or nonroutine technologies.

3. Environmental Uncertainty: The degree of uncertainty caused by environmental changes influences the management process. What works best in a stable and predictable environment may be totally inappropriate in a rapidly changing and unpredictable environment.

4. Individual Differences: Individuals differ in terms of their desire for growth, autonomy, tolerance of ambiguity, and expectations. These and other individual differences are particularly important when managers select motivation techniques, leadership styles, and job design.

The test bank contains questions related to the underlined sentences and texts.

Chapter 2: Decision Making

The Decision-Making Process

Decision: A choice among two or more alternatives, and managers at all levels and all areas of organizations make them.

Steps in the decision-making process:

Step 1. Identify a problem

Problem: An obstacle that makes it difficult to achieve a desired goal or purpose.

Every decision starts with a problem, a discrepancy between an existing and a desired condition or state of affairs. However, a discrepancy without pressure to take action becomes a problem that can be postponed.

Things to keep in mind when identifying a problem:

1. Managers have to be cautious not to confuse problems with symptoms of the problem.

2. A problem identification is subjective.

3. Effectively identifying problems is important, but not easy.

3 features to indicate a problem:

1. One must be aware of the problem.

2. One must be under pressure to act.

3. One must have the authority or resources to act.

E.g. Sales of the high-end units have declined. The owners want Arnold, the CEO, to increase revenues to previous levels. His first action should be to determine 'why sales are off'.

The test bank contains questions related to the underlined sentences and texts.

Step 2. Identifying decision criteria

Once a manager has identified a problem that needs attention, he or she must identify the decision criteria. That is, managers must determine what is relevant in making a decision.

Decision criteria: Criteria that define what's important or relevant to resolving a problem.

E.g. Belinda wants to introduce a new model to the product line. Three models are being developed. Belinda can choose only one. She has decided to focus on **target market size**, **production costs**, and **net profits**. These are Belinda's decision criteria.

Amanda is looking for a new job. Considering that she has two school-going children, she is particularly keen on finding an employer who can provide her with alternative work arrangements such as **flexible work hours** and **telecommuting**. These represent Amanda's decision criteria.

Max is planning to go away to college next year and is currently trying to figure out which colleges he should apply to. He would like to major in English Literature at an **accredited liberal arts college**, but is also looking for a university that offers **financial aid**. These represent Max's decision criteria.

If the criteria are equally important, step 3 can be skipped. If not, we go right to it.

Step 3. Allocate weights to the criteria

The decision maker must weigh the items in order to give them the correct priority in the decision.

(How?) A simple way is to give the most important criterion a weight of 10 and then to assign weights to the rest using that standard.

E.g. Bryan must select a new supplier for lighting fixtures for his company's mobile homes. He has decided **quality is more important than price**, but **price is more important than lead times**. Bryan will use these priorities to allocate weights to the criteria.

Step 4. Develop alternatives

It requires the decision maker to list viable alternatives that could resolve the problem. Here, a decision maker needs to be creative, as creativity is important.

"No attempt is made in this step to evaluate the alternatives, only to list them".

E.g. Carla is searching the Internet for sources for an unusual grain used in the production of an artisan bread. Carla is at the develop-alternatives step.

The test bank contains questions related to the underlined sentences and texts.

Step 5. Analyze alternatives

Once alternatives have been identified, the decision-maker must evaluate each one before selecting any of them. This step includes Step 2 and 4. From this comparison, the strengths and weaknesses of each alternative become evident.

E.g. Carla has identified several possible sources for an unusual grain for her artisan bread. **Now she is comparing their prices, quality, and delivery times**. i.e. she's analyzing alternatives.

How is the analyzing done?

Assessed values are given to each alternative after doing some research on them. This is done using the decision criteria. Then, the numbers given are multiplied by the assigned weight given before, which gives the total score for each alternative, with the sum of its weighted criteria, as shown below:

	Memory & Storage	Battery Life	Warranty
Lenovo	8	5	10
Apple MacBook	8	7	10
Dell Inspiron	10	7	6

	Weights to the criteria
Memory & Storage	10
Battery Life	8
Warranty	4

	Memory & Storage	Battery Life	Warranty	Total
Lenovo	8 * 10 = 80	5 * 8 = 40	10 * 4 = 40	160
Apple MacBook	8 * 10 = 80	7 * 8 = 56	10 * 4 = 40	176
Dell Inspiron	10 * 10 = 100	7 *8 = 56	6 * 4 = 24	180

Step 6. Select an alternative

Here, we choose the best alternative or the one that generated the highest total in Step 5.

Step 7. Implement the alternatives

We put the decision into action by conveying it to those affected and getting their commitment to it. If the people who must implement a decision participate in the process, they're more likely to support it than if you just tell them what to do. i.e. allowing those impacted by the outcome to participate in the process is important in effectively implementing the chosen alternative in the decision-making process. Managers may also need to reassess the environment for any changes while implementing the alternative.

The test bank contains questions related to the underlined sentences and texts.

Step 8. Evaluate decision effectiveness

It involves evaluating the outcome or result of the decision to see whether the problem was resolved. If the evaluation shows that the problem still exists, then the manager needs to assess what went wrong. The manager may consider returning to a previous step or may even consider starting the whole decision process over.

E.g. It is important for Diane to review the results of her decision to increase production of Model 36CKTS because results may vary from expectations.

Approaches To Decision Making

Decision-making is part of all four managerial functions. That is why managers are called decision-makers.

1. Rationality

It is expected that managers will use rational decision-making.

Rational decision-making: Describes choices that are logical and consistent and maximize values.

Assumptions of Rationality

"Personal and managerial"

a. A rational decision-maker would be fully objective and logical.

b. The problem faced would be clear and unambiguous.

c. The decision-maker would have a clear and specific goal and know all possible alternatives and consequences.

d. Making decisions rationally would consistently lead to selecting the alternative that maximizes the likelihood of achieving that goal.

"Managerial only"

e. Decisions are made in the best interests of the organizations.

"These assumptions of rationality aren't very realistic, and managers don't always act rationally".

E.g. Dylan must choose among four candidates to fill his open accounting clerk position. If Dylan uses rational decision making, he will disregard the fact the one of the candidates is the owner's nephew.

The test bank contains questions related to the underlined sentences and texts.

2. Bounded Rationality

Despite the unrealistic assumptions, managers are expected to be rational in making decisions. They understand that good decision-makers are supposed to exhibit good decision-making behaviors as they identify problems, consider alternatives, gather information, and act decisively but prudently, to show others that they're competent and their decisions are the result of intelligent deliberation.

However, there's a more realistic approach than 'rationality', which is bounded rationality.

Bounded rationality: Decision making that is rational, but limited (bounded) by an individual's ability to process information.

E.g. Evelyn's Internet search for information about "vendor for machine screws" yielded more than 100,000 items. Evelyn did not have time or resources to pursue each of these, so **she limited her search to only vendors in her state**. By doing this, Evelyn used bounded rationality.

Because they can't possibly analyze all information on all alternatives, **managers satisfice rather than maximize**.

Satisfice: Accept solutions that are "good enough".

E.g. Julie is keen on joining Columbia University to pursue a master's degree in economics. However, after three months of applying and waiting for an acceptance letter, she finally **decides to attend NYU, which was one of her backup colleges**.

Abigail is shopping for a new copier for her company. She has set her price range between $5,000 and $6,000. The copier must handle a minimum of 10,000 copies per month and have a useful life expectancy of five years. If Abigail **selects the first copier she finds that meets these criteria**, we would say she is satisficing.

Managers' decision-making is likely influenced by a phenomenon called **escalation of commitment**.

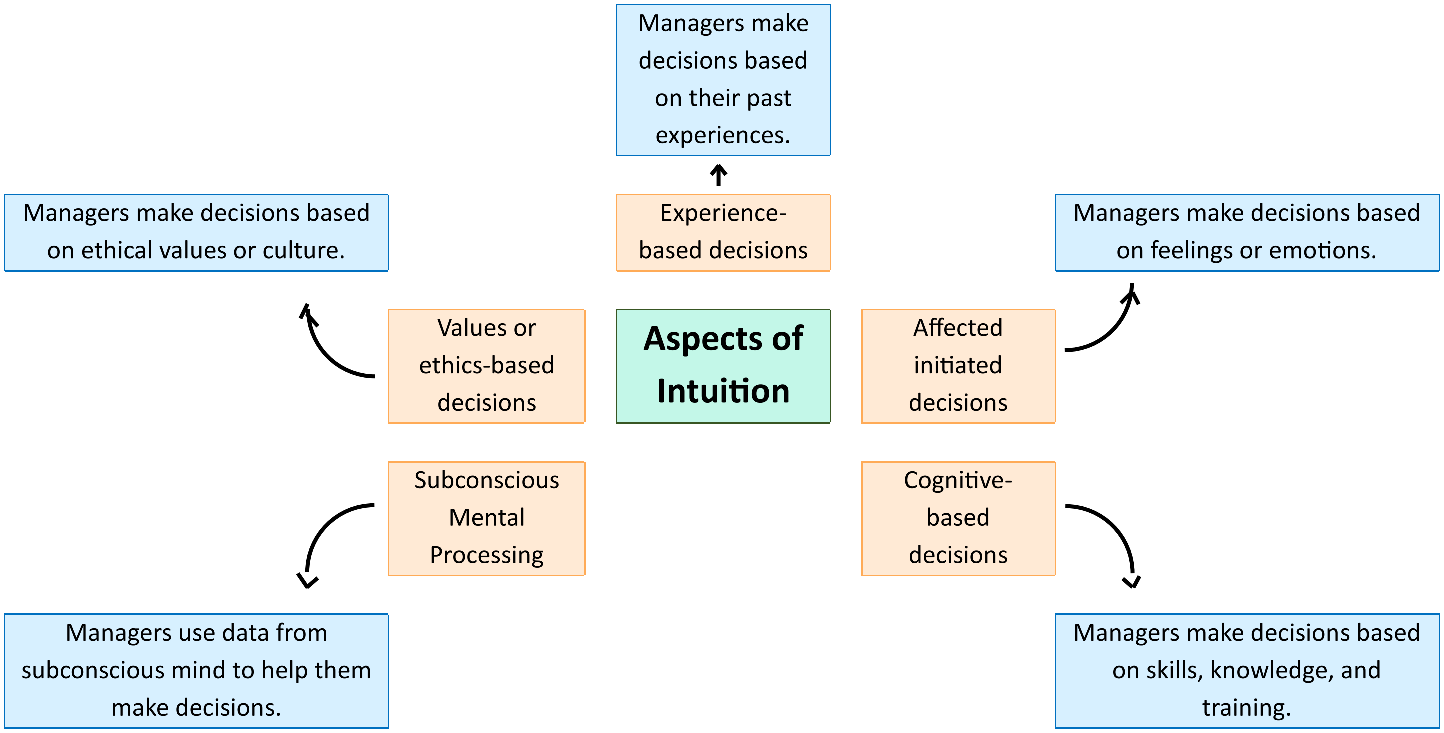
Escalation of commitment: An increased commitment to a previous decision, despite evidence it may have been wrong.

E.g. Edgar hired a graduate from his alma mater, thinking he would be a successful first line supervisor. Unfortunately, the new hire hasn't worked out as well as hoped. Edgar **decided to invest time and money in training for the new hire but saw little improvement**. Next, he **assigned a successful supervisor to mentor the young employee**. The problems persisted.

The test bank contains questions related to the underlined sentences and texts.

3. Intuition

Intuitive decision-making: Making decisions on the basis of experience, feelings, and accumulated judgment.



How does intuition affect the process of making a decision?

Intuitive decision-making can complement **both rational and bounded rational decision-making**. First of all, a manager who has had experience with a similar type of problem or situation often can act quickly with what appears to be limited information because of that past experience. Individuals who experienced intense feelings and emotions when making decisions actually achieved higher decision-making performance, especially when they understood their feelings as they were making decisions.

E.g. Farrell has a knack for selecting candidates who become very successful workers. When asked how he does it, he answered that he "listened to his gut".

4. Evidence-Based Management

Evidence-Based Management (EBMgt): The systematic use of the best available, relevant, and reliable evidence to improve management practice.

E.g. Gilda has an idea that would streamline operations, reduce costs, and increase profits. Her idea requires the cooperation of several departments, some of which have demonstrated a resistance to change considering the context in which the changes must happen and the people in her organization.

Farrah has called together her management team to review information about customer satisfaction gathered by an external research company.

Essential Elements of EBMgt:

1. The decision-maker's expertise and judgment.

2. External evidence that's been evaluated by the decision-maker.

3. Options, preferences, and values of those who have a stake in the decision.

4. Relevant organizational internal factors such as context, circumstances, and organizational members.

Types Of Decisions

1. Structured Problems and Programmed Decisions

Structured problems: Straightforward, familiar, easily defined and complete problems.

E.g. Garrett looked at the list of orders for the coming week and made out the production schedule. He has done this so many times he could do it in his sleep.

Programmed decision: A repetitive decision that can be handled by a routine approach.

E.g. Harriet's machine has stopped working again. She consulted the operator's manual troubleshooting guide to find a solution.

A server spills a drink on a customer's coat. The manager needs to do something. Because it's not an unusual occurrence, there's some standardized routine for handling it. The manager can offer to have the coat cleaned at the restaurant's expense.

Because the problem is structured, the manager doesn't have to go through the trouble and expense of going through an involved decision process.

The test bank contains questions related to the underlined sentences and texts.

Types of programmed decisions:

1. Procedure: A series of sequential steps used to respond to a well-structured problem.

The only difficulty is identifying the problem. Once it's clear, so is the procedure.

E.g. A Purchasing Manager receives a request from a Warehouse Manager for 15 tables for the Inventory Clerks. The Purchasing Manager knows how to make this decision by following the established purchasing procedure.

One of the workers in Henry's department submitted his two weeks' notice. So, Henry needs to hire a replacement. The HR department issued a set of instructions (procedure) Henry must follow to initiate the search for candidates.

2. Rule: An explicit statement that tells managers what can or cannot be done.

Rules are frequently used because they're simple to follow and ensure consistency.

E.g. Rules about lateness and absenteeism permit supervisors to make disciplinary decisions rapidly and fairly.

"All employees must be at their work stations and ready to work by the time the buzzer sounds."

"Smoking and the consumption of alcohol are strictly prohibited inside the work premises."

"Rules and Procedures are NOT the same".

3. Policy: A guideline for making decisions.

In contrast to a rule, a policy establishes general parameters for the decision maker rather than specifically stating what should or should not be done. Policies typically contain an ambiguous term that leaves interpretation up to the decision maker.

E.g. "We expect to maintain the highest standards of quality in our workmanship."

2. Unstructured Problems and Nonprogrammed Decisions

Unstructured problems: Problems that are new or unusual and for which information is ambiguous or incomplete.

E.g. Suddenly deciding on building a new manufacturing facility in China.

After nearly 30 years of growth, sales at Ida's company have begun to decline. None of the managers have been able to determine the cause. Some say the entire economy is in recession; others blame a change in suppliers; still others say the work ethic among employees just isn't what it used to be.

The test bank contains questions related to the underlined sentences and texts.

Non-programmed decisions: Unique and non-recurring and involve custom-made solutions.

E.g. Ian is a plant manager in a multi-site corporation. He often deals with situations **involving new customers and new products**.

Characteristics	Programmed decisions	Non-programmed decisions
Type of problem	Structured	Unstructured
Managerial level	Lower levels	Upper levels
Frequency	Familiar, repetitive, routine	New, unusual
Information	Readily available	Ambiguous, incomplete
Goals	Clear, specific	Vague
Time frame for solution	Short (fast)	Relatively long (slow)
Solution relies on…	Procedures, rules, policies	Judgment, creativity

Few managerial decisions in the real world are either fully programmed or non-programmed. Most fall somewhere in between.

Decision-Making Conditions

1. Certainty: A situation in which a manager can make accurate decisions because all outcomes are known.

E.g. It is time for Jane to order aluminum tubing again. She typically orders from one of three vendors. She **knows** the price, delivery time, and quality of each vendor.

2. Risk: Condition in which the decision maker is able to estimate the likelihood of certain outcomes.

Under risk, managers have **historical data** from past personal experiences or **secondary information** that lets them assign probabilities to different alternatives.

E.g. The manager of an apparel store estimates how much to order for the current spring season **based on last spring's sales figures**.

3. Uncertainty: A situation in which a decision maker has neither certainty nor reasonable probability estimates available.

E.g. In the late 1970s, Apple launched the Apple computer for individual use. It was a radical concept; **there was no precedent for this type of product**. Under these circumstances, Apple faced a situation of uncertainty.

Under these conditions, the choice of alternatives is influenced by the limited amount of available information and by the **psychological orientation** of the decision maker.

The test bank contains questions related to the underlined sentences and texts.

Psychological orientation is divided into:

1. Optimistic: The manager will follow **maximax choice** (maximizing the maximum possible payoff).

E.g. James has calculated the possible profits from three different scenarios for the expansion of his recreation park, each for a different amount of advertising and promotion. He has chosen to implement the scenario **that offers the greatest profit**. James has decided to maximax.

2. Pessimist: The manager will follow a **maximin choice** (maximizing the minimum possible payoff).

E.g. Depending on the weather and the amount of advertising, Kyle has developed six scenarios for his summer profits from his lawn care business. **His business has failed to reach his expectations in the past, so he fears the worst**. Kyle will likely choose maximin choice.

3. Regret: The manager desires to opt for **minimax choice** (minimize the maximum possible payoff).

"Although managers try to quantify a decision when possible by using payoff and regret matrices, uncertainty often forces them to rely more on intuition, creativity, hunches, and 'gut feel'".

A method that managers use in making decisions is heuristics.

Heuristics: Rules of thumb that managers use to simplify decision-making.

They can be useful because they help making sense of complex, uncertain, and ambiguous information.

The test bank contains questions related to the underlined sentences and texts.

Chapter 5: Socially-Conscious Management

From Obligations To Responsiveness To Responsibility

To understand social responsibility, we can first compare it to two similar concepts:

1. Social obligation

Social obligation: When a firm engages in social actions because of its obligation to meet certain economic and legal responsibilities.

The organization does what is required by law, and what it's obligated to do, nothing more.

E.g. A university pays minimum wage when necessary and applies the minimum legal standards to its employees work environment.

A company that meets but does not exceed federal pollution control standards and does not discriminate in hiring, promotion, and pay.

2. Social responsiveness

Social responsiveness: When a company engages in social actions in response to some popular social need.

Managers are guided by social norms and values and make practical, market-oriented decisions about their actions.

E.g. When a firm advertises that it only uses recycled paper products.

A U.S. business that provides on-site childcare facilities for employees.

If your university provides job-share programs, builds a day-care facility, and only uses recycled paper.

Carson wants to build an electricity generating plant that uses combustible fuels collected from the city's garbage, and located near the downtown government area so that the steam could be used for heating the government buildings after it has passed through the generating turbines.

The test bank contains questions related to the underlined sentences and texts.

3. Social responsibility

Social Responsibility: A business's intention beyond its legal and economic obligations to do the right things and act in ways that are good for society.

E.g. Apple has eliminated lead-lined glass monitors from its product line and pioneered reduced sized packaging that leverages recyclable materials.

The aspect that differentiates social responsibility from other similar concepts is that it adds an ethical imperative to do those things that make society better. A socially responsible organization does what is right because it feels it has an ethical responsibility to do so.

The belief that business involvement can help solve difficult social problems is the better environment argument on social responsibility.

“For many businesses, their social actions are better viewed as socially responsive rather than socially responsible. However, such actions are still good for society”.

There are 2 views reflected by these 3 concepts:

1. The classical view

“Reflected by social obligation”

Classical view: The view that management's only social responsibility is to maximize profit.

E.g. Appleton would like to build a coal-burning electric generating facility located in a remote area because the cost involved is moderate.

The most outspoken advocate of this approach is economist and Nobel Laureate **Milton Friedman**.

He argued that:

a) A manager's primary responsibility is to operate the business in the best interests of the stockholders, whose primary concerns are financial.

b) When managers decide to spend the organization's resources for “social good”, they add to the costs of doing business that are passed on to consumers through higher prices or absorbed by stockholders through smaller dividends.

The test bank contains questions related to the underlined sentences and texts.

2. The socioeconomic view

"Reflected by social responsiveness and social responsibility"

Socioeconomic view: The view that management's social responsibility goes beyond making profits to include protecting and improving society's welfare.

This view is based on the belief that corporations are **not independent** entities responsible only to stockholders, but have an obligation to the larger society.

E.g. Baskins wants to build a nuclear plant because this will not add to his city's already serious pollution problem, while taking care of its electricity requirements.

Should organizations be socially involved?

Studies on the effect between **social involvement** and **economic performance** show that even if they're **positively** related, this doesn't prove social involvement caused better performance—high profits might simply allow companies the "luxury" of being socially involved.

Ways to look at this relation:

1. Examining arguments for and against social involvement

FOR

Public expectations: Public opinion now supports businesses pursuing economic and social goals.	**Long-run profits:** Socially responsible companies tend to have more secure long-run profits.
Ethical obligation: Businesses should be socially responsible because responsible actions are the right thing to do.	**Public image:** Businesses can create a favorable public image by pursuing social goals.
Better environment: Business involvement can help solve difficult social problems.	**Stockholder interests:** Social responsibility will improve a business's stock price in the long run.
Balance of responsibility and power: Businesses have a lot of power and an equal large amount of responsibility is needed to balance against that power.	**Discouragement of further governmental regulation:** By becoming socially responsible, businesses can expect less government regulation.
Possession of resources: Businesses have the resources to support public and charitable projects that need assistance.	**Superiority of prevention over cures:** Businesses should address social problems before they become serious and costly to correct.

AGAINST

Violation of profit maximization: Business is being socially responsible only when it pursues its economic interests.	**Too much power:** Businesses have a lot of power already. If they pursue social goals, they will have even more.
Dilution of purpose: Pursuing social goals dilutes business's primary purpose – economic productivity –.	**Lack of accountability:** There are no direct lines of accountability for social actions.
Lack of skills: Business leaders lack the necessary skills to address social issues.	**Costs:** Many socially responsible actions do not cover their costs, and someone must pay those costs.

The test bank contains questions related to the underlined sentences and texts.

2. Looking at socially responsible investing (SRI) funds

SRI funds provide a way for individual investors to support socially responsible companies.

These funds use some type of **social screening**.

Social Screening: Applying social and environmental criteria (screens) to investment decisions.

SRI funds will not invest in companies involved in liquor, gambling, tobacco, weapons, or in companies that have poor product safety.

Conclusion: A company's social actions don't hurt its economic performance.

Green Management And Sustainability

A number of environmental disasters brought a new spirit of environmentalism. Increasingly, managers have begun to focus on **green management**.

Green management: Managers consider the impact of their organization on the natural environment.

How do organizations go green?

Shades of Green **model describes 4 approaches that organizations may take:**

1. **Legal (light green) approach:** Illustrates social obligation, and organizations exhibit little environment sensitivity (the lowest). They obey laws, rules, and regulations without legal challenge (do what is required legally). And that's the extent of their being green.
   E.g. EPA regulations **permit** the release of 150 micrograms of particulate matter per cubic meter of air every 24 hours from paint shops. Utilimotors, a utility truck maker, **monitors its emissions so it releases between 140 and 150 micrograms**.
2. **Market approach:** Illustrates social responsiveness, and organizations become more sensitive to environmental issues and respond to environmental preferences of customers. Whatever customers demand in terms of environmentally friendly products will be what the organization provides.
3. **Stakeholder approach:** Illustrates social responsiveness, and organizations work to meet the environmental demands of multiple stakeholders such as employees, suppliers, community.
4. **Activist (dark green) approach:** Illustrates social responsibility and reflects the highest degree of environmental sensitivity. Organizations look for ways to protect the Earth's natural resources.
   E.g. Miller's Multivitamins uses only organically grown fruits and vegetables in its vitamins. It purifies any water used in its processes before releasing it back into the environment and exceeds the EPA requirements for cleaning particulates from the air it uses.

The test bank contains questions related to the underlined sentences and texts.

(???) **Evaluating green management actions**

Ways to show commitment to being green:

1. Global Reporting Initiative (GRI): Companies around the globe now voluntarily report their efforts in promoting environmental sustainability using the guidelines developed by GRI. These reports describe the numerous green actions of these organizations.

2. ISO: Organizations pursue standards developed by the nongovernmental International Organization for Standardization (ISO). It has developed many standards, and it's best known for:

a) ISO 9000 standards related to quality management.

b) ISO 14000 standards related to environmental management.

To reach those number, organizations must develop a **total management system** for meeting challenges. If the organization meets these standards, it can state that its ISO reaches that specific number's complaint.

3. Global 100: Organizations can use the global 100 list of the most sustainable corporations in the world. To be named in this list, a company displaces a superior ability to effectively manage environmental and social factors.

Managers And Ethical Behavior

Ethics: Principles, values, and beliefs that define what is right and wrong behavior.

Business Behavior: Ethical or unethical behavior by employees in the organization.

Many decisions managers make require considering both the process and who's affected by results.

Factors that determine ethical and unethical behavior when facing an ethical dilemma:

1. Stage of Moral Development **"3 Levels, 6 Stages"**

Level No. 1: Pre-conventional: A person's choice between right and wrong is based on personal consequences from outside sources, such as physical punishment, reward, or exchange of favor.

E.g. Norman is a stickler for following the rules because he is sure he will be caught and punished if he doesn't.

John is offered an incentive to steal sensitive information about his company's wealthy investment customers. This statement: "**I am liable to be criminally prosecuted for my involvement in stealing the information**" - best reflects John's thoughts if he is at this level.

The test bank contains questions related to the underlined sentences and texts.

Level No. 2: Conventional: Ethical decisions rely on maintaining expected standards and living up to the expectations of others.

E.g. The phrase "My word is my bond" is likely to be spoken by someone here.

Level No. 3: Principled: Individuals define moral values apart from the authority of the groups to which they belong or society in general.

E.g. Pharmacists who decline to dispense drugs that cause abortions.

John is offered an incentive to steal sensitive information about his company's wealthy investment customers. This statement: "**By stealing from another person, I will be in violation of the moral standards I've come to expect of myself**" - Best reflects John's thoughts if he is at this level.

At each successive stage, an individual's moral judgment becomes less dependent on outside influences and more internalized.

LEVEL	STAGE
Principled	**6.** following self-chosen ethical principles even if they violate the law. **5.** Valuing rights of others and upholding absolute values and rights regardless of the majority's opinion.
Conventional	**4.** Maintaining conventional order by fulfilling obligations to which you have agreed. **3.** Living up to what is expected by people close to you.
Preconventional	**2.** Following rules only when doing so is in your immediate interest. **1.** Sticking to rules to avoid physical punishment.

2. Moderating variables

a) individual characteristics

1) Values: Represent basic convictions about what is right and wrong. They play a role in determining whether a person behaves ethically. Our values develop from a young age based on what we see and hear from parents, teachers, friends, and others. Thus, employees in the same organization often possess different values. "Values are broad and cover a wide range of issues".

2) Personality: Consists of two personality variables:

a. Ego strength: A personality measure of strength of a person's conviction.

Individuals high in ego strength are more likely to do what they think is right and be more consistent in their moral judgments and actions than those with low ego strength.

The test bank contains questions related to the underlined sentences and texts.

E.g. Despite reassurances from R&D's internal testing lab, Stephen believes the new material for climbing ropes should not be used in their manufacture until it has been certified by an independent lab. It would appear that Stephen has high ego strength.

Upper management is pushing hard to increase earnings per share. If Moe yields to this pressure despite misgivings about the use of a non-certified material in the production of climbing equipment, he will be demonstrating weak ego strength.

b. Locus of Control: A personality attribute that measures the degree to which people believe they control their own fate.

There are two types of locus of control:

- **Internal:** People with an internal locus of control believe they control their own destinies. They are more likely to take responsibility for consequences, rely on their own internal standards of right and wrong to guide their behavior, and to be consistent in their moral judgments and actions.
  E.g. A manager who believes that she can work hard and will meet the productivity goals of her organization despite unfavorable conditions has an internal locus of control.
- **External:** People with an external locus of control believe that what happens to them is due to luck or chance. They are less likely to take personal responsibility for the consequences of their behavior and more likely to rely on external forces.

b) Structural variables

An organization's structural design can influence whether employees behave ethically.

Those structures include:

1. Formal rules, regulations, job description, and codes of ethics: Minimize ambiguity and uncertainty by reminding employees of what is ethical.

2. Goals: Although many organizations use goals to guide and motivate employees, those goals can create some unexpected problems. A study found that people who don't reach set goals are more likely to engage in unethical behavior, even if they do or don't have economic incentives to do so.

3. Performance appraisal systems: It can influence ethical behavior. Some systems focus exclusively on outcomes, while others evaluate **means** as well as **ends**. When employees are evaluated only on outcomes, they may be pressured to do whatever is necessary to look good on the outcomes and not be concerned with how they got those results, serving to excuse unethical behavior.

4. Reward allocation procedures: The more that rewards or punishment depend on specific goal outcomes, the more employees are pressured to do whatever they must to reach those goals, perhaps to the point of compromising their ethical standards.

The test bank contains questions related to the underlined sentences and texts.

c) Issue intensity

A student who would never consider breaking into an instructor's office to steal an accounting exam doesn't think twice about asking a friend who took the same course from the same instructor last semester what questions were on an exam. Similarly, a manager might think nothing about taking home a few office supplies, yet be highly concerned about the possible embezzlement of company funds. These examples illustrate **the intensity of the ethical issue itself**.

There are 6 characteristics determining issue intensity "how important an ethical issue is to an individual":

Greatness of Harm	**Consensus of Wrong**	**Probability of Harm**
How many people will be harmed?	How much agreement is there that this action is wrong ?	How likely is it that this action will cause harm?
Immediacy of Consequences	**Proximity to Victim(s)**	**Concentration of Effects**
Will harm be filled immediately?	How close are the potential victims?	How concentrated is the effect of the action on the victims?

"A cartoon showing black smoke from a smokestack and the caption "We're okay as long as the wind keeps blowing" illustrates Proximity to Victim(s)"

(???) Ethics in an International Context

Social and cultural differences between countries are important factors that determine ethical and unethical behavior.

Guides to being ethical in international business:

1. Foreign Corrupt Practices Act (FCPA): U.S Managers are guided by it in the case of payments to influence foreign officials or politicians, which makes it illegal to knowingly corrupt a foreign official. However, even this law doesn't always reduce ethical dilemmas completely.

It's important for individual managers working in foreign cultures to recognize the social, cultural, and political-legal influences on what is appropriate and acceptable behavior.60 And international businesses must clarify their ethical guidelines so that employees know what's expected of them while working in a foreign location, which adds another dimension to making ethical judgments.

The test bank contains questions related to the underlined sentences and texts.

2. United Nations Global Compact

United Nations Global Compact: An initiative created by the United Nations outlining principles for doing business globally in many areas, as shown below:

Human Rights	
Principle 1:	Business should support and respect the protection of internationally proclaimed human rights within their sphere of influence.
Principle 2:	Make sure they are not complicit in human rights abuses.
Labor Standards	
Principle 3:	Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.
Principle 4:	The elimination of all forms of forced and compulsory labor.
Principle 5:	The effective abolition of child labor.
Principle 6:	The elimination of discrimination in respect to employment and occupation.
Environment	
Principle 7:	Business should support a precautionary approach to environmental challenges
Principle 8:	Undertake initiatives to promote greater environmental responsibility.
Principle 9:	Encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	
Principle 10:	Business should work against corruption in all its forms, including extortion and bribery

"The goal of the UN Global Compact is a more sustainable and inclusive global economy".

3. Organization for Economic Co-operation and Development (OECD): The centerpiece of its efforts is the Anti-Bribery Convention (or set of rules and guidelines), which was the first global instrument to combat corruption in cross-border business deals. (It did not develop a global code of ethics)

The test bank contains questions related to the underlined sentences and texts.

Encouraging Ethical Behavior

Ways to encourage ethical behavior and create a comprehensive ethics program:

1. Employee selection

Managers identify the ethically questionable applicants even before they become part of the workforce by using integrity testing.

The selection process should be an opportunity to learn about an individual's level of moral development, personal values, ego strength, and locus of control. However, Even with a carefully designed selection process, individuals with questionable standards of right and wrong may still be hired. That means having other ethics controls in place.

the importance of an organization's culture:

An organization's strong culture consists of the **shared organizational values**. These values create an environment that influences employee behavior ethically or unethically.

When it comes to ethical behavior, a culture that encourages high ethical standards is high in risk tolerance, control, and conflict tolerance. Employees in such a culture are encouraged to be aggressive and innovative, are aware that unethical practices will be discovered, and feel free to challenge expectations they consider to be unrealistic or undesirable.

Because shared values can be powerful influences, many organizations are using **values-based management**.

Values-based management: The organization's values guide employees in the way they do their jobs. (involves a mission statement).

E.g. Your university has tried to promote the establishment of shared values so that all members will understand its beliefs.

Thus, **an organization's managers play an important role** in creating an environment that encourages employees to embrace the culture and desired values as they do their jobs.

"People look at what managers do and use that as a benchmark for acceptable practices".

2. Codes of ethics and decision rules

Code of ethics: A formal statement of an organization's values and the ethical rules it expects employees to follow, and a popular choice for reducing that ambiguity About what is and is not ethical.

Organizations are best suited to promote ethical behavior in its employees that have formal rules and regulations in place.

The test bank contains questions related to the underlined sentences and texts.

3. Leadership at the top

Doing business ethically requires a commitment from managers at all levels, especially the top level. Because they're the ones who uphold the shared values, set the cultural tone, and are role models in terms of words and actions.

Top managers also set the tone by their **reward and punishment practices**. The choices of whom and what are rewarded with pay increases and promotions send a strong signal to employees.

4. Job goals and performance appraisal

Under the stress of unrealistic goals, ethical employees may feel they have no choice but to do whatever is necessary to meet those goals. Also, goal achievement is usually a key issue in performance appraisal. If performance appraisals focus only on economic goals, ends will begin to justify means. To encourage ethical behavior, **both ends and means should be evaluated**.

5. Ethics training

More organizations are setting up ethics training programs to encourage ethical behavior, which is most likely to have the greatest impact. Still, the primary concern is whether ethics can be taught.

Evidences show that teaching ethical problem solving can make a difference in ethical behaviors; training has increased individuals' level of moral development; and awareness of ethical issues in business.

6. Independent Social Audits

Independent Social Audits: Evaluating decisions and management practices in terms of the organization's code of ethics.

E.g. Marveline Company brought in help from outside to evaluate decisions and management practices in relation to the organization's code of ethics. These evaluations are independent social audits.

To maintain integrity, auditors should be responsible to the company's **board of directors** and present their findings directly to the board. This arrangement gives the auditors clout and lessens the opportunity for retaliation from those being audited.

Two concepts that should be known:

1. **Whistle-blower:** Individual who raises ethical concerns or issues to others and report wrong doing.
2. **Social entrepreneur:** An individual or organization that seeks out opportunities to improve society by using practical, innovative, and sustainable approaches. (identify social problems and solve them).

The test bank contains questions related to the underlined sentences and texts.

Chapter 7: Constrains On Managers

The Manager: Omnipotent Or Symbolic?

Evaluating organizational success and failure is represented by different views on management:

1. The Omnipotent View

"Also known as **the dominant view** in management theory and society".

Omnipotent view: The view that managers are directly responsible for an organization's success or failure.

Differences in an organization's performance are assumed to be due to the decisions and actions of its managers. When profits are up, managers take the credit and are rewarded with bonuses and stock options. When profits are down, top managers are often fired in the belief that "new blood" will bring improved results.

This view of managers as omnipotent is consistent with the stereotypical picture of the take-charge business executive who overcomes any obstacle in seeing that the organization achieves its goals. It also explains turnover among college and professional sports coaches, who are considered the "managers" of their teams.

E.g. Calvin's goals for the coming year include specific targets for increasing market share and quantity of units shipped. **If he succeeds, he will be handsomely rewarded**. **If he fails, he is likely to be replaced**.

The soccer league in England is notorious for the number of team managers **fired** over the course of a single season, which stands at no fewer than eight managers on average, **owing to poor team form and consequently, poor results**.

Wendell notices that the company's top executives share a belief that managers are directly responsible for the organization's success or failure.

2. The Symbolic View

Symbolic view: The view that much of an organization's success or failure is due to external forces outside managers' control.

This view is labeled "symbolic" because it's based on the belief that managers symbolize control and influence by developing plans and making decisions. It says that performance is influenced by factors over which managers have little control, like the economy, customers, governmental policies, and competitors' actions rather than managers themselves.

The test bank contains questions related to the underlined sentences and texts.

According to the symbolic view, managers have a limited effect on substantive organizational outcomes, i.e. they play a limited part in organizational success or failure.

E.g. Wendell interviews many middle-level managers and discovers that they share a different view of management. These individuals believe that **external factors constrain managers' influence over outcomes**.

Elmo Research & Development has been going through a rough patch lately. Turnover has been high and employee morale is at an all-time low. Though employees and competitors hold management responsible for the decline, **the CEO does not let the managers go or change the management style**. What could explain this attitude is that the CEO holds the view that managers have only a limited role in organization success or failure.

Constrains On Managerial Discretion

1. External constraints "come from the organization's environment"

External environment: Those factors and forces outside the organization that affect its performance.

There are 6 components of external environment:

Economic	• Encompasses factors such as interest rates, inflation, changes in disposable income, stock market fluctuations, and business cycle stages.
Demographics	• Concerned with trends in population characteristics such as age, race, gender, education level, geographic location, income, and family composition.
Political/Legal	• Looks at federal, state, and local laws as well as global laws and laws of other countries. It also includes a country's political conditions and stability.
Sociocultural	• Concerned with societal and cultural factors such as values, attitudes, trends, traditions, lifestyles, beliefs, tastes, and patterns of behavior. **E.g.** The Metropolis News has experienced a decline in the number of subscriptions to its printed newspaper over the last 5 years. It seems people prefer news feeds sent to their smartphones rather than a printed paper delivered to their homes. "Over time, society has become more accepting of alternative lifestyles".
Technological	• Concerned with scientific or industrial innovations.
Global	• Encompasses those issues associated with globalization and a world economy.

The test bank contains questions related to the underlined sentences and texts.

A detailed examination of two components:

1. The Economic Environment

Managers need to be aware of the economic context, so they can make the best decisions for their organizations:

The global economy and the economic context

One of the risks that was observed to be facing business leaders and policy makers over the next decade is economic inequality, since it reflects that it's not just the economic numbers, but also societal attitudes that can constrain managers.

E.g. The citizens of Abolonia believe no top executive should ever earn more than 40 times the average wage of the company's employees, showing how societal attitudes in the economic context create constraints on the decisions managers make.

Economic inequality and the economic context

As economic growth has languished and sputtered, and as people's belief that anyone could grab hold of an opportunity and have a decent shot at prosperity has wavered, social discontent over growing income gaps has increased. People's beliefs about conditions of economic inequality illustrate how societal attitudes can constrain managers' decisions and actions.

E.g. The firm's customers' disposable income falls in the range of $25,000-$40,000.

changing economic conditions in a firm's external environment would happen with an increase in mortgage interest rates.

Suppose the government of Abolonia imposed a national sales tax on its citizens that reduced their disposable income. Economic component of the external environment would affect this.

A constraint of having the global economy rebounding rapidly from the Great Recession on decisions managers make is that qualified job candidates will become fewer and fewer.

2. The Demographic Environment

Important characteristic of the demographic (external) environment	
Age	The workplace often has different age groups all working together. **1. Baby Boomers** (individuals between 1946 – 1964). **2. Gen Y "Millennials"** (individuals between 1978 – 1994). **3. Post-Millennials "Gen Z":** Called "**iGeneration**" because they've grown up with technology that customizes everything to the individual.
Why is it important?	Because large numbers of people at certain stages in the life cycle can constrain decisions and actions taken by businesses, governments, educational institutions, and other organizations.

The test bank contains questions related to the underlined sentences and texts.

There's an impact of population trends on future organizations and managers around the world. For instance, if true, the percentage of Hispanics in the candidate pool that will increase, represents a demographic change that will affect decisions future managers make.

How the external environment affects managers

There are 3 ways on how the environment constrains and challenges managers:

1. Jobs and employment

Although business strategy shifts due to economic changes aren't bad in and of themselves, they do create challenges for managers who must balance work demands and having enough of the right types of people with the right skills to do the organization's work.

In addition to changes in external conditions affecting types of jobs available, they affect how those jobs are created and managed (flexible work arrangements, freelancers and temporary workers doing work tasks, individuals sharing jobs).

2. Assessing environmental uncertainty

Environmental uncertainty: The degree of change and complexity in an organization's environment.

Dimensions of uncertainty:

1. Degree of (environmental) change: If the components in an organization's environment change frequently, it's a dynamic environment. If change is minimal, it's a stable one.

Characteristics of a stable environment: The absence of new competitors, few technological breakthroughs by current competitors, and little activity by pressure groups to influence the organization.

2. Degree of (environmental) complexity: The number of components in an organization's environment and the extent of the organization's knowledge about those components.

E.g. **High level of uncertainty:** Mario's restaurant competes against 325 others in the city; the city's ethnic mix is constantly changing.

Low level of uncertainty: Maria's is still the only restaurant in a small town. She took it over from her mother and still uses the same equipment.

D&B Designs has been in the landscape design business in Pleasantville for the past twenty years. As the "first mover" in the market, the company has built a strong market share over the years and is the best-known firm in the area. The company strength increased steadily, and now stands at fifty employees. Zoning laws in the area change as each new city council comes into power would make the company's business environment more uncertain.

The test bank contains questions related to the underlined sentences and texts.

Environmental Uncertainty Matrix

<table>
<tr><td rowspan="4">Degree of Complexity</td><td colspan="3">Degree of Change</td></tr>
<tr><td></td><td>Stable</td><td>Dynamic</td></tr>
<tr><td>Simple</td><td>Cell 1
“Lowest level of environmental uncertainty.”
- Stable and predictable environment.
- Few components in environment.
- Components are somewhat similar and remain basically the same.
- Minimal need for sophisticated knowledge of components.</td><td>Cell 2
- Dynamic and unpredictable environment
- Few components in environment.
- Components are somewhat similar but are continually changing.
- Minimal need for sophisticated knowledge of components.</td></tr>
<tr><td>Complex</td><td>Cell 3
- Stable and predictable environment.
- Many components in environment.
- Components are not similar to one another and remain basically the same.
- High need for sophisticated knowledge of components.</td><td>Cell 4
“Highest/greatest level of environmental uncertainty.”
- Dynamic and unpredictable environment.
- Many components in environment.
- Components are not similar to one another and are continually changing.
- High need for sophisticated knowledge of components.</td></tr>
</table>

E.g. of Cell 1: The area in which your office operates has been relatively stable in terms of land prices and demand. However, you have noticed that demand for housing in the area usually spikes in summer.

“In Cell 1, managers in an organization have the greatest influence on organizational outcomes”.

3. Managing stakeholder relationships

Stakeholders: Any constituencies in the organization’s environment that are affected by an organization’s decisions and actions.

Groups (competitors, employees…) have a stake in or are significantly influenced and affected by what the organization does in terms of its decisions and actions. In turn, these groups can influence the organization.

E.g. The bakery's regular customers represents an important constituent of a small-town bake shop selling desserts and coffee.

The test bank contains questions related to the underlined sentences and texts.

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

Why should managers even care about managing stakeholder relationships?

1. It can lead to desirable organizational outcomes.

2. Managers of high-performing companies tend to consider the interests of all major stakeholder groups as they make decisions (not just the most profitable ones).

3. It's the "right" thing to do.

2. Internal constraints "come from the organization's culture"

Every organization has a personality, which we call its **culture**. That culture influences the way employees act and interact with others.

Organizational culture: The shared values, principles, traditions, practices, and ways of doing things that influence the way organizational members act and that distinguish the organization from other organizations.

The definition of culture implies three aspects:

1. Perception: Not something that can be physically touched or seen, but employees perceive it on the basis of what they experience within the organization.

2. Descriptive: Concerned with how members perceive the culture and describe it, not with whether they like it.

3. Shared: Even though individuals may have different back grounds or work at different organizational levels, they tend to describe the organization's culture in similar terms.

The test bank contains questions related to the underlined sentences and texts.

Dimensions of Organizational Culture

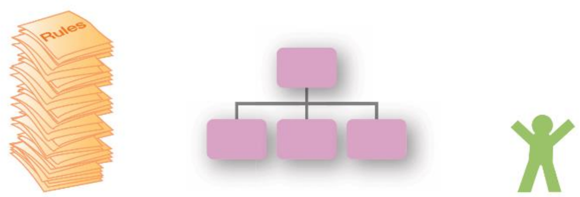
Attention to Detail	Degree to which employees are expected to exhibit precision, analysis, and attention to detail.
Outcome Orientation	Degree to which managers focus on results or outcomes rather than on how these outcomes are achieved.
People Orientation	Degree to which management decisions take into account the effects on people in the organization.
Team Orientation	Degree to which work is organized around teams rather than individuals.
Aggressiveness	Degree to which employees are aggressive and competitive rather than cooperative.
Stability	Degree to which organizational decisions and actions emphasize maintaining the status quo.
Innovation and Risk Taking	Degree to which employees are encouraged to be innovative and to take risks.

E.g. (Outcome Orientation)	Martha is concerned with the degree to which managers focus on results rather than techniques and the processes used to achieve those results. In other words, Martha is concerned that the company will emphasize this dimension over other dimensions of the organizational culture.
E.g. (People Orientation)	Stephen notices that management is very concerned with the effects of outcomes on employees in the organization. Google has often been cited as a model for employee satisfaction. Google takes extensive care to ensure employees have the best available conditions to perform, ranging from free snack bars, free massages, innovation rooms, spas-on-site, and many more such measures.
E.g. (Innovation and Risk Taking)	Employees at Ottobath Corporation are encouraged to submit their ideas for improvements to processes and for new products.

The test bank contains questions related to the underlined sentences and texts.

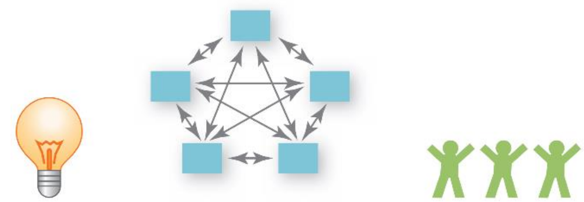
How the dimensions can create significantly different cultures

Organization A



- Managers are expected to fully document all decisions with detailed data.
- Creative decisions that incur significant change or risk are discouraged (to avoid criticism).
- Employees are required to follow extensive rules and regulations.
- Management is concerned with high productivity.
- Work activities are designed around individuals being distinct.
- Performance evaluations and rewards emphasize individual effort.

Organization B



- Management encourages and rewards risk taking and change.
- Intuition and rational-based decisions are valued.
- Innovation and experimentation is favored.
- It is responsive to the changing needs of its customers.
- Few rules and regulations for employees to follow.
- High productivity comes through treating its people right.
- Job activities are designed around work teams.

Strong Cultures and Weak Cultures

All organizations have cultures, but not all cultures equally influence employees' behaviors and actions.

Strong cultures: Organizational cultures in which the key values are intensely held and widely shared.

"The stronger a culture becomes, the more it affects the way managers plan/organize/lead/control".

Why is having a strong culture important?

1. Employees in strong cultures are more loyal than employees in organizations with weak cultures.

2. Strong cultures are associated with high organizational performance.

3. if 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.

Strong cultures' drawback

- **inability to respond to changing conditions:** Strong cultures might prevent employees from trying new approaches, especially when conditions change rapidly.

The test bank contains questions related to the underlined sentences and texts.

Strong Cultures VS Weak Cultures	
Strong Culture	**Weak Culture**
Values widely shared and held deeply.	Values limited to a few people, usually top management.
Culture conveys consistent messages about what's important.	Culture sends contradictory messages about what's important.
Most employees can tell stories about company history or heroes.	Employees have little knowledge of company history or heroes.
Employees strongly identify with culture.	Employees have little identification with culture.
Strong connection between shared values and behaviors.	Little connection between shared values and behaviors.

E.g. If Melody wanted to build a strong culture, she and other managers should often tell stories about the company "heroes" and encourage employees to emulate their behavior.

Where culture comes from and how it continues

1. Philosophy of Organization's Founders: The original source of the culture usually reflects the vision or mission of the founders. Founders are not constrained by previous approaches and can establish the early culture by articulating a vision of what they want the organization to be.

2. Selection Criteria: Once the culture is in place, certain organizational practices help maintain it. For instance, during the employee selection process, managers typically judge job candidates on the job requirements and on how well they might fit into the organization. At the same time, job candidates find out information about the organization and determine whether they are comfortable with what they see.

3. Top Management: The actions of top managers also have a major impact on the organization's culture. Through what they say and how they behave, top managers establish norms that filter down through the organization and can have a positive effect on employees' behaviors. Still, the actions of top managers also can lead to undesirable outcomes.

4. Socialization: Organizations help employees adapt to the culture through socialization.

Socialization: The process that helps employees adapt to the organization's culture.

By that, employees understand the culture and are knowledgeable with customers. Also, it minimizes the chance that employees unfamiliar with the org. culture might disrupt current beliefs.

The test bank contains questions related to the underlined sentences and texts.

How employees learn culture

1. Stories: Organizational "stories" typically contain a narrative of significant events or people in the organization, including the organization's founders, rule breaking, reactions to past mistakes…etc.

2. Rituals: Corporate rituals refer to repetitive sequences of activities that express and reinforce the important values and goals of the organization.

E.g. Riverside Mfg. hosts annual events to commemorate employee contributions and reward outstanding performance.

3. Material artifacts and symbols: 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.

E.g. The offices of upper management are carpeted; the offices of administrative personnel have tile floors.

4. Language: Many organizations and units within organizations use language as a way to identify and unite members of a culture. By learning this language, members attest to their acceptance of the culture and their willingness to help preserve it.

New employees are overwhelmed with acronyms and jargon that become a natural part of their language. Once learned, this language acts as a common denominator that bonds members.

How culture affects managers

A manager's decisions are influenced by the culture in which he operates. A (strong) org.'s culture influences and constrains the way managers plan, organize, lead, and control.

Types of 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	**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
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	**Controlling** - Whether to impose external controls or to allow employees to control their own actions. - Culture What criteria should be emphasized in employee performance evaluations. - What repercussions will occur from exceeding one's budget

The test bank contains questions related to the underlined sentences and texts.

Chapter 8: Planning and Goal Setting

What Is Planning, and Why Do Managers Plan?

Planning: Management function that involves setting goals, establishing strategies for achieving those goals, and developing plans to integrate and coordinate work activities.

Planning is concerned with both ends (what) and means (how) "not with how objectives are to be accomplished, not what is to be accomplished".

Why do managers plan?

1. Planning provides direction to managers and nonmanagers alike

When employees know what their organization or work unit is trying to accomplish and what they must contribute to reach goals, they can coordinate their activities, cooperate with each other, and do what it takes to accomplish those goals.

2. Planning reduces uncertainty

By forcing managers to look ahead, anticipate change, consider the impact of change, and develop appropriate responses, planning makes managers plan and respond effectively (Can't eliminate uncertainty or risk and insulates organizations from change).

3. Planning minimizes waste and redundancy

When work activities are coordinated around plans, inefficiencies become obvious and can be corrected or eliminated.

4. Planning establishes the goals or standards

These goals are used in controlling. When managers plan, they develop goals and plans. When they control, they see whether the plans have been carried out and the goals met. Without planning, there would be no goals against which to measure work effort.

"The presence of planning **does not** inhibits the ability of departments and individuals to work together or organizations to move"

The test bank contains questions related to the underlined sentences and texts.

Planning and performance

Numerous studies have looked at the relationship between planning and performance, and one can't say that organizations that formally plan always outperform those that don't plan. In other words, there **aren't** several research studies that conclusively prove that planning organizations always outperform non-planning organizations.

But **there are some conclusions:**

1. Formal planning is associated with positive financial results; higher profits, higher return on assets, and so forth.

2. Doing a good job planning and implementing those plans play a bigger part in high performance than does how much planning is done.

3. In those studies where formal planning didn't lead to higher performance, the external environment often was the culprit.

4. When external forces constrain managers' options, it reduces the impact planning has on an organization's performance.

5. The planning-performance relationship seems to be influenced by the planning time frame. It seems that at least **four years** of formal planning is required before it begins to affect performance.

Goals and Plans

Planning, the primary management function, involves 2 aspects: goals and plans.

Goals (objectives): Desired outcomes or targets. They guide management decisions and form the criteria against which work results are measured.

Plans: Documents that outline how goals are going to be met.

"As managers plan, they develop both goals and plans"

Types of Goals

It is not true that organizations have a single goal for only making profit. Using a single goal such as profit may result in unethical behaviors by employees. **Most** company's goals are classified as either **strategic** or **financial**, under the form **stated goals**.

Stated goals: Official statements of what an organization says, and what it wants its various stakeholders to believe, its goals are. (written)

1. Financial goals: Goals that are related to the financial performance of the organization.

E.g. Top management set a goal that each store in the company should have sales equal to or greater than $100 per square foot per day.

The test bank contains questions related to the underlined sentences and texts.

2. **Strategic goals:** Goals that are related to all other areas of an organization’s performance.

E.g. Nike, Inc. is a sportswear and equipment manufacturer that serves a multitude of sports disciplines. It has established a goal that goes by accelerating growth through focused execution.

Robert Downs, owner of a new community newspaper in his home town of Corning, New York, has set the following goal for his company: "To be a champion for free speech and for the development of the community." This goal constitutes the strategic goal of the company.

Real goals: Goals that an organization actually pursues, as defined by the actions of its members (the best indicator).

E.g. When making editorial decisions for his newspaper, the owner/editor mostly picks issues that are in line with his political beliefs and those that his advertisers approve of despite his publicly stated goal "to be a champion for free speech and for the development of the community." This indicates that **the company's stated goals are not its real goals**.

An organization's mission states that it "is committed to reducing its environmental footprint"; but its facilities do not comply with statutory environmental regulations. This is an instance of how an organizations-stated goals need not be its real goals.

Types of plans

	One: Breadth	
	Strategic plans	**Operational plans**
Definition	Plans that apply to the entire organization and establish the organization’s overall goals. (broad plans)	Plans that encompass a particular operational area of the organization. (narrow plans)
Other plans applying to it	Long-term, directional, and single use.	Short-term, specific, and standing.

	Two: Time frame	
	Long-term plans	**Short-term plans**
Definition	Plans with a time frame beyond three years.	Plans covering one year or less.
	Intermediate plan Any time period in between long and short-term plans.	
Note	The number of years used to define short-term and long-term plans has declined considerably because of the greater **environmental certainty** businesses have today.	

The test bank contains questions related to the underlined sentences and texts.

	Three: Specificity	
	Specific plans	**Directional plans**
Definition	Plans that are clearly defined and leave no room for interpretation.	Plans that are flexible and set out general guidelines.
Note	A specific plan states its objectives in a way that eliminates ambiguity and problems with misunderstanding.	When uncertainty is high, and managers must be flexible in order to respond to unexpected changes, directional plans are preferable.
E.g.		Todd Miller, CEO of Miller's Grocery, has determined that all stores should be well maintained both inside and out.
Additional e.g.	Williamson is the owner of a small company that sells corporate gifts through an online store. Business has slowed down in recent months and he realizes that the organization must move in a different direction if it is to survive. He has reset some of the company's overall goals and wants to develop a plan to achieve those goals. He is anticipating the business environment to be volatile for next few years. Considering the above information, it can be determined that his plan must be **strategic; specific; flexible**.	

	Four: Frequency of use	
	Single-use plan	**Standing plans**
Definition	A one-time plan specifically designed to meet the needs of a unique situation.	Ongoing plans that provide guidance for activities performed repeatedly.
E.g.	A plan developed to install a new computer network. Organizational plans can be classified on the basis of their frequency of use.	A fire escape policy establishing practices to be followed in an emergency. The standard procedure to be followed by the human resources department of a company when initiating disciplinary action against an employee.

Setting Goals

Approaches to Setting Goals

1. Traditional process

Traditional goal-setting: An approach to setting goals in which top managers set goals that then flow down through the organization and become sub-goals for each organizational area.

The test bank contains questions related to the underlined sentences and texts.

Problems with the traditional goal-setting:

1. This traditional perspective assumes that top managers know what's best because they see the "big picture".

2. Turning broad strategic goals into departmental, team, and individual goals can be a difficult and frustrating process.

3. Managers at each level define the broad goals and apply their own interpretations and biases as they make them more specific.

4. Clarity is lost as the goals make their way down from the top of the organization to lower levels.

How traditional goal-setting is supposed to work

When the hierarchy of organizational goals is clearly defined, it forms an integrated network of goals, or a **means-ends chain**.

Means-ends chain: An integrated network of goals in which the accomplishment of goals at one level (lower) serves as the means for achieving the goals, or ends, at the next level (higher).

2. Management by objectives (MBO)

Management by objectives (MBO): A process of setting mutually agreed upon goals and using those goals to evaluate employee performance.

"Goals are **not** ambiguous, and **do not** give managers and employees more flexibility to respond to changing conditions".

E.g. Bonnie is discussing with her subordinate Julie the types of projects Julie would like to work on in the coming year. They are setting goals and determining what success would look like. Bonnie and Julie are engaged in management by objective.

MBO programs have four elements:

1. Goal specificity

2. Participative decision making

3. An explicit time period

4. Performance feedback

E.g. Bill has been working his plan for about three months. He is now discussing his progress with Jim, his supervisor. If Bill and Jim are using the MBO planning process, this discussion is called performance feedback.

"Instead of using goals to make sure employees are doing what they're supposed to be doing, MBO uses goals to motivate them as well".

The test bank contains questions related to the underlined sentences and texts.

Steps in MBO

Step 1:	The organization's overall objectives and strategies are formulated.
Step 2:	Major objectives are allocated among divisional and departmental units.
Step 3:	Unit managers collaboratively set specific objectives for their units with their managers.
Step 4:	Specific objectives are collaboratively set with all department members.
Step 5:	Action plans, defining how objectives are to be achieved, are specified and agreed upon by managers and employees.
Step 6:	The action plans are implemented.
Step 7:	Progress toward objectives is periodically reviewed, and feedback is provided.
Step 8:	Successful achievement of objectives is reinforced by performance-based rewards.

Characteristics of well-written goals

1. Written in terms of outcomes rather than actions.

2. Measurable and quantifiable.

3. Clear as to a time frame.

4. Challenging yet attainable.

5. Written down.

6. Communicated to all necessary organizational members.

Steps in goal-setting

1. Review the organization's mission, or purpose

Mission: The purpose of an organization, or a broad statement of an organization's purpose that provides an overall guide to what organizational members think is important.

Managers should review the mission before writing goals because goals should reflect that mission.

2. Evaluate available resources

Even though goals should be challenging, they should be realistic. If the resources one has to work with won't allow them to achieve a goal no matter how hard they try or how much effort is exerted, they shouldn't set that goal.

3. Determine the goals individually or with input from others

The goals reflect desired outcomes and should be congruent with the org. mission and goals in other org. areas. These goals should be measurable, specific, and include a time frame for accomplishment.

The test bank contains questions related to the underlined sentences and texts.

4. Write down the goals and communicate them to all who need to know

The written goals become visible evidence of the importance of working toward something and force people to think them through.

5. Review results and whether goals are being met

If goals aren't being met, change them as needed.

Developing Plans

The process of developing plans is influenced by:

1. Contingency factors in planning

a) Organizational level

	involved in	
Top Executives	⟶	Strategic Planning
Middle-Level Managers	⟶	Intermediate Planning
First-Level/lower Managers	⟶	Operational Planning

b) Degree of environmental uncertainty

When uncertainty is **high**, plans should be specific, but flexible. Managers must be prepared to change or amend plans as they're implemented.

c) Length of future commitments

Commitment concept: Plans should extend far enough to meet those commitments made when the plans were developed. "Planning for too long or too short a time period is inefficient and ineffective".

2. Planning approaches

a) Traditional approach: Planning is done entirely by top-level managers who often are assisted by a formal planning department. Under this approach, plans developed by top-level managers flow down through other organizational levels, much like the traditional approach to goal-setting.

Formal planning department: A group of planning specialists whose sole responsibility is helping to write organizational plans.

"This approach makes managerial planning thorough, systematic, and coordinated, still, the traditional top-down approach to planning is likely to be effective only when plans are developed that can be used".

b) "No title": Has to do with involving more organizational members in the process. Plans aren't handed down from one level to the next, but instead are developed by organizational members at the various levels and in the various work units to meet their specific needs.

The test bank contains questions related to the underlined sentences and texts.

Chapter 9: Strategic Planning

Strategic Management

Strategic management: What managers do to develop the organization's strategies.

Strategies: The plans for how the organization will do what it's in business to do, how it will compete successfully, and how it will attract and satisfy its customers in order to achieve its goals.

E.g. The top managers of the corporation are meeting to discuss how they will compete in their chosen markets and how they will attract and satisfy customers.

Business model: How a company is going to make money -without what it is going to do with it-.

Business model It focuses on two things:

1. Whether customers will value what the company is providing.

2. Whether the company can make any money doing that.

Why is strategic management important?

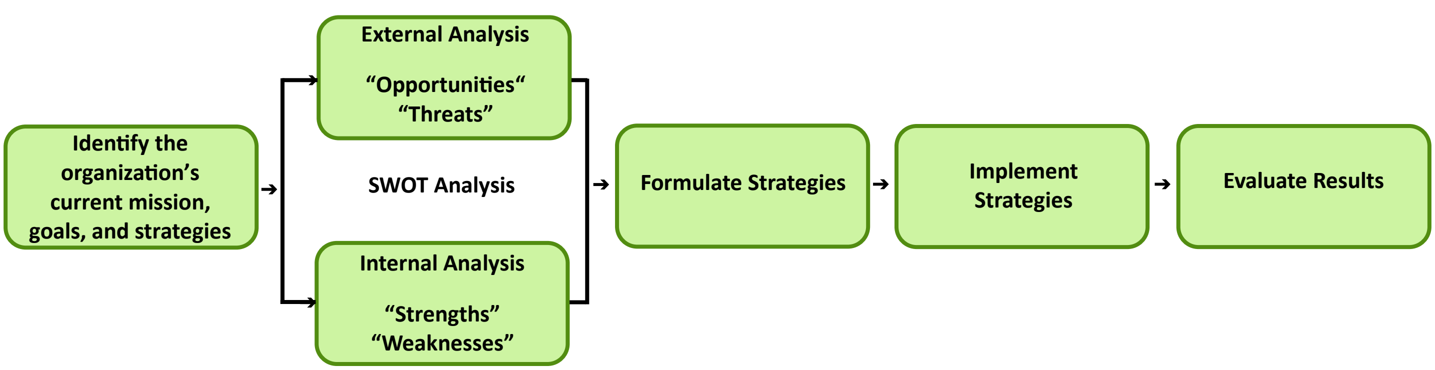
1. It can make a difference in how well an organization performs. Research has found a generally positive relationship between strategic planning and performance.

2. Managers in organizations of all types and sizes face continually changing situations. They cope with this uncertainty by using the strategic management process to examine relevant factors and decide what actions to take.

3. Organizations are complex and diverse. Each part needs to work together toward achieving the organization's goals; strategic management helps do this.

"Today, both business organizations and not-for-profit organizations use strategic management".

The Strategic Management Process



The test bank contains questions related to the underlined sentences and texts.

Strategic management process: A six-step process that encompasses strategic planning, implementation, and evaluation.

Step 1: Identifying the Organization's Current Mission, Goals, and Strategies

Every organization needs a mission. Defining the mission forces managers to identify what it's in business to do.

Mission: The purpose of an organization.

Components of a Mission Statement

Customers:	Who are the firm's customers?
Markets:	Where does the firm compete geographically?
Concern for survival, growth, and profitability:	Is the firm committed to growth and financial stability?
Philosophy:	What are the firm's basic beliefs, values, and ethical priorities?
Concern for public image:	How responsive is the firm to societal and environmental concerns?
Products or services:	What are the firm's major products or services?
Technology:	Is the firm technologically current?
Self-concept:	What are the firm's major competitive advantage and core competencies?
Concern for employees:	Are employees a valuable asset of the firm?

Step 2: Doing an External Analysis

Managers do an external analysis, so they know what the competition is doing, for example. In an external analysis, managers should examine the economic, demographic, political/legal, sociocultural, technological, and global components to see the trends and changes.

E.g. Patrick expects that each person he hires for his online business to be involved in studying trends involving new technology, competitors, and customers.

Once they've analyzed/studied the environment (like analyzing the org.'s labor supply), managers need to pinpoint and understand opportunities and threats for the organization.

Opportunities: Positive trends in the external environment.

E.g. Casey majored in marketing and really enjoyed studying market research as a subject. Through research on the Internet and in the university library, she discovers that this industry appears to have significant positive external trends. She interprets this as an opportunity.

Threats: Negative trends in the external environment.

E.g. Computer peripherals provider Ascent plans to enter a new market in another country. Ascent might have to plan its entry carefully as the laws in the country do not favor foreign businesses.

The test bank contains questions related to the underlined sentences and texts.

Step 3: Doing an Internal Analysis

Internal analysis provides important information about an organization's specific resources/capabilities (competitive strengths of org.).

Resources: An organization's assets, financial, physical, human, and intangible, that are evaluated and used to develop, manufacture, and deliver products to its customers.

E.g. If a bank estimates the capabilities of its employees who provide customer service prior to implementing a new training program designed to change their method of providing customer service, it is performing an **internal analysis**.

Newmark RV is performing an internal analysis. A **resource** for it would be a patent for a special design feature.

Capabilities: An organization's skills and abilities in doing the work activities needed in its business. It is connected with the core competencies .

Core competencies: The organization's major value creating capabilities that determine -along with the resources- its competitive weapons.

After completing an internal analysis, managers should be able to identify organizational strengths and weaknesses.

Strengths: Any activities the organization does well or its exceptional/unique resources.

E.g. Bella Vista Clothing targets teenage girls with a range of affordable ready-to-wear clothing. The company is opening two new outlets, as sales have been excellent. The company's in-house designers have a knack for identifying and popularizing fashion trends.

Weaknesses: Activities the organization does not do well or resources it needs but does not possess.

E.g. Casey realizes that she has a personal characteristic that suggests she is not comfortable interacting with strangers. She interprets this as a weakness if she is to get a job as a salesperson.

SWOT analysis

SWOT analysis: The combined external and internal analyses, an analysis of the organization's strengths, weaknesses, opportunities, and threats.

After completing the SWOT analysis, **managers are ready to formulate appropriate strategies that:**

1. Exploit an organization's strengths and external opportunities.

2. Buffer or protect the organization from external threats.

3. Correct critical weaknesses.

"SWOT analysis **does not reflect** threats that are activities the organization doesn't do well or resources it needs but doesn't possess".

The test bank contains questions related to the underlined sentences and texts.

Step 4: Formulating Strategies

As managers formulate strategies, they should consider the realities of the external environment and their available resources and capabilities in order to design strategies that will help an organization achieve its goals. The three main types of strategies managers will formulate include **corporate**, **competitive**, and **functional**.

Step 5: Implementing Strategies

Once strategies are formulated, they must be implemented. No matter how effectively an organization has planned its strategies, performance will suffer if the strategies aren't implemented properly.

Step 6: Evaluating Results

Allows an organization to understand the effectiveness of the strategies used.

Corporate Strategies

Types of Organizational Strategies	Level
Corporate	Top-level managers
Competitive	Middle-level managers
Functional	lower-level managers

- **The focus in this section will be on Corporate Strategies.**

Corporate strategy: An organizational strategy that determines what businesses a company is in or wants to be in, and what it wants to do with those businesses. It's based on the mission and goals of the organization and the roles that each business unit of the organization will play.

Types of Corporate Strategy

1. Growth

It is a corporate strategy that's used when an organization wants to expand the number of markets served or products offered, either through its current business(es) or through new business(es). An organization that is diversifying its product line uses this strategy.

Organizations grow using:

a) Concentration: Focuses on its primary line of business and increases the number of products offered or markets served in this primary business.

b) Vertical integration: There are 2 types:

1) Backward vertical integration: The organization becomes its own supplier, so it can control its inputs.

2) Forward vertical integration: The organization becomes its own distributor and is able to control its outputs.

E.g. Hendricks Ceramics sells items it buys from ceramic factories. If it were to purchase one of these factories, it would be engaging in **backward** vertical integration.

A trucking company that grows by purchasing a chain of gasoline stations.

At Ronald's fast food business for five years the French fries are its most popular product. During the past year, its profits have suffered because the farm that supplies it with potatoes has increased its prices drastically. The best decision to fix the problem is that Ronald's should buy out the farm and become its own supplier.

c) Horizontal integration: A company grows by combining with competitors.

E.g. Joe's Hardware bought Moe's hardware on the other side of town.

Burger King buying out Mom and Pop's Burgers.

d) Diversification: There are 2 types:

1) Related diversification: Happens when a company combines with other companies in differ ent, but related, industries.

2) Unrelated diversification: When a company combines with firms in different and unrelated industries.

2. Stability

Stability strategy: A corporate strategy in which an organization continues to do what it is currently doing.

E.g. Continuing to serve the same clients by offering the same product or service, maintaining market share, and sustaining the organization's current business operations.

Tom's Welding has been supplying frames to the mobile home industry for many years. His business has remained steady despite the entry of other firms into the industry.

3. Renewal

Renewal strategy: A corporate strategy designed to address declining performance.

There are 2 types:

a) Retrenchment: It is a short-run renewal strategy used for minor performance problems. This strategy helps an organization stabilize operations, revitalize organizational resources and capabilities, and prepare to compete once again.

The test bank contains questions related to the underlined sentences and texts.

b) Turnaround: A strategy used when an organization's problems/troubles are more serious and more drastic action is needed.

E.g. During the Great Recession, Malcolm's Racing Bikes lost a considerable amount of its business because customers could no longer afford the expensive models in his shop. He was very near bankruptcy. Malcolm began carrying a line of less expensive bikes to appeal to recreational bicyclists and families and also opened a repair service.

Managers do two things for both renewal strategies (especially in a turnaround strategy): Cut costs and restructure organizational operations.

How Are Corporate Strategies Managed?

When an organization's corporate strategy encompasses a number of businesses, managers can manage this collection, or portfolio, of businesses using a tool called a corporate portfolio matrix. This matrix provides a framework for understanding diverse businesses and helps managers establish priorities for allocating resources.

The first portfolio matrix was the **BCG matrix**, which is a strategy tool that guides resource allocation decisions on the basis of market share and growth rate of SBUs. It says that an organization's various businesses could be evaluated to identify which ones offered high potential and which were a drain on organizational resources.

A business unit is evaluated using a SWOT analysis and placed in one of four categories:

1. Stars: High market share/High anticipated growth rate.

4. Dogs: Low market share/Low anticipated growth rate.

2. Cash Cows: High market share/Low anticipated growth rate.

E.g. AI Rubber is one of four suppliers of molded rubber products and has a 45% market share. The market for its products is shrinking. AI Rubber is part of a larger corporation that includes a total of seven different companies.

3. Question Marks: Low market share/High anticipated growth rate.

E.g. A totally new product, such as laser discs years ago, that is introduced.

Strategic implications of the BCG matrix:

- The **dogs** should be sold off or liquidated as they have low market share in markets with low growth potential.
- Managers should "milk" **cash cows** for as much as they can, limit any new investment in them, and use the large amounts of cash generated to invest in **stars** and **question marks**.
- Heavy investment in **stars** will help take advantage of the market's growth and help maintain high market share.
- The **stars** will eventually develop into **cash cows** as their markets mature and sales growth slows.

The test bank contains questions related to the underlined sentences and texts.

Competitive Strategies

Competitive strategy: An organizational strategy for how an organization will compete in its business(es).

Strategic business unit (SBU): The single independent businesses of an organization that formulate their own competitive strategies.

The Role of Competitive Advantage

Developing an effective competitive strategy requires an understanding of competitive advantage.

Competitive advantage: What sets an organization apart; its distinctive edge.

That distinctive edge can come from the organization's **core competencies** by doing something that others cannot do or doing it better than others can do it.

E.g. Bixler Corporation boasts that it has the fewest warranty claims in its industry. We can infer from this that Bixler's quality is a competitive advantage.

1. Quality as a competitive advantage

many organizations apply quality management concepts in an attempt to set themselves apart from competitors. If a business is able to continuously improve the quality and reliability of its products, it may have a competitive advantage that can't be taken away.

2. Design thinking as a competitive advantage

In today's world, consumers can find just about anything they want online. Those consumers also expect a greater variety of choices and faster service when ordering online than ever before. Using design thinking means thinking in unusual ways about what the business is and how it's doing what it's in business to do.

E.g. Kiva Systems, manufacturer of robots used in flexible automation systems, demonstrates the power of design thinking by "teaching" its robots to dispose of used cardboard and to assist in gift wrapping for e-commerce warehouse fulfillment.

3. Social media as a competitive advantage

Many organizations are making substantial investments in social media because its use can provide a competitive advantage and boost productivity.

Successful social media strategies should:

a) Help people, inside and outside the organization, connect.

b) Reduce costs or increase revenue possibilities or both.

E.g. When used to connect with customers or to connect employees with co-workers in other locations, social media can create a competitive advantage.

The test bank contains questions related to the underlined sentences and texts.

4. Sustaining competitive advantage

Every organization has resources (assets) and capabilities (how work gets done). not every organization is able to effectively exploit its resources and to develop the core competencies that can provide it with a competitive advantage. It's not enough simply to create a competitive advantage. The organization must be able to sustain that advantage; that is, to keep its edge despite competitors' actions or evolutionary changes in the industry by using strategic management.

5. Five forces model (Michael Porter)

An important part of creating a sustainable competitive advantage is an industry analysis, which is done using the five forces model, which dictate the rules of competition. The five forces determine industry attractiveness and profitability, **using five factors:**

a) Threat of new entrants: How likely is it that new competitors will come into the industry?

b) Threat of substitutes: How likely is it that other industries' products can be substituted for our industry's products?

E.g. When the price of beef skyrockets, consumers switch to pork and chicken, threat of substitutes demonstrates it.

c) Bargaining power of buyers: How much bargaining power do buyers (customers) have?

d) Bargaining power of suppliers: How much bargaining power do suppliers have?

e) Current rivalry: How intense is the rivalry among current industry competitors?

Choosing a Competitive Strategy

Managers must select an appropriate competitive strategy that fits the competitive strengths (resources and capabilities) of the organization.

1. Cost leadership strategy

A low-cost leader that is highly efficient is required in an organization that competes on the basis of having the lowest costs. Overhead is kept to a minimum, and the firm does everything it can to cut costs.

2. Differentiation strategy

A strategy used by a company that competes by offering unique and different products that are widely valued by customers.

E.g. Every fast food hamburger restaurant chain wants you to believe their product is the best because it is stored or prepared uniquely.

3. Focus strategy

Involves a cost advantage (cost focus) or a differentiation advantage (differentiation focus) in a narrow segment or niche. Segments can be based on product variety, customer type, distribution channel, or geographical location.

E.g. Ferrari sells very expensive, stylish, high-quality cars to very wealthy people.

+ "Stuck in the middle"

A case in which an organization can't develop a cost or a differentiation advantage. An organization becomes stuck in the middle when its costs are too high to compete with the low-cost leader or when its products and services aren't differentiated enough to compete with the differentiator.

"Recent research has shown that organizations can successfully pursue both a low cost and a differentiation advantage and achieve high performance".

Functional Strategies

Functional strategy: A strategy used by an organization's various functional departments to support the competitive strategy.

That's all about this section :)

The test bank contains questions related to the underlined sentences and texts.

Chapter 11: Organization Design

Elements Of Organizational Design

Organizing: Management function that involves arranging and structuring work to accomplish the organization's goals. It's an important process, during which managers design an organization's structure.

Organizational structure: The formal arrangement of jobs within an organization.

Purposes of Organizing

1. Divides work to be done into specific jobs and departments.

2. Assigns tasks and responsibilities associated with individual jobs.

3. Coordinates diverse organizational tasks.

4. Clusters jobs into units.

5. Establishes relationships among individuals, groups, and departments.

6. Establishes formal lines of authority.

7. Allocates and deploys organizational resources.

E.g. Michelle is very concerned about the formal framework by which job tasks are divided, grouped, and coordinated within her unit.

This structure can be shown visually in an organizational chart.

Organizational chart: The visual representation of an organization's structure.

Organizational design: Creating or changing an organization's structure.

Organizational design is a process that involves decisions about **six key elements:**

1. Work specialization "Division of labor"

Work specialization: Dividing work activities into separate job tasks.

Individual employees "specialize" in doing part of an activity rather than the entire activity in order to increase work output and quality. Work specialization makes efficient use of the diversity of skills that workers have. Early proponents of work specialization believed it could lead to great increases in **productivity**. But At some point, the human diseconomies from division of labor -boredom, stress, low productivity, poor quality, and increased absenteeism- exceed the economic advantages.

The test bank contains questions related to the underlined sentences and texts.

"Most managers today continue to see work specialization as important because it helps employees be more efficient".

E.g. In the early 20th century, automobiles were made one at a time by craftsmen who could perform every operation necessary to build the car. Henry Ford decided to limit the number of tasks each worker performed so each person could become expert in his position.

2. Departmentalization

Departmentalization: The basis by which jobs are grouped together.

Forms of departmentalization:

a) **Functional departmentalization**: Groups jobs according to function/tasks.

CEO

Human Resources | **Marketing** | **Finance** | **Production** | **Information Technology**

Advantages	Disadvantages
Efficiencies from putting together similar specialties and people with common skills, knowledge, and orientations	Poor communication across functional areas
Coordination within functional area	Limited view of organizational goals
In-depth specialization	

b) **Geographical departmentalization**: Groups jobs according to geographic region or the basis of territory or physical location.

CEO

Ramallah | **Hebron** | **Nablus** | **Jericho** | **Bethlehem**

Advantages	Disadvantages
More effective and efficient handling of specific regional issues that arise	Duplication of functions
Serve needs of unique geographic markets better	Can feel isolated from other organizational areas

The test bank contains questions related to <u>the underlined sentences and texts.</u>

c) Product departmentalization: <u>Groups jobs by product line</u>.

CEO

Energy Drinks | **Juice** | **Carbonated Drinks** | **Milk** | **Bottled Water**

Advantages	Disadvantages
Allows specialization in particular products and services	Duplication of functions
Managers can become experts in their industry	Limited view of organizational goals
Closer to customers	

d) Process departmentalization: Groups jobs on the basis of product or customer flow.

CEO

Sawing | **Milling and Assembling** | **Lacquering and Sanding** | **Inspection and Shipping** | **Finishing**

Advantages	Disadvantages
More efficient flow of work activities	Can only be used with certain types of products

e) Customer departmentalization: Groups jobs on the basis of specific and unique customers who have common needs. "Increase the use of it is a popular trend nowadays".

CEO

<u>Activities for Employees</u> | **<u>Activities for the Disabled</u>** | **<u>Activities for Children</u>**

Advantages	Disadvantages
Customers' needs and problems can be met by specialists	Duplication of functions

Another popular trend is **the use of teams**, as work tasks have become more complex and diverse skills are needed to accomplish them. One type of teams that is used widely is the cross-functional team.

Cross-functional team: <u>A work team composed of individuals from various functional specialties</u>.

The test bank contains questions related to the underlined sentences and texts.

E.g. Eric works with a team that includes **production** workers as well as **marketing** specialists to design the latest products the company was planning to offer.

the cardiac unit as part of a Total Quality Management (TQM) initiative that is aimed at improving the overall quality of care at his hospital. Other departments, such as orthopedics, neurology, oncology, and pediatrics also have representatives on this team.

3. Chain of command

Chain of command: The line of authority extending from upper organizational levels to the lowest levels, which clarifies who reports to whom.

E.g. Melanie has noticed that everyone is very concerned about the line of authority within the hospital. This implies that the employees at the hospital are worried about the chain of command.

There are three concepts that help in understanding the chain of command:

a) Authority

It is the rights inherent in a managerial position to tell people what to do and to expect them to do it.

E.g. Wilson is offered a chance to help **direct** the efforts of some employees assigned to his work group. This is a chance for Wilson to experience authority.

There are 2 types of authority:

1) Line authority: Authority that entitles a manager to direct the work of an employee without consulting anyone. "employer–employee authority relationship"

2) Staff authority: Positions with some authority that have been created to support, assist, and advise those holding line authority.

E.g. Bill manages the quality department. His people check parts made by the production departments to assure all specifications are met. Bill is a staff manager.

b) Responsibility

it is the obligation or expectation to perform any assigned duties. "Assigning work authority without responsibility and account ability can create opportunities for abuse".

E.g. When Bryan is offered a chance to help direct the efforts of some employees assigned to his work group, he sees this new assignment as an increase in his responsibility.

c) Unity of command

One of Fayol's 14 management principles that state that a person should report to only 1 manager/boss.

E.g. Willard has been assigned to a project development team in addition to his regular duties as a quality engineer. During this assignment he will report to both the project manager and his quality department manager. This situation violates unity of command.

The test bank contains questions related to the underlined sentences and texts.

4. Span of control

Span of control: The number of employees a manager can efficiently and effectively manage.

The traditional view was that managers could not, and should not, directly supervise more than five or six subordinates. Determining the span of control is important because it determines the number of levels and managers in an organization, an important consideration in how efficient an organization will be. All other things being equal, the wider or larger the span, the more cost efficient the organization.

"Given other things unchanged, managers with well-trained and experienced employees can function well with a wider span of control than those with a less talented workforce".

5. Centralization and decentralization

Centralization: The degree to which decision making is concentrated at upper levels of the organization.

If top managers make key decisions with little input from below, then the org. is more centralized.

E.g. When the organization is facing a crisis, it calls for a more centralized organizational structure.

The fact that Monica's signature is required on all documents and her word is the last word on all decisions relating to her department suggests that her employer has a centralized structure.

Decentralization: The degree to which lower-level employees provide input or actually make decisions.

E.g. After extensive job cuts to reduce costs, upper level managers are spending significant amounts of time solving problems in the production units. Lower level managers are resentful that they cannot make decisions for their own units. A good recommendation for this firm would be to decentralize/give authority to the lower level managers regarding events in their own units.

When the lower-level managers want a voice in decisions, a more decentralized organizational structure is required.

An organization is never completely centralized or decentralized. The degree of centralization in an organization depends on the situation. "It is **not true** that at one end of the spectrum, organizations can be absolutely centralized, while at the other end, they can be completely decentralized".

Factors affecting an organization's use of centralization or decentralization:

More Centralization	More Decentralization
Environment is stable.	Environment is complex, uncertain.
Lower-level managers are not as capable or experienced at making decisions as upper-level managers.	Lower-level managers are capable and experienced at making decisions.
Lower-level managers do not want a say in decisions.	Lower-level managers want a voice in decisions.
Decisions are relatively minor.	Decisions are significant.
Organization is facing a crisis or the risk of company failure.	Corporate culture is open to allowing managers a say in what happens.
Company is large.	Company is geographically dispersed.
Effective implementation of company strategies depends on managers retaining say over what happens.	Effective implementation of company strategies depends on managers having involvement and flexibility to make decisions.

The test bank contains questions related to the underlined sentences and texts.

As organizations have become more flexible and responsive to environmental trends, there's been a distinct shift toward decentralized decision making. This trend is known as employee empowerment.

Employee empowerment: Giving employees more authority (power) to make decisions "not to delegate responsibility".

6. Formalization

Formalization: How standardized an organization's jobs are and the extent to which employee behavior is guided by rules and procedures.

In highly formalized organizations, there are explicit job descriptions, numerous organizational rules, and clearly defined procedures covering work processes. Employees have little discretion over what's done, when it's done, and how it's done. Today's organizations rely **less** on strict rules and standardization to guide and regulate employee behavior.

Mechanistic And Organic Structures

Basic organizational design revolves around two organizational forms:

1. Mechanistic organization

Mechanistic organization (bureaucracy): An organizational design that's rigid and tightly controlled. It is a result of combining the six elements of structure. It strictly adheres to the chain-of-command principle.

E.g. In stable and simple environments, mechanistic designs are most effective.

Ben operates a farmer's market. Every year he offers the same vegetables to the same customers and faces the same rivalry from other truck farmers.

Custom Leather CEO Standish is considering doubling the size of his workforce in conjunction with expanding the number of retail outlets that carry Custom Leather products. He should expect the organization to become more mechanistic as a result of this change.

2. Organic organization

Organic organization: An organizational design that's highly adaptive, loose, and flexible. It also changes rapidly.

E.g. If GlaxoSmithKline starts allowing its lab scientists to set the priorities and allocate the resources, it would become more organic.

Paul Abdul Oil Corporation (PAOC) began as a relatively small oil company. As PAOC has grown, the company has gained a highly trained group of managers and analysts at the corporate headquarters. This group is highly adaptive in its structure. Members of this group do not have standardized jobs, but are empowered to handle diverse job activities and problems. PAOC seems to have an organic structure.

Many of Custom Leather's employees are experienced artisans. The jobs most of them perform are not highly standardized. They take great pride in their craft and require few formal rules and little direct supervision. These traits are most typical of an organic organization.

Characteristics of mechanistic and organic organizations

Mechanistic organization	Organic organization
High specialization	Cross-functional teams
Rigid departmentalization	Cross-hierarchical teams
Clear chain of command	Free flow of information
Narrow spans of control	Wide spans of control
Centralization	Decentralization
High formalization	Low formalization

Contingency Factors Affecting Structural Choice

There are main contingency factors that influence the decision of choosing mechanistic or organic structure:

1. Strategy

An organization's structure should facilitate goal achievement. Because goals are an important part of the organization's strategies, it's only logical that strategy and structure are closely linked. Certain structural designs work best with different organizational strategies:

a) The flexibility and free-flowing information of the organic structure works well when an organization is pursuing meaningful and unique innovations.

b) The mechanistic organization with its efficiency, stability, and tight controls works best for companies wanting to tightly control costs "not for innovators".

2. Size

Large organizations tend to have more specialization, departmentalization, centralization, and rules and regulations than do small organizations, for that they apply the mechanistic structure. However, once an organization grows past a certain size, size has less influence on structure "it is not strengthened".

3. Technology

Every organization uses some form of technology to convert its inputs into outputs. The initial research on technology's effect on structure can be traced to Joan Woodward. **She divided her findings on technology and structure into three categories:**

The test bank contains questions related to the underlined sentences and texts.

	Unit production	Mass production	Process production
Definition	The production of items in units or small batches.	The production of items in large-batch manufacturing. It centers on large-batch production and requires moderate levels of complexity and sophistication.	The production of items in continuous processes. "In Woodward's study, was the most complex"
Structural characteristics	• Low vertical differentiation. • Low horizontal differentiation. • Low formalization.	• Moderate vertical differentiation. • High horizontal differentiation. • High formalization.	• High vertical differentiation. • Low horizontal differentiation. • Low formalization.
Most effective structure	Organic	Mechanistic	Organic
E.g.	The Building of a bridge.	The type of assembly line typically found in automobile manufacturing is an example of mass production.	A refinery that transforms crude oil into gasoline, kerosene, and diesel fuel.

E.g. Lacey believes that Joan Woodward's work will be particularly pertinent in considering Custom Leather's organizational structure, since Woodward believed that the effectiveness of the organization was related to the fit between the firm's structure and technology.

4. Environmental Uncertainty

Managers try to minimize environmental uncertainty by adjusting the organization's structure:

a) Mechanistic designs: Work more effectively in stable and simple environments.

b) Organic designs: Its flexibility is needed in and organization where there is greater uncertainty.

Worldwide economic downturn, global competition, accelerated product innovation by competitors, and increased demands from customers for high quality and faster deliveries encourage organizations to become more organic.

The test bank contains questions related to the underlined sentences and texts.

Traditional Organizational Design Options

When designing a structure, managers may choose one of the traditional organizational designs. These structures tend to be more mechanistic in nature.

1. Simple Structure

It is an organizational design with little departmentalization, wide spans of control, centralized authority, and little formalization. As employees are added, most don't remain as simple structures. The structure tends to become more specialized and formalized.

E.g. Tom's Welding is in its third year of operation. Tom now has a sales person and several production employees. It is most likely Tom has a simple structure.

2. Functional Structure

It is an organizational design that groups together similar or related occupational specialties. "like a functional departmentalization"

3. Divisional Structure

It is an organizational structure made up of separate, semiautonomous units or divisions. In divisional structures, the parent corporation typically acts as an external overseer to coordinate and control the various divisions, and often provides support services such as financial and legal.

Strengths and weaknesses of traditional organizational designs

Strengths		Weaknesses
Fast. Flexible. Inexpensive to maintain. Clear accountability.	**Simple Structure**	Not appropriate as organization grows. Reliance on one person is risky.
Cost-saving advantages from specialization (economies of scale. Minimal duplication of people and equipment) Employees are grouped with others who have similar tasks.	**Functional Structure**	Pursuit of functional goals can cause managers to lose sight of what's best for the overall organization. Functional specialists become insulated and have little understanding of what other units are doing.
Focuses on results, division managers are responsible for what happens to their products and services.	**Divisional Structure**	Duplication of activities. Resources increases costs and reduces efficiency.