

CHAPTER 1 notes

October-22-07

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CHAPTER 1 notes

- Managers have to aspects:
 - Positive aspects
 - Negative aspects

Organizations: groups of people who work and coordinate together to achieve goals.

Management: The planning, organizing, leading and controlling (Fayol's four) of resources to achieve goals effectively and efficiently.

Resources: Assets, including people, machinery, materials, information, skills, and financial capital.

Manager: A person who is responsible for supervising the use of an organization's resources to achieve goals.

Organizational performance: A measure of how efficiently and effectively a manager uses resources to satisfy customers and achieve goals.

Efficiency: A measure of how productively resources are being used.

Effectiveness: A measure of how appropriate the goals of the organization and the degree to which it achieves them.

Planning: Identifying and selecting appropriate goals and courses of action.

Strategy: Decisions about what goals to pursue, what actions to take, and how to achieve the goals.

Organizing: Structuring workplace relationships so everyone works towards the same goal.

Organizational structure: A system of task and reporting relationships that coordinates and motivates organizational members to work together.

Leading: Making sure everyone understands their individual roles.

Controlling: Evaluating how well the organization is achieving its goals and maintaining or improving performance.

Department: A group of people who work together and possess similar skills and use the same knowledge, tools and techniques. Organizations usually have a bunch of separate departments.

- Manufacturing
- Accounting
- Engineering

First line managers: Supervisors.

Middle managers: Supervise first line managers and find the best way to use resources to achieve goals.

Top-managers: Supervise middle managers, establish goals and decide how departments should interact.

Restructuring: Downsizing an organization by eliminating the jobs of large numbers of top, middle, and first-line managers and employees. Restructuring is to decrease costs. Whole departments and product lines can be taken out during restructuring. Assets can also be sold during this operation.

Empowerment: Giving more power and responsibilities to the employees.

Self-managed teams: Groups of employees who supervise their own activities and monitor the quality of the goods and services they provide.

Mintzberg Roles

- **Interpersonal – Coordinating and interacting with people.**
 - **Figurehead:** Outline goals, open new buildings, state guidelines for employees.
 - **Leader:** Provide an example for employees, give orders, handling resources.
 - **Liaison:** Coordinate managers in different departments, ally with other organizations to share resources.
- **Informational – Obtaining and transmitting information.**
 - **Monitor:** Monitor managerial performance, and take corrective measures if necessary. Watch for changes in the external and internal environment that may affect the organization in the future.
 - **Disseminator:** Inform employees about changes in the environment that may affect them. Inform employees of the vision and purpose of the organization.
 - **Spokesperson:** National advertising campaigns, speeches to local community.
- **Decisional – The methods that managers use to plan strategy and use resources.**
 - **Entrepreneur:** Commit resources to develop innovative goods and services. Expand internationally to obtain new customers.
 - **Disturbance handler:** Take corrective action to deal with unexpected problems from the external environment.
 - **Resource allocator:** Allocate resources among different functions and departments. Set budgets and salaries of middle and first-line managers.
 - **Negotiator:** Work with suppliers, distributors, and labour unions to reach agreements about the quality and price of input, technical, and human resources. Work with other organizations to pool resources on join projects.

Managerial skills:

- **Conceptual skills:** The ability to diagnose a situation and distinguish between cause and effect; the ability to dream.
- **Human skills:** The ability to understand, alter, lead, and control the behaviour of other individuals and groups; the ability to inter-relate.
- **Technical skills:** Job-specific knowledge and techniques that are required to perform an organizational role; the day to day.

Measuring managerial performance (3 E's of productivity):

- **Economy:** The terms and conditions under which human and material resources are acquired.
- **Efficiency:** The amount of resources incurred to produce goods and services.
- **Effectiveness:** How well is the organization doing in meeting its goals.

Publicly held organizations: Companies whose shares are available on the stock exchange. Shares can be owned by anyone.

Privately held organizations: Companies whose shares are not available on the stock exchange but are privately held. Shares are owned internally.

Global organizations: Organizations that operate and compete in more than one country.

Competitive advantage: When an organization outperforms another because it produces desired goods more efficiently and effectively than competitors.

- **Efficiency:** Using less resources to produce the same goods
- **Innovation:** Creating new goods and services/developing better ways to produce and proved goods.
- **Quality:** Total Quality Management (TQM) makes employees more organized so they can find new and better ways to perform their jobs. They area also given the responsibility for monitoring the quality of the goods they produce.
- **Responsiveness to customers:** Providing good service to clients and customers.

Political and legal climate: Managers have to learn to work with unions, Canadian laws, interprovincial trade rules, marketing boards, and whether they are in the regulated sector (agriculture, telecommunications, utilities, transportation...).

Managing a diverse workforce: Cultural sensitivity in a workplace.

Maintaining ethical standards: Pressure on managers is good as it makes the company grow, however too much pressure is harmful and may cause a manager to perform unethically and get into trouble.

Utilizing new information systems and technologies: Increasing performance using information systems and technologies. Canadian companies have been slow to adopting these which is one reason Canada is lagging behind the United States.

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Managers and Managing

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MANAGEMENT AND MANAGING

- **Management** is working with and through individuals or groups to achieve desired goals.
- Managers have to work with people, and need interpersonal skills.
- Managers have to **delegate** and work through people. (when delegating, people think, that the people they delegate to will mess up, and you will have to end up doing it anyway, which is why you have to learn to delegate responsibly).
- A good manager puts around him people he/she cannot effectively and efficiently do.
- A good manager has to understand the people he/she deals with. Figure out what motivates them.
- A **goal** is the end result of what you're looking at. The long term desired result.
- **Objectives** are the steps you take to achieve the goal.
- Functions of management: Planning, leading, organizing, controlling.
- Functions of organizations: accounting, finance, operations, management, human resources management, marketing.

PROCESS OF MANAGEMENT (in order)

- **Vision:** The dream that you have. The picture you see of the future you want.
- **Mission statement:** The philosophy of the organization. The *raison-d'être* (reason of being). The mission never changes, but the way you go about doing it may change. The mission of police is to "serve and protect." These have an effect on the organization and the mission statement:
 - Values (ethical)
 - People
 - Capital
 - The environment
 - Government
 - Economy
 - Laws
 - Competition
 - Technology
 - Market demand
- **Goals:** Long term, and short term objectives. Goals must be: Realistic, challenging, reasonably attainable, within a time frame, specific, measurable.
- **Plan:** A detailed course of action. A plan consists of:
 - Policies: guidelines to action
 - Procedures: steps taken out to carry out the policies.
 - Rules
 - Budgets
- **Organize:** organize resources to best carry out the plan.
- **Leading** (motivating, directing)
- **Controlling:**
 - Establish a standard.
 - Measuring performance.
 - Compare actual vs. established standard.
 - If there is a significant deviation, you take corrective action.

Art of communication.

The most important function of the manager is the ability to do all of the above.

Synergy: The whole is greater than the sum of its parts. You can't do something to one part of the process without it affecting all the other parts. Everything is interrelated.

What is the manager's major responsibility?

Henri Fayol: Planning, leading, organizing, controlling.

Mintzberg: A role is a set of specific tasks a person performs because of the position they hold. Roles are directed inside as well as outside the organization. These roles are:

- Interpersonal
- Informational
- Decisional

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CHAPTER 2 notes

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CHAPTER 2 notes

Liability: The responsibility to pay debts, pay because of court of order, law, for performance under a contract, or payment of damages to a person of property in an accident.

- **Unlimited liability:** Responsibility of the business owners for all of the debts of businesses.
- **Limited liability:** Responsibility of the business owners to pay for the debts of only the amount they invest.

Canadian income tax: A progressive tax. You have gross income, and after deductibles, you end up with your taxable income, and a percentage of that income gets taxed.

- The reason our taxes are so high is because of our social programs (health care).

Sole Proprietorship: A business that is owned and usually managed, by one person. Sole proprietorships have unlimited liability. Between 60%-70% of businesses in Canada are sole proprietorships.

Advantages:

1. Ease of starting (license may be required eg. hot dog stands) and ending the business
2. Being your own boss
3. Pride of ownership
4. Leaving a legacy (the business will die, but the assets can be left to someone else who can start up another company with it)
5. Retention of company profit
6. No special taxes – only pay personal income tax
7. Government preferential treatment
8. Secrecy.

Disadvantages:

1. Unlimited liability
2. Limited financial resources (hard to raise money)
3. Management difficulties
4. Overwhelming time commitment
5. Few fringe benefits
6. Limited growth
7. Limited lifespan (if you die, the business ends)

Partnership: A legal form of business with two or more owners. The people combine their financial, managerial, and technical abilities to operate a business for profit. Shared unlimited liability.

- **General partnership:** All owners share in operating the business and assuming liability debts.
- **Limited partnership:** A partnership with one or more general partners and one or more limited partners.

Advantages:

1. More financial resources
2. Easy to form
3. Owners are taxed at personal rate
4. Shared management and pooled/complimentary skills and knowledge
5. Retention of valuable employees
6. Personal interest/satisfaction
7. Longer survival
8. Shared risk
9. No special taxes

Disadvantages:

1. Unlimited liability (liable jointly, others decisions, and liable severally, your own decisions)
2. Difficult to withdraw investment
3. Division of profits
4. Disagreements amongst partners
5. Difficult to terminate because of faulty partnership agreements

Limited Partner: An owner who does not actively manage the business, but has an investment in it. Liabilities can only add up to how much he originally invested. Therefore it is a limited liability.

General Partner: An owner who has unlimited liability and has management responsibilities in the firm.

Articles of partnership: Prevents misunderstanding and ill-will at some future date. Not legally required in Canada.

Partnership agreement: Legal document that specifies the rights and responsibilities of each partner.

Corporations: A legal form of business that has the authority to act and have liability separate from its owners, who have shares in the business. Limited liability.

- Formed either Federally or Provincially.
- Can only be formed, or taken down by the government.
- Letter Patent/Articles of Incorporation/Charter must be drawn:
 - Name of corporation (not now in use).
 - Type/number of shares to be issued.
 - Number of directors.
 - Location of operations.
 - Purpose of business.

A corporation is

- *“an artificial being, invisible, intangible, and existing only in the eyes of the law...”*
- A legal entity; it exists on paper only; it has all the rights of an individual.
- Rights
 - Buy, own, sell, manage property
 - To sue and be sued.
 - Recognized as the legal owner of the business.
 - To continue forever.

Economic /social benefits

- Most effective means of managing productive resources: land, labour, capital.
- Professional management and research.
- Higher living standard.

Economic/social problems

- “Bigness.”
 - Monopolies.
 - Morale.
 - Price fixing.
- Environmental.
- Political.

Owners/shareholders > Board of directors (1 or more members) > Officers > Managers > Employees

*used to be at least 3 members in the board of directors.

Shareholders:

- The owners of the corporation.
- Basically, there are two classifications of shareholders:
 - Common (residual/garbage).
 - Preferred.
- Rights of the shareholder:
 - The right to vote for the board of directors (1 vote per share).
 - Get someone else to vote for them by signing a proxy.
 - The right to receive dividends (a part of the profit) if declared.
 - To hold/sell any share registered in name.
 - To share assets on a pro rata basis. (If the company liquidates, it pays the government, then the preferred, then the common shareholders [generally there is nothing left for the common shareholders]).
 - Pre-emptive right (the right to maintain percentage ownership of business). If you own 1 share out of 100, you own 10% of the shares. If the company decides to release another 100 shares, they have to offer it to the shareholders first, so they can have 2/200 shares to maintain the 10% ownership).
 - To inspect books.

Board of directors:

- Represents rights of shareholders.
- formulates/adopts a set of corporate bylaws.
- Oversees/evaluates job of senior mgmt.
- Absolutely liable for GST and Income Tax.
- Liable for 6 months of employee wages.

How a corporation obtains funds:

- Equity financing.
 - The selling of shares in the business.
 - It dilutes ownership.
 - **Common (residual).**
 - Vote.
 - Dividends (if declared)(after preferred owners).
 - Share in assets (after preferred owners).
 - More risk, but potential return is greater.
 - **Preferred.**
 - Usually, no vote.
 - Dividends (if declared);(at certain rate).
 - Share in assets.
 - Most are cumulative. (If you don't get dividends in year 1, in year 2, you'll get it for both years).
 - The share is redeemable, meaning the company can buy the share back.
 - Less risk (hoping for dividends).
- Debt Financing.
 - The borrowing of money.
 - Interest payments.
 - Date of maturity (when the shareholder gets paid). If the company can't pay, it is bankrupt.

Advantages:

1. Limited liability.
2. More money for investment.
3. Size (big factories, tons of employees...).
4. Perpetual life.

5. Ease of ownership change.
6. Ease of drawing talented employees through benefits and stock options.
7. Separation of ownership from management.

Disadvantages:

1. Extensive paperwork (annual reports).
2. Double taxation.
3. More expensive to organize.
4. Government restrictions.
5. Two tax returns (individual and corporation).
6. Size (too inflexible to respond quickly to market changes).
7. Difficulty of termination.
8. Possible conflict with stockholders and board of directors.
9. Initial cost.

Public corporation: Has the rights to issue shares to the public on the stock exchange.

- Can be owned by more than 50 shareholders.
- Can issue shares and bonds on the financial markets.
- Usually owned by hundreds or thousands of shareholders.

Private corporation: Not allowed to issue shares to the public so they aren't listed on the stock exchange.

- Shareholders are limited to 50.
- Shareholders cannot sell shares without the approval of the Board of Directors.
- The general public is not permitted to buy shares or bonds from a Private corporation.

Crown corporation:

- A business that is owned and operated by the Government (either Federal or Provincial).
- Is considered to be a form of public ownership in which the Government owns and operates a business on behalf of the general public.

Why are there crown corporations:

- Fosters competition with other corporations.
- Some believe that certain sectors of the economy (natural resources; transportation) are too important to be left in the hands of private firms.
- Provides services which would not likely be offered by others. (Northern Canada).

Mixed corporation:

- Jointly owned by Government and the general public.
- Politicians do not participate in day to day decisions.
- Most operate in the exploration and natural resource sectors.

Corporate governance: The process and policies that determine how an organization interacts with its stakeholders both internal and external.

Articles of incorporation: A legal authorization from the federal or provincial government for a company to use the corporate format.

Non-profit corporation: Formed for charitable or socially beneficial purposes. No income taxes, no shares. There are no owners. In some towns, these don't have to pay property taxes:

- Religious institution.
- Hospitals.
- College.
- Museum.
- YMCA.

- Athletic, artistic, other charitable organizations.

Professional Corporations: A Canadian-controlled private corporation that provides professional services.

- Accountants.
- Architects.
- Attorneys.
- Physicians.
- Dentists.
- Engineers.

Acquisition: One company's purchase of the property and obligations of another company.

Merger: The result of two firms forming one company.

- **Vertical merger:** The joining of two firms involved in different stages of related business (soft drink, and artificial sweetener)
- **Horizontal merger:** The joining of two firms in the same industry and allows them to diversify/expand products (soft drink and water).
- **Conglomerate merger:** The joining of two firms in completely unrelated industries to diversify business operations and investments.

Leveraged Buyout (LBO): When the employees, managers, or a group of investors borrow money and attempt to take control of the business by buying all the shares.

FRANCHISING

There are over 1100 franchisor companies in Canada and over 60000 outlets in Canada. Franchises make over \$90 billion in sales in Canada.

Franchise agreement: An arrangement whereby someone with a good idea for a business sells the rights to use the business name and sell its products in a given territory.

Franchisor: A company that develops a product concept and sells others the rights to make and sell their products.

Franchise: The right to use a specific business's name and sell its goods or services in a given territory.

Franchisee: The person who buys a franchise.

Advantages:

1. Management and marketing assistance.
2. Personal ownership.
3. National recognized name.
4. Financial advice and assistance.
5. Lower failure rate.

Disadvantages:

1. Large start-up costs.
2. Shared profit.
3. Management regulation.
4. **Coattail effects** (when fellow franchisee's fail and it affects you).
5. Restrictions on selling.
6. Fraudulent franchisors.

Buying a franchise:

- Shop around.
- Get legal and financial advice.
- Look for financial stability in franchisor.
- Scrutinize the business plan and proforma statements.

Home-based franchising:

Advantages:

1. Relief from stress of commuting.
2. Extra time for family activities.
3. Low overhead expenses (costs that are not traceable to any specific job or process).

Disadvantages:

1. Isolation.

E-commerce in Franchising: Franchisors and franchisees expand their business online. Sometimes, franchisors forbid the franchisee make a website if they already have a main website.

Franchising in international markets: Franchises can expand globally.

Co-operatives: An organization that is owned by members/customers who pay an annual membership fee and share in any profits (if it is a profit making organization). Co-ops differ from other businesses in these ways:

- *A different purpose:* To meet the common needs of members:
- *A different control structure:* One member = One vote system, unlike the votes per share system. This serves the common need better.
- *A different allocation of profits:* Profits are shared between the members, depending on how much they use the service. The profits tend to be invested in improving services for the members.

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CHAPTER 3 notes

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CHAPTER 3 notes

Frederick Taylor: The father of scientific management. His goal was to increase worker productivity in order to benefit the worker, and the firm.

Henry L. Gantt: Created charts that managers used to plot the work of employees a day in advance down to the smallest detail.

Scientific management: Studying workers to find the most efficient ways of doing things then teaching it to the people.

- Time.
- Methods.
- Rules of work.

Time-motion studies: Studies of the tasks performed to complete a job and the time needed to do each task.

Job simplification: Breaking down jobs into small steps to improve efficiency.

Principle of motion economy: A theory which showed that every job could be broken down into a series of elementary motions. This was developed by Frank and Lillian Gilbreth (engineers), and they then analyzed each motion to make it more efficient.

Hawthorne effect: The tendency for people to behave differently when they know they are being watched or studied. This effect led to a new era of human motivation.

Maslow's hierarchy of needs: Theory of motivation that places different types of human needs in order of importance, from basic physiological to safety, social and esteem needs, to self-actualization needs.

- *Physiological needs:* Survival.
- *Safety needs:* Feeling secure at home and work.
- *Social needs:* Feeling loved and accepted.
- *Esteem needs:* Recognition and acknowledgement from others, as well as self-respect and a sense of status or importance.
- *Self-actualization needs:* Developing to one's fullest potential.

Firms must create an environment with social contribution, honesty, reliability, service, quality, dependability and unity to motivate workers.

Most important factors that **motivate** workers (**Frederick Herzberg**):

Motivators: Job factors that cause employees to be productive and that give them satisfaction.

1. Sense of achievement.
2. Earned recognition.
3. Interest in the work itself.
4. Opportunity for growth.
5. Opportunity for advancement.
6. Importance of responsibility.

Hygiene factors: Job factors that can cause dissatisfaction if missing but that do not necessarily motivate employees if increase. People get used to these things, so they aren't motivated by them.

7. Peer and group relationships.
8. Pay. (Can be used as a motivator if used as part of a recognition program [sales manager])
9. Supervisor's fairness.
10. Company policies and rules.
11. Status.
12. Supervisor's friendliness.
13. Working conditions.

People are motivated when their efforts are appreciated. A simple "thanks" or a simple note of

appreciation can motivate a worker tons.

Job enrichment: A strategy that involves motivating workers through the job itself. Jobs that include:

1. *Skill variety:* Requires many skills.
2. *Task identity:* The task has a viable outcome from beginning to end.
3. *Task significance:* The task has an impact on the lives or work of other in the company.
4. *Autonomy:* The worker has freedom, independence, and discretion.
5. *Feedback:* Direct and clear information about job performance.

Other types of job enrichment are:

- **Job enlargement:** A strategy where a bunch of small tasks are combined into one challenging and interesting assignment.
- **Job rotation:** A strategy that moves employees from one job to another.

McGREGOR's THEORY X AND THEORY Y:

Manager's attitudes fall into one of two sets of managerial assumptions about workers:

Theory X: Managers watch workers closely and don't give them much responsibility, authority or flexibility. They believe motivation is through punishment for bad rather than reward for good. They believe that workers are lazy, dislike work and will do as little as possible.

- People don't like working and will avoid it if possible.
- Because people don't like work, workers must be forced, controlled, directed, or threatened to make them put effort to achieve goals.
- People prefer to be directed, wish to avoid responsibility, have little ambition, want security.
- Primary motivators are fear and money.

Theory Y: Managers are relaxed, and workers have much more freedom and responsibility (empowerment). Believe that people are naturally active.

- People like to work.
- People naturally work towards goals they are committed to.
- The depth of a person's commitment to goals depends on rewards for their achievement.
- People seek responsibility
- People are able to be imaginative, creative, and clever in order to solve problems.
- People's intellectual potential is only partially recognized in industry.
- Different people are motivated by different rewards.

For **empowerment** to work well, managers should follow these steps:

1. Find out what people think are the organization's problems.
2. Let them design solutions.
3. Get out of the way and let them put those solutions into action.

Self-fulfilling prophecy.

OUCHI's THEORY Z:

Type J (Japanese approach to management): Focused on intimacy within group and family.

- Lifetime employment.
- Consensual decision making.
- Collective responsibility for the outcomes of decisions.
- Slow evaluation and promotion.
- Implied control mechanisms.
- Non-specialized career paths.
- Holistic concern for employees.

Type A (American approach): Focused on individual rights and achievements.

- Short-term employment.
- Individual decision making.
- Individual responsibility for the outcomes of decisions.
- Rapid evaluation and promotion.
- Explicit control mechanisms.
- Specialized career paths.
- Segmented concern for employees.

Type Z (Hybrid approach): Views the organization as a family that fosters co-operation and organizational values.

- Long-term employment.
- Collective decision making.
- Individual responsibility for the outcomes and decision.
- Slow evaluation and promotion.
- Moderately specialized career path.
- Holistic concern for employees (including family).

Goals setting theory: Setting ambitious but attainable goals to motivate workers and improve performance if the goals are accepted, accompanied by feedback, and facilitated by organizational conditions. This improves performance by:

1. Stretching the intensity and persistence of effort.
2. Giving employees clearer role perceptions so that their effort is channelled toward behaviours that will improve performance.

Management by objectives (MBO): A system of goal setting that involves a cycle of discussion, review, and evaluation of objectives among top and middle managers, supervisors, and employees. Goals are formulated in co-operation with everyone in the organization to commit employees, then to monitor results and reward accomplishment. MBO does not work however, if the goals are not accepted or agreed on mutually.

Expectant theory: Victor Vroom's theory that the amount of effort employees exert on a specific task depends on their expectations of the outcome.

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THE EVOLUTION OF MANAGEMENT THOUGHT-A SUMMARY

- Classical approach. (1880-1920)
 - Adam Smith (1776) – The wealth of nations.
 - Effectiveness.
 - Division of labour.
 - Productivity.
 - efficiency.
 - Focused on the definition of duties and responsibilities.
 - Lead to scientific management.
 - F.W. Taylor
 - 3 S's (Standardization, simplification, specialization)
 - Use \$ as incentive.
 - Piece-rate system.
 - Benefits of Taylor's work
 - Traditional thinking to scientific analysis.
 - Productivity did improve!
 - Problems
 - Oversimplification.
 - Failed to realize: The influence of group norms, social needs and pressures, etc.
 - Measurement time motion.
 - Frank Gilbreth – The one best way to perform a job.
 - "Therblig" (Unit of motion) is when each operation is broken down.
 - Gilbreth said everyone has 17 Therbligs
- Administrative approach
 - Henri Fayol.
 - Management is a universal process;
 - Fit the person to the job.
 - Developed the Gen. Prin. of Mgmt.
 1. Division of labour: Allows for specialization.
 2. Authority and responsibility: Delegating.
 3. Unity of command: Employees should have only one boss.
 4. Line of authority: A clear chain from top to bottom of the firm.
 5. Centralization: The degree to which authority rests at the very top.
 6. Unity of direction: One plan of action to guide the organization.
 7. Equity: Treat all employees fairly in justice and respect.

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8. Order: Each employee is put where they have the most value.
 9. Initiative: Encourage innovation.
 10. Discipline: Obedient, applied, respectful employees needed.
 11. Remuneration of personnel: The payment system contributes to success.
 12. Stability of tenure: Long-term employment is important.
 13. General interest over individual interest.
 14. Esprit de corps: Share enthusiasm or devotion to the organization.
- Problems.
 - Based on observation.
 - Concerned primarily with the structure of the organization.
 - Human element nothing more than a raw material.
 - Max Weber.
 - Managers should manage in a systematic way.
 - Make decisions based on rules, regulations, and impersonality.
 - Clear division of responsibilities and authority.
 - Human relations approach. (1930)
 - Primarily, a result of the Hawthorne Plant Studies by Elton Mayo.
 - Philosophy: Change management emphasis from productivity to human element.
 - The study:
 - Illumination will affect productivity level.
 - He then took some people to study. He kept changing the environment around, but he noticed that suddenly, no matter what he did, productivity went up. This is because he told them they were in a study, they got a special room, and they felt good and this developed a:
 - Cohesive Work Group.
 - Team Spirit: The environment is important.
 - Management must create a stimulating work environment.
 - What's stimulating me is not necessarily stimulating you.
 - Maslow's Hierarchy of needs (go down the list. Once one is satisfied, you move to the next one):
 - Maintenance needs.
 1. Physiological.
 2. Safety.
 - Motivational needs.
 1. Social.
 2. Ego.
 3. Self-actualization.
 - Motivation is an internal need that leads to an action that satisfies a goal.
 - According to Maslow:
 - Everyone has the same needs.
 - Where we place our emphasis varies.
 - If managers know their employees, they can more effectively motivate them.
 - Theory X and Y (see chapter 3 notes).
 - contemporary approaches. (1950 1980)
 - We continue to question – should management be considered an art or a science? Both.
 - Art- draw from experience, observations.
 - Science- use problems solving approach.
 - Quantitative approach – A paramorphic representation applying a formula.
 - Organizational behaviour (X and Y, etc.)
 - Process approach.
 - Obj./goals, planning, organizing, leading, controlling, communicating.
 - The systems approach.
 - Synergy; open vs. closed system.
 - Parts: individual; formal org. ; informal org. ; role and status arrangements ; physical setting.
 - Contingency approach (situational management).
 - Emerging practices. (1990 2000)
 - Comparative management.
 - Organizational culture.
 - Team building.

- Empowerment.
- Total quality management (meeting customer satisfaction / requirements 100%).

Teamwork – stimulating work environment.

- Coming together is a beginning; keeping together is a progress; working together is success.

REVIEW.

Classical approach

Management time motion
scientific management
administrative management
bureaucratic management
systematic management

Human relations approach

contemporary approaches
Quant. techniques.
Organizational behaviour
process approach
systems approach
contingency approach (situational management)

Emerging practices

Comparative management
Organizational culture
Team building
Empowerment
Quality revolution

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CHAPTER 4 notes

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CHAPTER 4 notes

Digital capital: Intellectual capital consisting 3 elements:

- Brains/intellect or “Human capital.”
- Organizational knowledge.
- Customer, brand and market share capital.

Technology: The combination of skills and equipment that managers use in the design, production, and distribution of goods and services.

Organizational environment: The forces and conditions that affect the way an organization operates and the way managers plan and organize. The organizational environment poses many opportunities and threats.

- **Internal environment:** Forces operating within an organization and stemming from the organization’s structure and culture.
- **External environment:** Forces operating outside an organization that affect how it functions.
 - **Task environment:** Forces and conditions that start with suppliers, distributors, customers, and competitors, and affect an organization’s ability to obtain inputs, or raw materials, and dispose of outputs, or finished products.
 - **Suppliers:** Individuals and organizations that provide inputs resources that an organization needs to produce goods and services. It is a major threat when suppliers have a strong bargaining position, which is caused by:
 - The supplier is the sole source of input.
 - managers need to secure reliable input sources.
 - suppliers provide raw materials.
 - The input is vital to the organization.
 - **Distributors:** Organizations that help other organizations sell their goods and services to customers. It is a major threat when the distributor is really strong, as it can demand for the main organization to lower prices of goods and services (Chapters is main book-store, they demand publishers to drop whole-sale price).
 - **Customers:** Individuals or groups that buy the goods and services the organization produces. Threats and opportunities arise when the number, type, tastes in customers changes.
 - **Competitors:** Organizations that produce similar goods and services to another organization. This causes organizations to lower costs, which may lead to lower profit, and less access to resources. This is one of the most important force than an organization confronts.
 - **Rivalry between competitors:** is usually the most serious force facing managers.
 - **Barriers to entry:** Factors that make it difficult and costly for an organization to enter a particular task environment. These affect companies that want to enter a task environment as another competitor. The higher the barriers to entry, the lower the number of competitors in that particular task environment will be.
 - **Economies of scale:** Cost advantages associated with large operations. This makes it hard for a new company to enter in a task environment as existing large operations can:
 - Manufacture in bulk.
 - Buy inputs in bulk.

- Be more effective than competitors in allocating resources by fully utilizing employees' skills and knowledge.
 - **Brand loyalty:** Customers' preference for the products of an organization that already exists in the task environment. Secondary.
- **General environment:** Wide-ranging external factors that affect the organization and its task environment directly or indirectly including (these are more difficult to identify and respond to than events in the task environment):
 - **Economic forces:** Affect the general well-being of a nation or the regional economy of an organization. These include:
 - Interest rates.
 - Inflation.
 - Unemployment.
 - Economic growth.
 - **Technological forces:** The outcomes when technology changes. These changes can make existing products obsolete, as it becomes outdated. Changes can also mean that machinery improves however, which is good for the organization.
 - **Socio-cultural forces:** Different cultures. Management practices that are effective in Canada may not be effective in other countries. Having a diverse work team, and management team can help greatly in the global economy.
 - **Demographic forces:** Outcomes of changes in, or changing attitudes toward the characteristics of a population such as age, gender, ethnic origin, race, sexual orientation, and social class. Addressing the problem of the lack of women in the higher ranks in management for example.
 - **Political and legal forces:** Outcomes of changes in laws and regulations (from the government and the federal Competition Bureau), such as the deregulation of industries, the privatization of organizations, and increased emphasis on environmental protection and workplace safety.
 - **Global forces:** Outcomes of changes in international relationships; the nation's economic, political and legal systems; and changes in technology, such as the falling of trade barriers, the growth of representative democracies, and reliable and instantaneous communication (threats are mostly from international competition, and benefits are from easier trade).

Managers analyze their environment using SWOT (strengths, weaknesses, opportunities, and threats) analysis.

Totalitarian regime (recent years, shift away): A political system where a single party, individual, or group holds all political power and faces and permits no opposition.

Representative democracy (recent years, shift toward): A political system where representatives are elected by citizens and they form a party who makes decisions on behalf of the people who elected them (electorate).

Command economies (recent years, shift away): An economic system where the government owns all businesses, and specifies which and how many goods and services are produced, and at which price they are sold.

Mixed economies (recent years, shift away): An economic system where some sectors of the economy are privately owned and others are owned by the government.

Free-market economies (recent years, shift toward): An economic system where private enterprise controls production and the interaction of supply and demand determines which and how many goods and services are produced, and how much consumers pay for them.

To analyze the importance of opportunities and threats in the external environment, managers must measure:

1. **The level of complexity in the environment:** Depends on the number and potential impact of the forces that managers must respond to in the task and general environments.
 - a. Big problem when managers need to devote a high level of organizational resources.
 - b. Small problem when manager just has to make a minor commitment of managerial time and attention.
 - c. Positive impacts warrant a considerable commitment of time and effort to take advantage of the opportunity.
2. **The rate at which the environment is changing.**

In general, the larger the organization, the greater the number of environmental forces the managers must respond to.

Environmental change: The degree to which external forces change and evolve over time.

To manage the external environment, managers need to:

1. List the types and strengths of the forces affecting their organizations' task and general environments the most.
2. Analyze the ways the changes can result in opportunities or threats.
3. Make a plan of how they propose to take advantage of opportunities or counter the threats, and what kind of resources they will need to do so.

Good managers use functions to manage forces in the external environments:

- Sales and service department handles pressures from customers.
- Research and development department handles pressures from technological forces.
- Marketing and strategic research department handles pressures from competitors.
- Finance and accounting department handles pressures from economic forces.
- Materials management department handles pressures from suppliers.
- Legal and public relations department handles political and legal forces.

-Top managers make strategies to take advantage of opportunities and counter threats.

-Middle managers figure out the future intentions of competitors, the identity of new customers, and the identity of new suppliers of crucial or low-cost inputs.

-First-line managers find ways to use resources more efficiently to hold costs down, and find out what customers want.

Managers have to scan and monitor.

Controllable factors.

- Marketing mix (prod, price, place, promo).
- Production.
- Human resources.
- Accounting and Finance.
- Administrative structure.
- Research and development.
- Public image.

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CHAPTER 5 notes

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CHAPTER 5 notes

Business: A business is an activity that provides goods and services to others while operating at a profit.

Profit: Is the money that is earned after paying salaries and other expenses.

Entrepreneur: The person that risks time and money to start and manage the business.

Revenue: The total amount of money a business takes in during a given period by selling goods and services.

Loss: When expenses are more than revenues.

Risk: The chance an entrepreneur takes of losing time and money on a business that won't make any profit.

Stakeholders: All the people who stand to gain or lose by the policies and activities of a business. Businesses have to balance the needs between the stakeholders.

- Investors (stockholders).
- Customers.
- Financial institutions (banks).
- Government.
- Suppliers.
- Employees.
- Dealers.
- Environmentalists.
- Surrounding community.

Outsourcing: Assigning various functions like, accounting, production, security, maintenance, and legal work, to outside organizations (or other countries). Results in loss of jobs.

Insourcing: The opposite of outsourcing. The functions are assigned to organizations in Canada. Results in the creation of jobs.

Non-profit organization: An organization whose goals are not to make personal profit.

Social entrepreneur: People who use business principles to start and manage non-profit organizations and help countries with their social issues.

Factors of production: The resources used to create wealth.

- Labour.
- Land (and natural resources).
- Capital (machines, tools, buildings, stuff used in the production of goods. Does not include money).
- Entrepreneurship (resources are useless unless entrepreneurs go and take the risk to use them).
- Knowledge.

Business environment: The surrounding factors that either help or hinder the development of businesses.

1. The legal and regulatory enviro.
 - a. Freedom of ownership.
 - b. Contract laws.
 - c. Elimination of corruption.
2. The economic enviro.
 - a. Tradeable currency.
 - b. Minimum taxes.
 - c. Imports and exports.
 - d. Employment levels and productivity.
3. The technological enviro.
 - a. Information and technology.
 - b. Databases.
 - c. Barcodes.
 - d. The internet.
4. The competitive enviro.
 - a. Degrees of competition.
 - b. Components of competition.
 - c. Stakeholder recognition.
5. The social enviro.
 - a. Diversity.
 - b. Demographic changes.
 - c. Family changes.
6. The global enviro.

Regulations: Serve to carry out the purposes of or expand on the general laws passed by elected officials.

ROI=return on investment.

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CHAPTER 6 notes

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Government activities that affect businesses:

1. Crown corporations.
2. Laws and regulations.
3. Taxation and financial policies.
4. Government expenditures.
5. Purchasing policies.
6. Services.

National policy: A tariff on the importing of American goods to protect manufacturing in Canada, which costs more. First done by John A. Macdonald.

Crown corporation: A corporation that is owned by the federal or provincial government.

- Federal crown corps:
 - Canada post.
 - Canada mortgage and housing corp.
 - Canada broadcasting corp.
 - Export development Canada.
 - Canadian commercial corporation.
- Provincial crown corps:
 - Hydro-Quebec.
 - Caisse de depot et placement du Quebec.
 - Ontario power generation inc.
 - Insurance corporation of B.C.

Privatization: When government sell crown corporations.

Federal Government Responsibilities:

1. Trade regulations (interprovincial and international).
2. Incorporation of federal companies.
3. Taxation.
4. Banking and monetary system.
5. National Defence.
6. Unemployment.
7. Immigration.
8. Criminal law.
9. Fisheries.

Provincial Government Responsibilities:

1. Regulation of provincial trade and commerce.
2. Natural resources within their boundaries.
3. direct taxation for provincial purposes.
4. incorporation of provincial companies.
5. licensing for revenue purposes.
6. the administration of justice.
7. health and social services.
8. municipal affairs.
9. property law.
10. labour law.

11. education.

Municipal Government Responsibilities:

1. Consumer protection (awareness of bad businesses).
2. Zoning Laws (sound, odour, noise, and other activities that affect the neighbourhood/parking, height of buildings etc.).
3. Speed limits.
4. Water supply.
5. Garbage disposal.
6. Roads.
7. Etc.

Fiscal policy: When the federal government changes tax or government spending in effort to keep the economy stable.

Deficit: When the government spends more than it collects in taxes.

National Debt: The sum of government debt over time. One place the government borrows a lot from is the Bank of Canada, a crown corporation.

Surplus: An excess of revenues over expenditures.

Federal Budget: A report that reveals government financial policies for the coming year.

Monetary policy: The management of the money supply and interest rates. Controlled by the Bank of Canada. The bank increases interest rates when trying to control the economy, and lowers interest rates when trying to improve the economy.

Fiscal policy and monetary policy are the two major efforts that control the economy.

Transfer payments: Direct payments from governments to other governments or to individuals. These payments include elderly benefits and employment insurance.

Equalization: A federal government program for reducing fiscal disparities among provinces. Canada spends over \$10 billion a year on equalization. Money from richer provinces (Alberta, Ontario) are transferred to poorer provinces.

Marketing boards: Organizations that control the supply or pricing of certain agricultural products in Canada.

- Canadian wheat board
- Canadian dairy commission
- Canadian egg marketing agency
- Chicken farmers of Canada
- Canadian turkey marketing agency
- Canadian broiler hatching egg marketing agency

Government expenditures include:

- Financial aid (loans, grants, loan guarantees, consulting advice)
- Equalization of Transfer payments
- Marketing boards

Canada's innovation strategy: Make Canada more competitive by 2010.

- *Achieving Excellence: investing in people, knowledge, and opportunity.*

- Rank among the top 5 countries in terms of research and development (R&D).
- Develop at least 10 internationally recognized technology clusters.
- Improve the innovation performance of communities across Canada.
- *Knowledge matters: skills and learning for Canadians.*
 - *In next 12 years, 50% of 25-64 year olds will have a post secondary credential.*
 - *In next 12 years, number of apprentices completing a certification will double.*
 - *Admission of master's and PhD students at Canadian universities will increase by an average of 5% per year through 2010.*

The NRC is a Federal agency that helps Canadian industry remain competitive and innovative.

Purchasing policies (restrictions that favour Canadian businesses):

- Services:
 - Industry Canada:
 - Programs to help small business get started.
 - Publishes brochures, booklets, and guides to inform business people of the help they can get, how to get it and where to get it.
 - Department of Foreign Affairs and International Trade:
 - Assist companies in their exporting and foreign-investment activities.
 - Services include: information, marketing, financial aid, insurance and guarantees, publications, and contracts.

Sources of Government help:

- **Business development bank of Canada:** delivers financial and consulting services with a focus on tech and exporting.
- **Export development Canada:** helps exporters with financing, insurance, and bonding services as well as foreign market expertise.
- **Industry Canada strategis:** Strategis provides online business and consumer info.
- **NRC:** Turns ideas and knowledge into new processes and products. Works with partners from industries, government, and universities.
- **Team Canada inc.:** A networks of federal departments and agencies working with provinces and territories, and other partners to help Canadian business prepare for the global marketplace.

Industrial policy: A comprehensive, coordinated government plan to guide and revitalize the economy.

Constitution act: Outlines the powers of all levels of government.

- Canada has a mixed economy: the allocation of resources are made by the market and by the government.
- The constitution act makes it the responsibilities of the federal, provincial, and municipal governments to have jurisdiction over certain matters of the economy and population.
- The government took control of the economy in the past because it had the ability to do so (constitution act) as well as because of the U.S. threatening our industries which were not strong enough by themselves.
- Crown corporations are necessary because there are some services and needs that companies are not willing or able to provide.
- Government assists consumers with tax dollars through social program spending, which provides low-income earners with more purchasing power.
- Businesses benefit from government expenditures through tax reduction, tariffs, and quotas on imports, grants, loans, and loan guarantees.
- Preferential treatment is given to companies when they bid for a government contract as they will contribute to a stronger Canadian economy.

CHAPTER 7 notes

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- Legislative Branch - make laws
 - Municipal Councils - make laws in the scope delegated to them by their provincial legislature
- Executive Branch - Administering the laws and putting them into practise (police department)
- Judicial Branch - Applies the law and interprets it when there is a dispute
 - Federal and provincial courts
 - **Criminal Law:** Defines crimes, establishes punishments, and regulates the investigation and prosecution of the people accused of committing crimes.
 - **Civil Law:** Legal proceedings that do not involve criminal acts.
 - **Business Law:** Refers to rules, statutes, codes, and regulations that are established to provide a legal framework within which business may be conducted and that are enforceable by court action.

Statutory law: Federal and provincial legislative enactments, treaties of the federal government. (written law).

Common law: The body of law that comes from decisions handed down by judges. (unwritten law).

Precedent: Decisions judges have made in earlier cases that guide the handling of new cases. Generally, lower courts (trial court) abide by the precedents of higher courts (supreme court).

Administrative agencies: Federal or state institutions and other government organizations created by Parliament or provincial legislatures with delegated power to pass rules and regulations, conduct investigations, and hold hearings within their mandated area of authority. The three levels of administrative agencies are:

1. Federal level: Banks, competition act...
2. Provincial level: Electricity, licensing...
3. Local level: Zoning, land, schools, police...

Tort: A wrongful act that causes injury to another person's body, property, reputation.

Negligence: In tort law, behaviour that does not meet the standard of care required and causes unintentional harm or injury.

Product Liability: Part of tort law that holds businesses liable for harm that results from the production, design, sale, or use of products they market.

Strict product liability: Legal responsibility for harm or injury caused by a product regardless of fault. The company has no idea that there is one product that is defective, and it causes harm.

-Business and insurance companies have lobbied to set limits on the amounts of damages for which they are liable should their products harm customers.

Patent: A form of intellectual property that gives inventors exclusive rights to their inventions for 20 years.

Copyright: A form of intellectual property that protects a creator's rights to materials such as books, articles, photos, and cartoons.

Trademark: A brand that has been given exclusive legal protection for both the brand name, and the pictorial design.

Industrial design: A form of intellectual property that protects the owner's exclusive right to use the visible features of a finished product that identify it.

Every province has a statute called the Sale of Goods act, which establishes rules and requirements associated with a deal, establishing the respective obligations of the parties of the contract. Defines the rights of buyers, and sellers.

Express warranties: Specific representations by the seller that buyers rely on the goods they purchase.

Implied warranties: Guarantees legally imposed on the seller. For example, it is implied that a toaster will toast

bread.

Negotiable instruments: Forms of commercial paper (cheques) that are transferable among businesses and individuals and represent a promise to pay a specified amount. Must be:

1. Written and signed by maker.
2. Payable on demand or at a certain time.
3. Payable to the bearer.
4. Contain an unconditional promise to pay a specified amount of money.

Endorsement: The signature that the person write on the back of a negotiable instrument.

Contract: A legally enforceable agreement between two or more parties. A contract is binding if:

1. An offer is made. (offer to sell something at a price of something).
2. There is a voluntary acceptance of the offer. (not by force).
3. Both parties give consideration.
4. Both parties are competent. (not drunk, high, insane, or in some cases, a minor).
5. The contract must be legal. (cannot be for something illegal).
6. The contract is in proper form. (A contract that cannot be fulfilled within one year, regards real property [land, etc...], for the sale of goods more than a fixed amount in the province, must be in writing; though it is always better to have everything in writing).

Consideration: Something of value; one of the requirements of a legal contract.

Contract law: Set of laws that specify what constitutes a legally enforceable agreement.

Breach of contract: When one party fails to follow the terms of a contract. Remedies to this are:

- *Specific performance:* The violator may be required to live up to the agreement if money damages are not adequate. (if I sold you a painting and I violated the contract, I would HAVE to sell you it).
- *Payment of damages:* The amount the person would lose in damages.
- *Discharge of obligation:* The contract is just dropped.

Damages: The monetary settlement awarded to a person who is injured by a breach of contract.

A good contract: is in writing, mutual consideration is specified, and there is a clear offer and agreement to accept it.

The **competition bureau** and other government agencies serve as watchdogs to ensure that competition amongst sellers flows freely, and that new competitors have open access to the market.

Consumerism: A social movement that seeks to increase and strengthen the rights and powers of buyers in relation to sellers.

Due to technological factors, the bargaining power of the consumer is low, and we also cannot detect defects, which affect the quality of the products we buy.

Factors that protect consumers:

- **Product performance:**
 - Consumer packaging and labelling act
 - The textile labelling act
 - The weights and measures act
 - The food and drugs act
 - The hazardous products act
 - The motor vehicle safety act
 - Aeronautics act
- **Business practises:**
 - Product returns within a specified time period
 - Registrations and licenses for door-to-door sellers to prevent harassment and pressure
 - People who get items that aren't for them aren't liable to pay for them, or return them
- **Misleading advertising:**

- It is prohibited to have false representations about product performance

Bankruptcy: The legal process by which a person, business, or government entity unable to meet financial obligations is relieved of those obligations by a court that divides debtor assets among creditors, allowing creditors to get at least part of their money and freeing the debtor to begin anew.

Bankruptcy and insolvency act: A federal statute that establishes a uniform national system for dealing with the problem of bankruptcy.

Voluntary bankruptcy: Legal procedures initiated by a debtor. (most common).

Involuntary bankruptcy: Bankruptcy procedures filed by a debtors creditors (legal prosecution).

3 types of creditors:

- *Secured Creditors:* Direct claim against a specified asset of the debtor. Can claim all assets, up to the amount that he is owed.
- *Preferred Creditors:* Priority over unsecured creditors. (lawyers involved in the case, unpaid employees, unpaid taxes)
- *Unsecured Creditors:* Get the assets that are in excess to the ones procured by secured creditors and preferred creditors.

The Companies' Creditors Arrangement Act (CCAA) is a federal statute that provides another option for insolvent debtors to avoid bankruptcy proceedings. It allows a company to stay in business even though insolvent, and protects it from being forced into bankruptcy by creditors. They make a plan, get it approved by the creditors, and make payments by their terms.

Deregulation: Government withdrawal of certain laws and regulations that seem to hinder competition. There had been significant deregulation in the airline and telecommunications industries.

CHAPTER 8 notes

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Ethics: Moral principles or beliefs about what is right or wrong.

3 models that decide whether a decision is ethical:

- *Utilitarian model:* An ethical decision is a decision that produces the greatest good for the greatest amount of people.
- *Moral rights model:* An ethical decision is a decision that best maintains the rights and privileges of the people affected by it.
- *Justice model:* An ethical decision is a decision that distributes benefits and harms among all stakeholders equally.

A decision is usually ethical if:

- Decision falls within the accepted values or standards that typically apply in the organizational environment.
- You are willing to see the decision communicated to all stakeholders affected by it, and have it broadcasted publicly.
- The people who you are close to, family, friends approve of the decision.

Ethical decision: A decision that reasonable or typical stakeholders would find acceptable because it aids stakeholders, the organization, or society.

Unethical decision: A decision that a manager would prefer to disguise or hide from other people because it enables a company or particular individual to gain at the expense of society or other stakeholders.

Codes of ethics: Formal standards and rules, based on beliefs about right or wrong, that managers can use to help themselves make appropriate decisions with regard to the interests of their stakeholders.

- **Social ethics:** Standards that govern how members of a society are to deal with each other on issues such as fairness, justice, poverty, and the rights of the individual. Customs, practices, norms and values of a society.
- **Professional ethics:** Standards that govern how members of a profession are to make decisions when the way they should behave is not clear-cut.
- **Individual ethics:** Personal standards that govern how individuals interact with other people. Result from the influence of family, peers, upbringing, and social institutions.

Organizational stakeholders: Shareholders, employees, customers, suppliers, and others who have an interest, claim, or stake in an organization and in what it does.

For an organization to survive and prosper, it must effectively satisfy its stakeholders.

Views of ethics vary among societies.

A coalition of Canadian companies developed an international code of ethics dealing with the environment, human rights, business conduct, treatment of employees, and health and safety hazards.

A great way to promote ethics in an organization is to develop a code of ethics that is given to every employee.

Ethics ombudsperson (officer): An ethics officer who monitors an organization's practices and procedures to be sure they are ethical.

- Communicating ethical standards to all employees
- Designing systems to monitor employees' conformity to those standards.
- Teaching managers and nonmanagerial employees at all levels of the organization how to respond to ethical dilemmas appropriately.
- Provide guidance.

Top managers must set an example for everyone else. People look up to them, and if they act ethically, so will the people. Older sibling effect.

Social responsibility: A manager's duty or obligation to make decisions that promote the well-being of stakeholders and society as a whole.

Obstructionist approach: Disregard for social responsibility; willingness to engage in and cover up unethical and illegal behaviour.

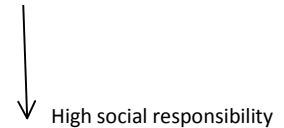
Defensive approach: Minimal commitment to social responsibility; willingness to do what the law requires and no more.

Low Social Responsibility

Social responsibility

Accommodative approach: Moderate commitment to social responsibility; willingness to do more than the law requires if asked.

Proactive approach: Strong commitment to social responsibility; eagerness to do more than the law requires and to use organizational resources to promote the interests of all organizational stakeholders.



Paul Tsaparis (hp)'s recipe for being proactive:

- CEO should manage the company, not the share price.
- Balance short term vs long term.
- Make sure to think about long term
- Trust, integrity, transparency, accountability, and responsibility matter.

If all organizations in a society were socially responsible, the quality of life as a whole would be higher.

Social audit: A tool that allows managers to analyze the profitability and social returns of socially responsible actions.

Reputation: The esteem or high repute that individuals or organizations gain when they behave ethically.

Socially responsible organizations are sought out by communities, who may provide them with property-tax reductions, as well as the construction of new roads and free utilities for their plants.

Diversity: Difference among people in age, gender, race, ethnicity, religion, sexual orientation, socio-economic background, and capabilities or disabilities.

Distributive justice: A moral principle calling for the distribution of pay raises, promotions, and other organizational resources to be based on meaningful contributions that individuals have made and not on personal characteristics over which they have no control.

Overt discrimination: Knowingly and willingly denying diverse individuals access to opportunities and outcomes in an organization. Managers can be sued by employees who feel they are not being fairly treated.

Procedural justice: A moral principle calling for the use of fair procedures to determine how to distribute outcomes to organizational members. Procedural justice exists when:

1. Managers carefully appraise a subordinate's performance.
2. Managers take into account any environmental obstacles to high performance beyond the subordinate's control, such as lack of supplies, machine breakdowns, or dwindling customer demand for a product.
3. Managers ignore irrelevant personal characteristics like age and ethnicity.

Due to the Canadian Human Rights Act, it is illegal to make unlawful distinctions based on: race, ethnicity, colour, religion, age, sex, marital status, family status, mental or physical disability, pardoned conviction or sexual orientation.

Canada's Employment Equity Act lists four protected categories of employees: aboriginals, people with disabilities, members of visible minorities, and women.

There are many diversity awareness programs that increase a managers awareness of:

1. Their own attitudes, biases, and stereotypes
2. The differing perspectives of diverse managers, subordinates, co-workers, and customers.

Bias: The systematic tendency to use information about others in ways that result in inaccurate perceptions.

Stereotype: Simplistic and often inaccurate beliefs about the typical characteristics or particular groups of people.

Sexual harassment: Unwelcome behaviour of a sexual nature in the workplace that negatively affects the work environment or leads to adverse job-related consequences for the employee.

Quid pro quo sexual harassment: Asking or forcing an employee to perform sexual favours in exchange for some reward or to avoid negative consequences.

Hostile work environment sexual harassment: Telling lewd jokes, displaying pornography, making sexually oriented remarks about someone's personal appearance, and other sexual related actions that make the work environment unpleasant.

Steps to eradicate sexual harassment:

1. Develop and clearly communicate a sexual harassment policy endorsed by top management.
 - i. Examples of unacceptable behaviour.

- ii. A procedure to report incidents of sexual harassment.
 - iii. A discussion of the disciplinary actions that will be taken when harassment has taken place.
 - iv. Commitment to educate organizational members about sexual harassment.
2. Use a fair complaint procedure to investigate charges of sexual harassment.
 - i. Procedures should be managed by a neutral third party.
 - ii. Complaints must be dealt with promptly and thoroughly.
 - iii. Protect and fairly treat victims.
 - iv. Ensure the alleged harassers are fairly treated.
 3. When it has been determined that sexual harassment has taken place, take corrective actions as soon as possible.
 4. Provide sexual harassment education and training to everyone including managers.

Ethics

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ETHICS, SOCIAL RESPONSIBILITY, AND DIVERSITY

- X has an impact on Y and Y has an impact on X.
- **Consumerism:** The economic and social justification of a firm's existence is to meet the needs and wants of the consumer.
- As a result, many organizations are now incorporating ethical considerations into their decision-making processes.
- Who is the organization responsible to? The owners? The public? Both?
- **Code of ethics:** Social ethics (ethical values by the society's laws, customs, practices, and norms and values), individual ethics (personal values influenced from family, friends, upbringing, involvement in social institutions), professional ethics (values and standards that groups of managers and workers use to decide how to behave appropriately).
- It is difficult to know when a decision is ethical.
- For each stakeholder, it could be different.
- Ethical reasoning:
 1. Depends on moral values.
 2. We are all different.
 3. Perceptions, values, beliefs.
 4. Determine the definition of proper conduct.
- 3 ethical models:
 5. **Utilitarian model:** A decision that produces the greatest good for the greatest number of people.
 6. **Moral rights model:** A decision that best maintains and protects the fundamental rights and privileges of the people affected by it.
 7. **Justice model:** A decision that distributes benefits and harms among stakeholders in a fair, equitable, or impartial way.
- Arguments for social responsibility:
 - In the business's long run self interest.
 - Improves the public interest.
 - Improves viability of business.
 - Avoid government regulation.
 - In stockholders' best interest.
 - Better able to solve problems.
 - Problems can become profitable.
- Approaches to social responsibility:
 - There are many ways managers respond to this duty.
 - **Obstructionist response:** managers choose not to be socially responsible.
 - **Defensive response:** managers stay within the law but make no attempt to exercise additional social responsibility.
 - **Accommodative approach:** acknowledges the need to support social responsibility.
 - **Proactive approach:** actively embraces the need to behave in socially responsible ways.
- How to manage diversity:
 - **Increase diversity awareness:** managers need to become aware of their own bias.
 - **Understand cultural differences:** and their impact on working styles.
 - **Exercise effective communication:** with diverse groups.
 - Be sure the top management is committed to diversity.
- Canadian human rights act, employment equity act.
- Sexual harassment:

- Quid pro quo harassment: victim is requested to perform sexual favours to keep a job or win promotion.
- Hostile work environment harassment: Some members are faced with hostile, intimidating work environment.
- Avoiding harassment:
 - Develop and communicate a sexual harassment policy.
 - Point out that these actions are unacceptable.
 - Set up a fair complaint system to investigate allegations.
 - If there are problems, correct them at once.
 - Provide harassment training to managers and employees.
- How the business finally performs depends on the culture within.

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CHAPTER 9 notes

October-22-07
10:17 PM

Ethics and legality are two very different things.

When facing an ethical dilemma, ask yourself these questions:

1. Is it legal?
2. Is it fair?
3. How will it make me feel about myself?

Compliance-based ethics codes: Ethical standards that emphasize preventing unlawful behaviour by increasing control and by penalizing wrongdoers.

Integrity-based ethics codes: Ethical standards that define the organization's guiding values, create an environment that supports ethically sound behaviour, and stress a shared accountability among employees.

| | Features of compliance-based ethics codes | Features of integrity-based ethics codes |
|-----------|---|--|
| Ideal | Conforms to outside standards (laws, regulations) | Conforms to outside standards (laws, regulations) and chosen internal standards |
| Objective | Avoid criminal misconduct | Enable responsible employee conduct |
| Leaders | Lawyers | Managers with aid of lawyers and others |
| Methods | Education, reduced employee discretion, controls, penalties | Education, leadership, accountability, decision processes, controls, and penalties |

Improve business ethics by following these steps:

1. Top management must adopt and unconditionally support an explicit corporate code of conduct.
2. Employees must understand that expectations for ethical behaviour begin at the top and that senior management expects all employees to act accordingly.
3. Managers and others must be trained to consider the ethical implications of all business decisions.
4. An ethics office must be set up. There should be a way to anonymously contact this office. Whistle-blowers must be protected from retaliation.
5. Outsiders (suppliers, subcontractors, distributors, and customers) must be told about the ethics program. Outsiders are usually the people that pressure employees to act unethically, and if the outsiders are aware of the program it is easier to resist such pressures.
6. The ethics code must be enforced.

Stakeholders: customers, employees, communities, stockholders, suppliers

Whistle-blower: People who report illegal or unethical behaviour.

In the United States, the Sarbanes-Oxley Act (SOX) protects whistle-blowers.

In Canada, Bill C-11 protects whistle-blowers.

Canadian regulators have established a rule that companies must have a procedure for the receipt, retention, and treatment of complaints received by the company regarding accounting, internal accounting controls, or auditing matter, and that the process of whistle-blowing is completely anonymous.

Corporate social responsibility (CSR): A business's concern for the welfare of society as a whole.

The dimensions of the social performance of a company:

- **Corporate philanthropy:** Dimensions of social responsibility that includes charitable donations. Random charities.
- **Corporate social initiatives:** Dimensions of social responsibility that includes enhanced forms of corporate philanthropy in that they are more directly related to the company's competencies. Donate to things more related to the company. Fedex and ups doing free shipment of emergency supplies from all over the world during the tsunami.
- **Corporate responsibility:** Dimensions of social responsibility that includes everything from hiring minority workers to making safe products.
- **Corporate policy:** Dimensions of social responsibility that refers to the position a firm takes on social and political issues.

The two views of corporate responsibility to stakeholders:

1. *The strategic approach:* Primary objective is the economic interests of shareholders.
2. *The pluralist approach:* Optimize profits, but not at the expense of employees, suppliers, and members of the community.

RESPONSIBILITY TO CUSTOMERS

-Honesty pleases customers.

-Having good social efforts gives a company a powerful competitive edge.

RESPONSIBILITY TO INVESTORS

-Ethical behaviour is good for shareholders, as those cheated by the financial wrongdoings of management are the shareholders themselves.

Insider trading: An unethical activity in which insiders use private company information to further their own fortunes or those of their family and friends.

RESPONSIBILITY TO EMPLOYEES

-Create jobs.

-Reward hard work and talent.

-Good human resource management.

-Respect employees.

RESPONSIBILITY TO SOCIETY

-Create new wealth.

-Promote social justice.

RESPONSIBILITY TO THE ENVIRONMENT

-Environmental efforts may increase the company's costs, but they also may allow the company to charge higher prices, to increase market share or both.

-Lowering environmental costs can add value to a business.

Corporations calculate net social contribution by taking the positive social contributions minus its negative social impacts.

Social audit: A systematic evaluation of an organization's progress toward implementing programs that are socially responsible and responsive.

4 types of external watchdogs that enforce a corporation's ethical and social responsibilities.

1. Socially conscious investors.
2. Environmentalists.
3. Union officials. (hunt down violations and force companies to comply to avoid negative publicity).
4. Customers.

Many businesses now require their international suppliers to be socially responsible, and do not violate human rights and environmental standards. However, ethical standards are not always the same in all countries.

The International Standards Organization (ISO) developed a new standard on social responsibility that includes guidelines on product manufacturing, fair pay rates, appropriate employee treatment, and hiring practices.

SUMMARY:

- Ethics reflects people's proper relation with one another.
- Management's tolerance or intolerance of ethical misconduct influences employees more than written ethics codes do.

CHAPTER 10 notes

October-23-07

10:05 AM

Decision making: The process by which managers analyze the options facing them and make decisions about specific organizational goals and courses of action that increase organizational performance.

Programmed decision making: Routine, virtually automatic decision making that follows established rules or guidelines.

Non-programmed decision making: Nonroutine decision making that occurs in response to unusual, unpredictable opportunities and threats.

- Invest in a new kind of technology.
- Develop a new kind of product.
- Launch a new promotional campaign.
- Enter a new market.
- Expand internationally.

Rational (classical) decision-making model: A prescriptive approach to decision making based on the idea that the decision maker can identify and evaluate all possible alternatives and their consequences and rationally choose the most suitable course of action. SPECIFIES HOW DECISIONS SHOULD BE MADE.

Optimum decision: The best decision in light of what managers believe to be the most desirable future consequences for their organization. The rational model assumes the manager has all the info needed to make the optimum decision.

Administrative model: An approach to decision making that explains why decision making is basically uncertain and risky and why managers usually make sacrificing rather than optimum decisions. Based on these concepts:

- **Bounded rationality:** Limitations in the human that constrain one's ability to interpret, process, and act on information. There are so many alternatives, and so much info it is impossible for the manager to evaluate everything before making the decision.
- **Uncertainty:** There are many outcomes that cannot be predicted when making a decision. Much of the time, information is ambiguous.
- **Satisficing:** Finding results that are very good, instead of looking for the perfect option. Relies on:
 - Intuition: ability to make sound decisions based on past experience and immediate feelings about the information at hand.
 - Judgement: ability to develop a sound opinion based on one's evaluation of the importance of the information at hand.

6 steps in decision making

- Recognize the need for a decision.
- Generate alternatives.
- Assess alternatives.
 - i. Practical?
 - ii. Economical?
 - iii. Legal / ethical?
- Choose among alternatives.
- Implement alternative.
- Learn from feedback.
 - i. Compare what actually happened to what you thought would happen.
 - ii. Find out why some expectations were not met.
 - iii. Develop guidelines that will help in future decision making.

Heuristics: Rules of thumb that simplify decision making.

Systematic errors: Errors that people make over and over again and that result in poor decision making.

4 sources of bias that negatively affect decision making

1. **Prior hypothesis bias:** A cognitive bias resulting from the tendency to base decisions on strong prior beliefs even if evidence shows those beliefs to be wrong.

2. **Representativeness bias:** A cognitive bias resulting from the tendency to generalize inappropriately from a small sample or from a single vivid case or episode.
3. **Illusion of control bias:** A bias resulting from the tendency to overestimate one's own ability to control activities and events.
4. **Escalating commitment:** A source of cognitive bias resulting from the tendency to commit additional resources to a project even if evidence shows that the project is failing.

How to be aware of your biases

- Compare a good decision you made in the past, with a bad decision you made, and determine what you did differently, and how much time you spent on each.
- List the heuristics you typically employ, personal biases, etc.

Groups can help you be aware of biases, as other people will make you aware of your biases and correct your errors. Group decision making is slow however, and is subject to groupthink.

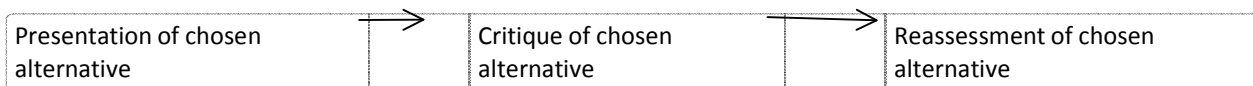
Groupthink: A pattern of faulty and biased decision making that occurs in groups whose members strive for agreement among themselves at the expense of accurately assessing information relevant to the decisions.

Symptoms:

- Illusion of vulnerability (overconfidence)
- Assumption of morality
- Rationalized resistance (no matter how strong the evidence proving them wrong is, they resist it and believe that they are still right).
- Peer pressure
- Minimized doubts
- Illusion of unanimity (if someone doesn't speak, it's assumed he's agreeing)

Groupthink is not always bad however. The illusion of vulnerability, belief in inherent group morality, and the illusion of unanimity can often lead to greater team performance.

Devil's advocacy: Critical analysis of a preferred alternative, made by a group member who plays the role of devil's advocate to defend unpopular or opposing alternatives for the sake of argument. Purpose is to identify all the reasons that might make the preferred alternative unacceptable after all. How it works:



Organizational learning: The process through which managers seek to improve employees' desire and ability to understand and manage the organization and its task environment.

Learning organization: An organization that tries to maximise organizational learning by getting employees and groups to be more creative.

Creativity: A decision maker's ability to discover original and novel ideas that lead to feasible alternative courses of action.

Promoting group creativity:

- **Brainstorming:** A group problem solving technique in which individuals meet face to face to generate and debate a wide variety of alternatives from which to make a decision.
 - **Production blocking:** A loss of productivity in brainstorming, as group members cannot always simultaneously make sense of all the alternatives being generated, think up additional alternatives, and remember what they were thinking.
- **Nominal group technique:** A decision making technique in which group members write down ideas and solutions, read their suggestions to the whole group, and discuss and then rank the alternatives.
- **Delphi technique:** A decision-making technique in which group members do not meet face to face but respond in writing to questions posed by the group leader.

Data: Raw unsummarized, an unanalyzed facts.

Information: Data that are organized in a meaningful fashion.

Information technology: The means by which information is acquired, organized, stored, manipulated, and transmitted.

Factors affecting the usefulness of information:

1. **Quality:** Accuracy and reliability determine the quality of information.
2. **Timeliness:** Information is available when it is needed for managerial action.
 - i. **Real time information:** Frequently updated information that reflects current conditions.
3. **Completeness:** Information that gives managers all the info they need to exercise control, achieve coordination, or make an effective decision.
4. **Relevant:** Information that is useful and suits a manager's particular needs and circumstances.

Manager as a Decision Maker

October-22-07

9:08 AM

The Manager as a Decision Maker

-
What is decision making?

- A process by which a choice is made between two or more alternatives.
- 4 elements in decision making:
 1. An objective.
 2. The alternatives.
 3. The consequences.
 4. The choice.

Types of decision making:

- Programmed decisions: routine, almost automatic process.
- Non-programmed decisions: unusual situations that have not been often addressed (85% of the time, these unusual issues deal with people).

Who are the decision makers?

- First level managers (technical decisions; ex. - the people who manage the assembly line).
- Middle level managers (managerial decisions; the non-programmed problems).
- Top level managers (institutional managers).

Conditions affecting managerial decisions:

1. Certainty: Very rare in today's world (are you 100% sure that every time you press the light switch, it will work?). Managers do not like to make decisions because they don't know exactly what's going to happen. In the case that it is certain however, the Manager knows exactly what's going to happen.
2. Risk: The use of probabilities. The outcome can be estimated.
3. Uncertainty: Also very rare, but not as rare as certainty. Alternatives are not known, and probabilities cannot be assigned.

Decision making steps:

1. Recognize the need for a decision: Managers must first realize that a decision must be made. Sparked by an event such as environment changes.
2. Generate alternatives: Managers must develop feasible alternative courses of actions.
3. Evaluate alternatives: What are the advantages and disadvantages of each alternative?
4. Choose among alternatives.
5. Implement chosen alternative: managers must now carry out the alternative.
6. Learn from feedback: managers should consider what went right and wrong with the decision and learn for the future.

Assessing alternatives:

- Is it practical?
- Is it economically feasible?
- Is it ethical?
- Is it legal?

Group decision-making:

- Better than individual decision making (80%).
- People come from different backgrounds, cultures, values, traditions, education.

Decision making aids:

- Expected value concept and payoff matrix:
 - The use of probabilities to measure the value of various outcomes for each alternative.
 - Expected value = Income produced * probability of generating outcome.
 - $E.V. = I \times P$
 - Co. wants to increase revenue by \$100,000:

| 3 Alternatives | Antic. Y | Prob. of Y |
|-------------------|-----------|------------|
| New product | \$150,000 | .55 |
| Marketing program | \$125,000 | .70 |
| Modernize plant | \$110,000 | .88 |

- Payoff matrix – Best option:
 - $\$150,000 \times 0.55 = \$82,500$
 - $\$125,000 \times 0.70 = \$87,500$
 - $\$110,000 \times 0.88 = \$96,800^{**}$ <-best option (all things equal).
- **Breakeven point analysis (MIDTERM):**
 - The point at which there is no profit and no loss.
 - $B.E.P=(T.Costs=T.Revenue)$
 - Always calculated on an annualized basis.
 - Volume of production at which all costs – both fixed and variable – are met.
 - Total costs = F.C. + V.C.
 - Fixed costs:
 - Costs that do not vary with the level of production.
 - Costs you have no matter what.
 - Office salaries, rent, lease, payments, insurance, depreciation.
 - Variable costs:
 - Costs that do vary with the level of production.
 - Sales commission, overtime payments, direct labour, electricity, raw materials.
 - Sometimes difficult to determine whether it's fixed, or variable.
 - **Always take things to 2 decimal places.**

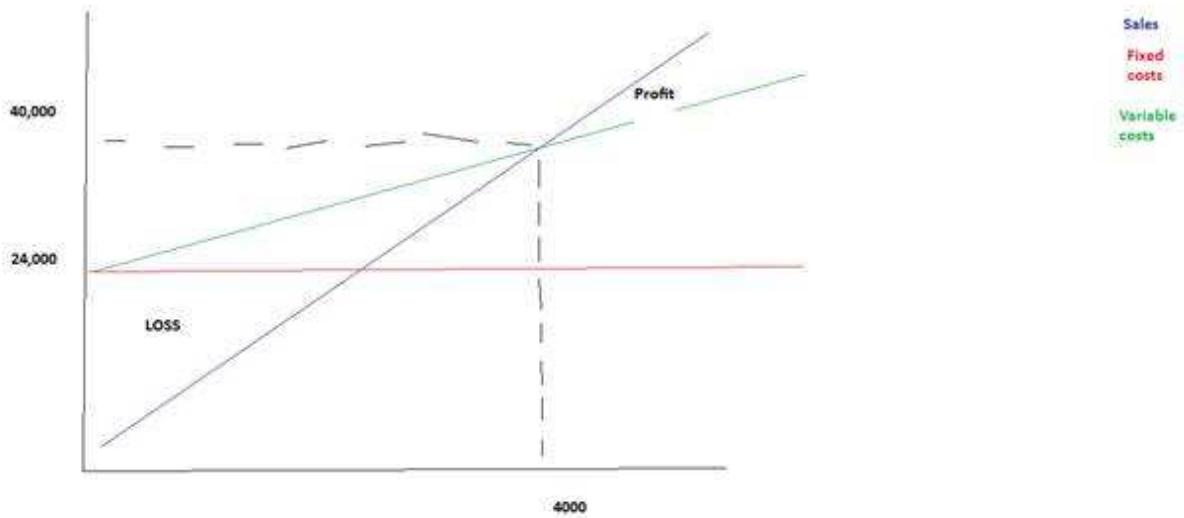
Selling price = \$10 per unit

V.C. = \$4 per unit

F.C. = \$24,000 per unit

$B.E.P=(T.C.=T.R.)$

$T.C.=(F.C.+V.C.)$



$$\text{B.E.P} = \$40,000, \text{ or } 4,000$$

$$\text{B.E.P.} = \text{F.C.}/1-(\text{v.c.}/\text{s.p})$$

$$\text{B.E.P.} (\text{\$}) = \text{F.C.}/(1-(\text{v.c}/\text{s.p})) = 24,000/(1-(4/10)) = \$40,000$$

$$\text{B.E.P. (units)} =$$

$$\text{s.p.} - \text{v.c.} = \text{u.c}$$

$$10 - 4 = 6$$

$$\text{f.c.}/\text{u.c.} = \text{B.E.P. (units)}$$

$$2000/6 = 4000$$

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CHAPTER 11 notes

October-23-07

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Planning process:

1. Determining an organization's mission and major goals
2. Choosing strategies to realize the mission and goals
3. Selecting the appropriate way of organizing resources to put the strategies into practice

Planning: Identifying and selecting suitable goals and courses of action. Determining:

- determining vision, mission goals
- Formulating strategy
- Implementing strategy

Strategy: A cluster of decisions about what goals to pursue, what actions to take, and how to use resources to achieve goals.

Vision statement: A broad declaration of the big picture of the organization and/or a statement of its dreams for the future.

Mission statement: A broad declaration of an organization's purpose that identifies the organization's products and customers, and distinguishes the organization from its competitors.

Goal: A desired future outcome that an organization strives to achieve.

3 levels of management:

- Corporate level - CEO, Corporate office
- Business level - Divisions (aircraft engines, lighting, motors, plastics)
- Functional level - Manufacturing, marketing, human resources, R&D

Division: A business unit that has its own set of managers and functions or departments and competes in a distinct industry.

Divisional managers: Managers who control the various divisions of an organization.

CORPORATE LEVEL PLANNING

Corporate-level plan: Top-management's decisions relating to the organization's mission, overall strategy, and structure.

Corporate-level strategy: A plan that indicates the industries and national markets in which an organization intends to compete.

*Lower level managers are usually given the chance to become involved in the process.

BUSINESS LEVEL PLANNING

Business-level planning: Divisional managers' decisions relating to divisions' long-term goals, overall strategy, and structure.

Business-level strategy: A plan that indicates how a division intends to compete against its rivals in an industry.

FUNCTIONAL LEVEL PLANNING

Function: A unit or department in which people have the same skills or use the same resources to perform their jobs. (manufacturing, accounting, sales).

Functional managers: Managers who supervise the various functions within a division.

Function-level plan: Functional managers' decisions relating to the goals that functional managers propose to pursue to help the division reach its business level goals.

Functional-level strategy: A plan that indicates how a function intends to achieve its goals.

Time horizon: The intended duration of a plan.

- Business and corporate strategies and goals generally require long term and intermediate term plans.
- Functional strategies and goals generally require short term plans.

Rolling plan: A plan that is updated and amended every year to take into account changing conditions in the eternaifil environment.

Standing plan: A plan that is used in situations where programmed decision making is appropriate. Policy's are devised for these situations.

Single-use plan: A plan that is used in situations where nonprogrammed decision making is required.

Policy: A general guide to action.

Planning helps predict future opportunities and threats, and is important for these 4 reasons:

1. Gets managers to take part in decision making about the appropriate goals and strategies for an organization.
2. Gives the organization a sense of direction and purpose.
3. Helps coordinate managers of different functions and divisions of an organization.
4. Controls managers within an organization.

Effective plans have:

- Unity (one central plan)
- Continuity (plans are built, refined, and modified over time)
- Accuracy (managers must use all information they can get while planning)
- Flexibility (plans should be altered if situation changes)

Scenario (contingency) planning: The generation of multiple forecasts of future conditions followed by an analysis of how to respond effectively to each of those conditions.

Scenario planning not only anticipates challenges in the future, but it encourages managers to think about the future.

Determining the vision: Set by the CEO.

Setting the mission: Who are our customers? What customer needs are being satisfied? How are we satisfying customer needs?

Establishing major goals: Gives the organization a sense of purpose. Goals should be ambitious, realistic, and within a time frame.

Management by objectives: A system of evaluating subordinates for their ability to achieve specific

organizational goals or performance standards.

1. Specific goals and objectives are established at each level of the organization.
2. Managers and their subordinates together determine the subordinates' goals.
3. Managers and their subordinates periodically review the subordinates' progress toward meeting goals.

Strategy formulation: Analysis of an organization's current situation followed by the development of strategies to accomplish the organization's mission and achieve its goals.

SWOT analysis: An exercise that identifies Strengths, Weaknesses, environment Opportunities, Threats.

- Corporate-level strategy: A plan of action to manage the growth and development of an organization so as to maximize its long-run ability to create value.
- Business-level strategy: A plan to action to take advantage of favourable opportunities and find ways to counter threats so as to compete effectively in an industry.
- Functional-level strategy: A plan of action to improve the ability of an organization's departments to create value.

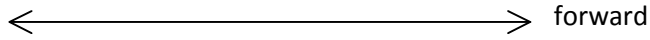
Michael Porter's FIVE FORCES MODEL: External forces that affect how much profit organizations that compete in the same industry can expect to make:

1. The level of rivalry among organizations in an industry.
2. The potential for entry into an industry.
3. The power of suppliers.
4. The power of customers.
5. The threat of substitute products.

Strategies that help a company grow:

- **Concentration on a single business:** Concentrating resources in one business or industry in order to develop a strong competitive position within that industry. Lay-off workers, sell off divisions that aren't competitive to increase performance.
- **Diversification:** Expanding operations into a new business or industry and producing new goods or services. However, over-diversification is bad as it makes the company stray from its core business.
 - **Related diversification:** Entering a new business or industry to create a competitive advantage in one or more of an organization's existing divisions or businesses. They can either use existing skills in their departments to create synergies, or they can acquire another company and use their skills to increase efficiency in one or more of their existing divisions.
 - **Synergy:** Performance gains that result when individuals and departments coordinate their actions.
 - **Unrelated diversification:** Entering a new industry or buying a company in a new industry that is not related in any way to an organization's current businesses or industries. Managers can buy a poorly performing company and turn it around.
 - **Portfolio strategy:** Dividing financial resources among divisions to increase financial returns or spread risks among different businesses.
- **International expansion:** Customizing features of its products and marketing campaign in different national conditions.
 - **Global strategy:** Selling the same standardized product and using the same basic marketing approach in each national market.
 - **Multidomestic strategy:** Customizing products and marketing strategies to specific national conditions.
- **Vertical integration:** A strategy that allows an organization to create value by producing its own inputs or distributing and selling its own outputs. Allows managers to either add value to products by making them special, or lower the costs of value creation. It can, however, make an organization less flexible in responding to changing environmental conditions.

- **Backward vertical integration:** Producing its own inputs.
- **Forward vertical integration:** Selling its own outputs.



Backward

Raw materials > Intermediate manufacturing > assembly > distribution

Michael Porter also said that manager's must choose between serving the whole market, or just serving one segment of the market. Given these, managers must choose from one of these business-level strategies:

1. **Cost-leadership strategy:** Driving the organization's costs down below the costs of its rivals.
 - i. **Focused low cost strategy:** Serving only one segment of the overall market and being the lowest-cost organization serving that segment.
2. **Differentiation strategy:** Distinguishing an organization's products from competitors such as design, quality, or after-sales service. Charge a premium.
 - i. **Focused differentiation strategy:** Serving only one segment of the overall market and trying to be the most differentiated organization serving that market.

2 ways that let departments add value to an organizations products:

1. Departmental managers can lower the costs of creating value.
2. Differentiate products.

While trying to add value, managers must pay attention to these goals:

1. To attain superior efficiency
2. To attain superior quality
3. To attain superior innovation
4. To attain superior responsiveness to customers

How to implement strategy:

1. Allocate responsibility for implementation to the appropriate individuals or groups.
2. Have a plan of action to specify how to implement the strategy.
3. Have a timetable.
4. Allocate resources appropriately.
5. Hold specific individuals or groups responsible for reaching corporate, divisional, and functional goals.