Chandler

Major Claim: Successful firms are the ones that first capitalize on economies of scale and scope, create management structures and invest in research and development which allows them to stay ahead of the competition.

Second Claims: Unrelated diversification leads to problems in the long run. Business ownership patterns have diminished the likelihood of many firms' long term success.

Claims: important to invest, be committed/ companies still ignore logic/ pursuing a wide mkt is key/ hard to enter a mkt when there's already a 1st mover/ company succeed when it dvlps an economy of scale and scope

Major Concepts

Economies of scale: Doing things on a greater scale makes things cheaper.

Economies of scope: Being able to make other things based on the knowledge and materials you have.

Functional divisions: Example: Sales, Management, Accounting.

Management Hierarchy: Levels of Management. Bosses, ect…

First Movers: First to hire managers, to grow, move. Once a firm loses the opportunity to be a first mover, it is difficult to regain competitive advantage.

- Confidently seize opportunities through major commitments
- Constantly improve and aggressively compete
- Manage logically and systematically
- *"Maintain and nourish their competitive capabilities"*

Research and Development: New technologies, improving quality, price/cost.

Managerial enterprises: build large and efficient pdct capacity, compete aggressively and never let up, expand mktg and distribution, lower cost and improve quality

Organization of management

Diversification: When companies buy a wide variety of other businesses. Chandler says not understanding the business will not allow you to build the business. If you are going to diversify, then do it in related businesses.
Unrelated diversification leads focusing on the financial statements
This causes the smaller businesses to do short-term thinking
Focusing on profits/ Short-term thinking leads to:

Separation of top VS Middle Managers: Caused by unrelated diversification.

Stock Market Pressures: When companies focus on making investors happy. Caused by unrelated diversification.

Short term thinking: In the long run, short term thinking can be harmful to the company.

First, three major investments to "set the stage":

1. Build large, efficient production capacity (to exploit economies of scale and scope);
   Scale = BIG, to get costs per unit down
   Scope = efficient use of common items
2. Create extensive marketing and distribution channels
3. Establish well-organized management teams

Concept maps: *logic of managerial enterprises*
Production, mktg, mgmt

"Do it First, Do it Right, and Do it Best"

Greiner

Major Claim: Organizational growth is characterized as a series of developmental phases (Age means growth). Management practices that work well in one phase bring on a crisis in the next (Natural process to go through stages).

Second Claims: Organizations should not try to skip phases (Example: Child growing up). Top managers whose style is no longer appropriate should remove themselves (As growing and developing, managers should give up positions to someone more suitable). Growth is not inevitable (If not wanting to grow, then it is possible to keep companies small).

Major Claim

As companies grow, gets out of hand, more employees are needed. Need organization and formality.

Developmental stages (Phases of evolution)

Crisis stages (Phases of revolution)
Crisis stages change the company's **organizational structure** and **management style.**

The Five Phases of Growth

Creativity
  Leadership
Direction: control ppl
  Autonomy
Delegation: freedom
  Control
Coordination
  Red Tape
Collaboration
  "?"

Greiner says that the growth rate of the industry is separate from the growth rate of the company. The growth rate of the industry will only tell us how fast it will go through the different phases, not how fast the company will grow.
Each stage thinks they have the solution, but no, they are taking it to a new level.

Chandler says you must grow
Greiner says you don't have to grow

BUT… Chandler has evidence and Greiner does not.

Collins & Porras

Vision: Provides guidance about what core to preserve and what future to stimulate progress towards.

Value: It's what makes you you

Purpose: reason why we are here, company's reality for being

Core Ideology: Enduring character, glue that holds the organization together. Collins and Porras say that it is more important to know who you are then where you are going, for where you are going will change as the world around you changes.
Core ideology = guidance and inspiration.

Core Values: Beliefs about what is important. "A company should not change its core values in response to market changes; rather it should change markets, if necessary, to remain true to its core values".

- Confidence in forming opinions and presenting well-supported arguments about business
- Enjoy ideas about business and learning about business practices

Core Purpose: The ideals that underline the work of the company. It is the organization's reason for being, not a goal or a business strategy.

- Provide a "toolkit" of foundational management theories, industry analysis, critical thinking skills
- Prepare you for advanced courses and beyond

Core ideology is a description of what actually exists, not what we wish exists.
It is important to get people to share the core ideology. Hire people who already have it.

Envisioned Future: BHAGs (Big Harry Audacious Goals)
B: motivating
H: risky, unpredictable
A: daring and bold
Goal
Audacious, vivid goals that stimulate progress. Encourage passion and team spirit. Get people excited about goals. Difficult but not impossible to achieve.
Companies need to build a strong organization with people capable of achieving the goals (Chandler)
Avoid the "We have arrived" syndrome.

Stability coexists with change: (Ying Yang)

One side: Preserve the core (Core Ideology; Values and Purpose)
Other side: Stimulate Progress (BHAGs; envisioned future)

"You must translate the vision from words to pictures with a vivid description of what it will like to achieve your goal".

Porter

What is strategy?

Strategy is fundamentally about making choices, sticking with them, and refining them to get better at it.

Operational effectiveness is not strategy: You perform similar activities better than your competitors. Cost is generated from performing activities, and cost advantage arises from performing particular activities more efficiently than competitors.

- Operational Effectiveness is a requirement, not an advantage
- Operational effectiveness consists of doing what you choose to do in an effective and efficient way, I.e. it works and it works well.
- Ex. Being a goalie is a strategy, being a fast, alert goalie is OE

Strategy: You perform different activities from your competitors, or the similar activities in different ways.

Operational effectiveness is necessary but not sufficient. Few companies have competed successfully on the basis of operational effectiveness over and extended period.

Benchmarking best practices (comparing with other companies) and outsourcing (relying on outside sources to get a job done) lead to easy imitation.

Strategy Rests on Unique Activities: The importance of uniqueness.

- The more common something is, the less it is valued or "special"
- If you can specialize in one variety of things, or meeting the needs of one particular group of customers, or providing special access, you may be able to create value

Variety-Based positioning: Be unique by having distinctive products or services (Jiffy Lube example: Specializes in lubricant for cars).

Needs-Based positioning: Be unique by targeting a special group of customers (Ikea example: Ikea seeks to meet all the home furnishing needs of its target customers, not just a subset of them).

Access-Based positioning: Be unique by reaching your customers in special ways (Carmike Cinemas example: operates exclusively in cities and towns with populations under 200,000).

When you choose a particular position, you choose NOT to use other approaches.
These are **Trade-offs** and are essential and they make imitation (straddling) difficult. It is very difficult for companies to make trade-offs.

A Sustainable Position Requires Trade-Offs

- "You can't have your cake and eat it, too"
- "Jack of all trades and master of none
- Trade-offs enable you to focus, be distinctive, sharp and clear.
- Straddling makes you vulnerable, knowing where you stand gives strength

Trade-offs arise for three reasons:

1) **Inconsistencies in image and reputation.** (Example: Ivory soap will have a hard time imitating Neutrogena's dermatologist tested soap, it would cost too much to change their image).
2) **From activities themselves.** (Example: The more Ikea has configured its activities to lower costs by having its customers do their own assembly and delivery, the less able it is to satisfy customers who require higher levels of service).
3) **From limits on internal coordination and control.** (Trying to be all things to all customers risks confusion for the employees trying to make day-to-day operating decisions without a clear framework).

Fit: Production, marketing, personnel, etc. should all be consistent. In all types of fit the whole matter more than any individual part. When activities compliment one another, rivals will get little benefit from imitation unless they successfully match the whole system. (Neutrogena markets to upscale hotels eager to offer their guests a soap recommended by dermatologists).

Fit Drives both Competitive Advantage and Sustainability
#1. Simple fit means activities fit together, no round pegs in square holes, no compromises or contradictions. Trade-offs are enforced.
#2. Reinforcing activities means one activity contributes to make another work better, too.
#3. Optimization of effort means sharpening the overall fit

When all activities work together as a system, imitation is difficult.

<u>Sustained competitive advantage</u>

Achievable when you have operational effectiveness AND competitors cannot copy your approach.

Many CEOs don't have a strategy because:

Afraid of making trade-offs
Seduced by the concreteness of operational effectiveness
Tempted to grow by broadening vs. deepening position and maintaining strategic continuity.
Strong leaders and strong choices are essential.

Growth Trap: When you grow, grow while maintaining your vision/strategy.

Strategic Continuity: Hang on to strategy in the long run if you want to have a competitive advantage.

"Improving operational effectiveness is a necessary part of management, but it is not strategy".

"Managers must clearly distinguish between operational effectiveness and strategy. Both are essential, but two agendas are different".

"A company may have to change its strategy if there are major structural changes in its industry".

Kaplan & Norton

The "bottom line" is not enough: These are the financial results. The financial results are not enough to really tell us how well the company is doing.

Balanced Scorecard (a set of measures that gives the top managers a fast but comprehensive view of the business)

Four perspectives: (Key measures that allow you to track how well you're doing)

Customer perspective: How do customers see us?
Focuses on getting feedback from customers.
A typical mission statement: "To be number one in delivering value to customers".
How a company is performing from its customers' perspective has become, therefore, a priority for top management. What matters most to consumers. Consumers always com first and financial comes last.

Internal perspective: What must we excel at? (Operational effectiveness)
Ask employees for feedback.
Managers need to focus on those critical internal operations that enable them to
Satisfy customer needs. How do we produce to meet customer expectation.

Innovation and learning perspective: Can we continue to improve and create value?
Intense global competition requires that companies make continual improvements to their existing products and processes and have the ability to introduce entirely new products with expanded capabilities. (Remember Chandler – R&D)
A company's ability to innovate, improve, and learn ties directly to the company's value.
This allows companies to grow and thereby increase shareholder value. How can we make continual improvements.

Financial perspective: How do we look at shareholders?
These measures indicate whether the company's strategy, implementation, and execution are contributing to bottom-line improvement.
Typical financial goals have to do with profitability, growth, and shareholder value. How can we ensure profitability for shareholders? Money keeps things moving, but creating value is more imptnt.

It is possible to get bad results even if all measures on the balanced scorecard are doing well. This means that the strategy needs some re-thinking (there's something wrong with the strategy).

"The balanced scorecard puts strategy and vision, not control, at the center. It establishes goals but assumes that people will adopt whatever behaviors and take whatever actions are necessary to arrive at those goals. The measures are designed to pull people toward the overall vision".

Wal- mart:
Customers: sales, a lot of volume
Excel at: keep the cost down
Innovation: doing the same stuff, keep expanding, growth, new areas of business, image

French & Raven

Relationship btw Person and Other.
Reward Power: The ability to reward will have power over someone. If they do this, you will reward them. This will get them to do what you want.

Coercive Power: The ability to punish will have power over someone. If they do this or don't do this, you will punish them. This will allow you to have power over what you want them to do or not do.

Legitimate Power: Someone who has a particular status that has power over people. Example: Judge, Policeman.

Referent Power: Referring to someone or a group and wanting to be like them. You have certain attributes or qualities that they want, therefore you will have power over them without even being aware of your power.

Expert Power: Someone who knows a lot, or knows enough on the subject. Therefore, they will have power over you because they know more than you on the subject.

Based on perceptions by P(erson) of O (ther)

- **C**oercive - i.e. power to punish
- **L**egitimate - i.e. based on values
- **E**xpert - perception of greater knowledge
- **R**eward - expectation of reward
- **R**eferent - desire to associate

Overall terms I should know

Economies of scale (Chandler)

Economies of scope (Chandler)

Shareholders (Part owners of the corporation) **Stakeholders** (Broader group of people who have an interest in the firm because they are influenced by its actions)

Diversification (Chandler)

Research and Development (The activities in a firm that combine scientific research and technological development to produce innovations in products or services)

Best Practices (Porter says that following "best practices" is not good because it leads to everyone doing the same thing. This is not a good strategy)

Mergers & Acquisitions (Chandler- leads to diversification. Chandler says make sure you diversify in a related area)

Chief Executive Officer (sets the company's policies and strategic direction to ensure the firm's success) (Greiner says they change as the company grows/changes, Porter says they are important because they have the decision of deciding on strategy, Collins & Porras says they are in charge of making sure that everyone who is hired has the same core ideology as the company)

Multinational Firm & Globalization (Operating globally, in two or more different countries) (Chandler)

Organizational Structure (Greiner)

Return on investment (related to "bottom line", Kaplan & Norton)

Life cycle (Greiner, child growing cannot skip phases, same as the company)

Claims (Main thesis or conclusion of a text. Likely located at the beginning and the end of the text).

Qualities of evidence Sufficient, Accurate, Precise, Representative, Authoritative, Clearly Expressed.

Reality and value assumptions (The link between the claim and the evidence)
Reality- The way things really are
Value- The way things ought to be

Mintzberg

What were the myths about how managers work?

- Aloof, dispassionate, intellectual, abstract
- Plan, organize, coordinate and control
- Really describes objectives, not activities

- Managers sit between the organization and a network of contacts.
- Managers demonstrate a strong preference for verbal media (telephone and meetings, as opposed to mail and tours).
- Managers appears to be able to control their own affairs
- In other words, managers deal primarily with *people*, not *things*?

Interpersonal Roles:

Figurehead: "Face of the company". He does not make decisions, but once a decision is made he is the one to sign the contract. (Ceremonial).

Leader: He motivates the employees, is in charge but interacts directly with the employees and gets them excited.

Liaison: He makes the contacts outside his department. Gets to know what other people in the company are doing.

Informational Roles:

Monitor: Managers take the information they receive from all the gossip floating around the office. They listen to people talk. The information is informal but important. (Blackberry example)

Disseminator: Once all the information is collected, the managers must give the information to people who need it.

Spokesperson: Goes to people outside and lets them know what is going on. Manager must spread the information.

Decisional Roles:

Entrepreneur: He is the initiator, draws up new ideas. Wants to constantly improve.

Disturbance handler: He responds to the pressures, handles problems internally and externally.

Resource – Allocator: Time, money and resources are all important. Deadlines must be set. Manager must set the deadlines according to time, money and resources.

Negotiator: Makes deals to come to an agreement in order to satisfy both parties. He finds solutions for a happy median.

Interpersonal	Informational	Decisional
leader	monitor	entrepreneur
figurehead	disseminator	disturbance handler
liaison	spokesperson	negotiator

Herzberg

Negative KITA: ***Physical***: Kick or hit someone. ***Psychological/ emotional***: Hurtful inside, feelings are hurt.

Positive KITA: Rewards and bonuses are given.

These two KITAs get people to do things but does not motivate them!

Hygiene Factors: Are not motivating! These are things that people expect to be there and when they're not there people will not be happy. Example: "Pay". Things that potentially make people dissatisfied with the job.

Motivators: Makes people feel better about themselves, like a sense of achievement, or pride, of learning and growing.

Dissatisfiers: Just dissatisfied, does not mean that they are satisfied. Example: Having no blinds in the office, employees are dissatisfied. But once received, then employees are not dissatisfied anymore.

Satisfiers: By building enough motivators into the job, then people will be satisfied.

Horizontal job loading: Getting different jobs but very similar. Dull jobs. Example: Going from filling spice bottles to putting labels on the spice bottles.

Vertical job loading: Gives people the opportunity to decision making jobs. Gives upper level jobs, gives some responsibility.

Job enlargement: (like horizontal job loading). Getting a larger job but it is still dull and boring.

Job enrichment: (like vertical job loading). Must make jobs BETTER, not just bigger.

Levitt

Levitt says:

- Myopia means not being able to see into the distance.
- Companies only have a vision for themselves, not for their customers. They're short-sighted.
- No industry goes on forever (no such thing as a growth rate for the industry or the company). Companies must look for opportunities and jump on opportunities now, but later on they will have to do something else.
- Population myths: (these are not true according to Levitt)
  - Population is expanding: example: people who do not have cell-phones, sell to them!
  - That their product is indispensable: example: everyone needs a cell-phone!
  - Efficiency: be efficient, that's all you need!
- Companies should do the research to make their product obsolete, they should not allow it to another company to do it.
- Mass production (economies of scale): Mass production leads to selling and not to marketing. Selling: Making sure people buy the product (product first). Marketing: Focusing on the customer's needs (customer first). Mass production can be very dangerous!
- If you lose focus of the customer, you end up developing things that are not user-friendly.
- This is because R&D is sealed off from the rest of the world.
- You must have much better links between R&D and the people who are selling to the customers in order to have success in the long run.
- Levitt says EVERYTHING will become obsolete! Even if we cannot imagine it becoming obsolete, it will! Example: Computers, Air Travel, supermarkets.

- There is no such thing as a growth industry… only growth opportunities.
- Population myth: Expanding market for product, idea that product is indispensable, focus on efficiency.
- If a company's own research does not make it obsolete, another's will.
- Mass production usually leads to selling not marketing.
- Dangers of R&D: illusion that a superior product and continued product innovation and improvement will create continued growth.
- An industry is a customer-satisfying process, not a goods-producing process.
- Nothing lasts forever, define the industry broadly
- Marketing is the process of satisfying consumer needs
- Marketing is not selling
- Myths of Marketing Myopia
  - (DO NOT FOCUS ON) P.U.M.P.
  - Population Growth won't keep you going
  - Uniqueness of products never lasts
  - Mass Production can be distracting
  - Perfecting existing products and processes can also be a distraction from necessary change

Nothing last forever, you can't sell smtgh that ppl don't need in the long-run

Handy

- Sigmoid is the key to effective growth in organizations
- The peak: is as good as it gets
- Why the drop at the beginning? This is the adjustment period, a period of learning
- Life cycle: the fact of life, everything that exists is going to die
- Sigmoid curve = Life cycle curve
- Point B: where you realize you're not doing well, but you've waited too long. It's too late at this point. (Depleted resources; JUST TOO LATE!) Example: Mistreating your health your entire life, and now you're too sick and its too late to help you.
- Point A: Start thinking about the future at this point, make changes here before things get bad!! Start thinking about change NOW! Even though things are good, you must. Begin building a new curve, for example:

- Shaded area: Period of confusion. Problem to deal with. "Why are we changing? We were doing fine!!" "GGGGRRRRR"

Whatever you are doing right now is not going to last forever, make changes before things go bad.

Comparing Other Authors to Handy

Levitt (similar to Handy): Must always be working on something new! Must make your own product obsolete! Always think of the future.

Porter (Handy and Porter may not be in agreement): Strategic continuity, hang onto your strategy for as long as possible. Handy would say this may be too late! If you try to hang onto it for too long you it may get to be too late! Porter would say to Handy that this changing curves all the time is straddling.

Collins & Porras (similar to Handy): Have to keep core values and core purpose along with change. Envisioned future: get people excited about the goals! They also say that you must avoid the we have arrived syndrome, meaning keep thinking about the future, never stop.

Greiner (similar to Handy): Each stage would be a new curve. This is very similar to Handy, however, must remember that Handy says to start thinking about change, and start changing before it’s too late!