

## Chapter 1: Introducing Management

### GMS Notes

#### What are the challenges of working in the new economy?

##### Talent

People and their talents – what they know, what they learn, and what they do with it – are the ultimate foundations of organizational performance. **Intellectual capital** is the collective brainpower or shared knowledge of a workforce that can be used to create value (**Intellectual Capital = Competency x Commitment**). A **knowledge worker** is someone whose mind is a critical asset to employers and adds to the intellectual capital of the organization.

##### Diversity

**Workforce diversity** is the composition of a workforce in terms of differences among people whether it be their gender, age, race, ethnicity, religion, sexual orientation or able-bodiedness. **Prejudice**, or the holding of negative opinions and attitudes to a diversified population, sets the stage for diversity bias. A subtle form of discrimination is called the **glass ceiling effect** – an invisible barrier or “ceiling” that prevents minorities from rising above a certain level of organizational responsibility.

##### Globalization

**Globalization** is the worldwide interdependence of resource flows, product markets, and business competition that characterizes our new economy. It is a process in which improvements of technology combine with the deregulation of markets to bring out flows of people, goods, services and money.

##### Technology

The forces of globalization ride on the foundation of the Internet and the growth of communication technologies. Bar codes, automatic tellers, email, blogs, text messaging, online media and social networks are some of the technologies driving the world.

##### Ethics

**Ethics** is a code of moral principles that sets standards of what is “good” and “right” as opposed to “bad” and “wrong.”

##### Careers

The Shamrock Organization is an analogy to discuss career patterns characteristic of the new economy. The three leaves of the shamrock structure include full time core workers, independent contractors and part time temporaries. A **portfolio worker** is someone who always has the skills needed to readily shift jobs or even careers.

#### What are organizations like in the new workplace?

An **organization** is a collection of people working together to achieve a common purpose. All organizations share a broad purpose-providing goods or services of value to customers and clients. Organizations are **open systems**, meaning it transforms resource inputs from the environment into product outputs. **Productivity** measures the quantity and quality of outputs relative to the cost of inputs. **Performance effectiveness** is an output measure of task or goal accomplishment (eg. meeting a daily target). **Performance efficiency** is an input measure of the resource costs associated with goal accomplishment.

### What is the makeup of the external environment of organizations and how is an organization linked to its environment?

The **general environment** of organizations consists of all external conditions that set the context for managerial decision-making. *Forces* that keep an organization in existence and help make important decisions include economic (growth, unemployment rate), legal-political (laws, political trends), technological (Internet access, IT systems), socio-cultural (population demographics, education system) and natural environment conditions (recycling infrastructure, "green" values).

Managers must be concerned with *economic conditions* in the general environment, particularly those that influence customer spending, resource supplies and investment capital. They must also understand the *legal-political conditions*, as represented by existing and proposed laws and regulations, government policies, and the philosophy and objectives of political parties. **Internet censorship** is the deliberate blockage and denial of public access to information posted on the Internet. Also, not only should managers stay abreast of the latest *technologies* for their work applications, they must also be aware of their work implications. The *socio-cultural conditions* of a society or region take meaning as norms, customs, and social values on such matters such as ethics, human rights, gender roles and lifestyles. They also include environmental trends in education and related social institutions as well as demographic patterns. Lastly, when it comes to *natural environment conditions*, there are public concerns for global warming, carbon emissions, and protection of the natural environment. **Sustainable businesses** are firms that operate in ways that both meet the needs of customers and protect or advance the well-being of our natural environment. **Sustainable innovation** creates new products and production methods that have reduced environmental impact.

The **specific environment** consists of the actual organizations, groups and people with whom an organization interacts and conducts business. Members of the specific environment are called **stakeholders**. **Value creation** is an analysis of the extent to which the organization is creating value for and satisfying the needs of its multiple stakeholders.

A **competitive advantage** refers to something that an organization does extremely well, a core competency that clearly sets it apart from other competitors thus giving it an advantage over others in the marketplace. Competitive advantage is linked with **strategic positioning** – helping one's firm or organization do different things or the same things in different ways from one's major competitors. As managers pursue competitive advantage, decision making is often complicated by uncertainty. **Environmental uncertainty** means that there is a lack of complete information regarding what exists and what development occurs.

**Organizational effectiveness** is sustainable high performance in using resources to accomplish a mission and/or objective. The *system resource approach* looks at the input side and defines organizational effectiveness in terms of success in acquiring needed resources from the environment. The *internal process approach* looks at the transformation process and defines organizational effectiveness. The *goal approach* looks at the output side and defines organizational effectiveness in terms of how to measure achievement of key operating objectives. The *strategic constituencies approach* looks at the external environment and defines organizational effectiveness in terms of the organization's impact on stakeholders.

## Who are managers and what do they do?

A **manager** is a person who supports, activates, supervises and is responsible for the work of others. They are responsible for not just their own work but for the overall performance accomplishments of a team, work group, department or sometimes, the entire organization.

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**3 Levels of Managers:** **Top managers** are responsible for the performance of an organization as a whole or for one of its larger parts (CEO, Pres., Vice Pres.). **Middle managers** report to top managers, and they are in charge of relatively large departments or divisions consisting of several smaller units (division manager, plant manager). A team leader or a supervisor is examples first line managers who are in charge of a small work group composed of nonmanagerial workers.

**Types of Managers:** **Line managers** are responsible for work that makes a direct contribution to the organization's outputs. **Staff managers** use special technical expertise to advise and support the efforts of line workers. **Functional managers** have responsibility for a single area such as finance, marketing, production, HR etc. **General managers** are responsible for activities covering many functional areas. **Administrators** are the name for managers in nonprofit or public organizations.

**Accountability** is the requirement of one person to answer to a higher authority for performance results in his or her area of work responsibility. **Effective managers** successfully help others achieve both high performance and satisfaction in their work. **Quality of work life** is an indicator of the overall quality of human experiences in the workplace. A high QWL offers fair pay, safe working conditions, opportunities for growth, etc.

The concept of the **upside-down pyramid** reflects the changing nature of managerial work today. Operating workers are at the top, serving customers, while managers are at the bottom serving them.

## What is the management process and how do you learn managerial skills and competencies?

The process of **management** involves planning, organizing, leading, and controlling the use of resources to accomplish goals. **Planning** is the process of setting performance objectives and determining what actions should be taken to accomplish them. **Organizing** is the process of assigning tasks, allocating resources, and coordinating the activities of individuals and groups to implement plans. **Leading** is the process of arousing people's enthusiasm to work hard and inspiring their efforts to fulfill plans accomplish objectives. **Controlling** is the process of measuring work performance, comparing results with objectives and taking corrective action as needed.

A manager's informational roles involve the giving, receiving and analyzing of information. A manager is a *monitor*, scanning for information, a *disseminator*, sharing information, and a *spokesperson*, acting as official communicator. Through **agenda setting**, good managers develop action priorities that include goals and plans spanning long term and short term frames.

**Networking** is the process of creating positive relationships with people who can help advance agendas. **Social capital** is a capacity to get things done with support and help of others. **Learning** is a change in behavior that results from experience. **Lifelong learning** is continuous learning from daily experiences. A **skill** is the ability to translate knowledge into action that results in desired performance.

**ESSENTIAL MANAGERIAL SKILLS**

**Conceptual skills** – the ability to think analytically and achieve integrative problem solving

**Human skills** – the ability to work well in cooperation with other people (**emotional intelligence** is the ability to manage ourselves and our relationships effectively)

**Technical skills** – the ability to apply expertise and perform a special task with proficiency

**Managerial Competency** – a skill based capability for high performance in a management job (this includes teamwork, communication, self-management, leadership, critical thinking and professionalism)

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Chapter Two: Management Learning (Past to Present)

GMS Notes

**CLASSICAL MANAGEMENT APPROACHES** (assumption: people are rational)

1. Scientific Management (Frederick Taylor)
2. Administrative Principles (Henri Fayol)
3. Bureaucratic Organization (Max Weber)

**Scientific Management** emphasizes careful selection and training of workers and supervisory support.

**Frederick Taylor's** goal was to improve the productivity of people at work. Four key principles of scientific management include:

1. Develop rules of motion, standardized work implements and proper working conditions for each job (**motion study** – the science of reducing a task to its basic physical motions)
2. Carefully select workers with the right abilities for the job
3. Carefully train workers and provide proper incentives
4. Support workers by carefully planning their work and removing obstacles

**Administrative Principles**

**Henri Fayol** had five “rules” of management, which close resemble the four modern functions of management (planning, organizing, leading, controlling). These five “rules” include:

1. Foresight – to complete a plan of action for the future
2. Organization – to provide resources to implement the plan
3. Command – to lead, select and evaluate workers to get the best work toward the plan
4. Coordination – to fit diverse efforts together and ensure information is shared and problems solved
5. Control – to make sure things happen according to plan and to take necessary corrective action

**Bureaucratic Organization** is a rational and efficient form of organization founded on logic, order, and legitimate authority.

Advantages of bureaucratic organization:

- clear division of labour (jobs are well defined)
- clear hierarchy of authority (each position has well defined responsibilities and authorities)

- formal rules and procedures (written guidelines direct behavior and decisions in jobs)
- impersonality (rules/procedures are impartially and uniformly applied, no one gets preferential treatment)
- careers based on merit (will have a job that best suits your abilities, competencies, etc.)

Possible disadvantages include:

- excess paperwork or "red tape"
- slowness in handling problems
- rigid in the face of shifting needs
- employee apathy (people feeling that they can't change anything)
- resistance to change

## BEHAVIOURAL MANAGEMENT APPROACHES

In the 1920's, there was a great emphasis on the human side of the workplace.

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**Mary Parker Follett** was part of an important transition from classical thinking to behavioural management. She believes that managers and workers should work together without one party dominating the other. She emphasized group and human cooperation; both are which are still highly relevant in today's management styles. She also believed that making every employee an owner in a business would create feelings of collective responsibility.

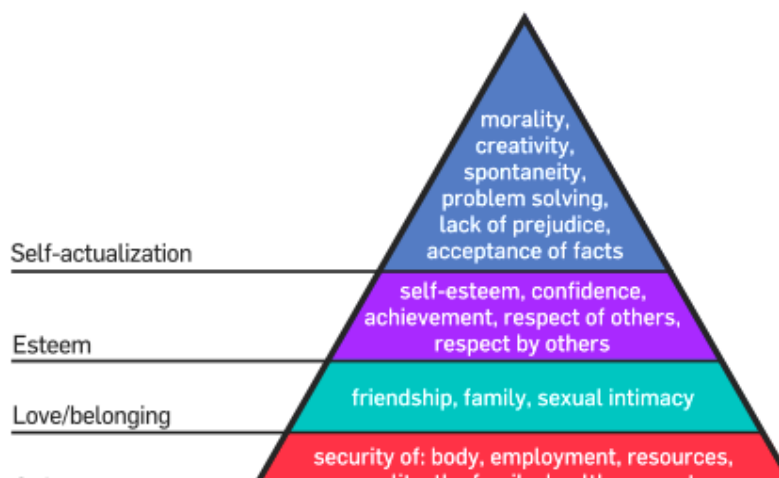
**Hawthorne effect** – the tendency of people singled out for special attention to perform as expected

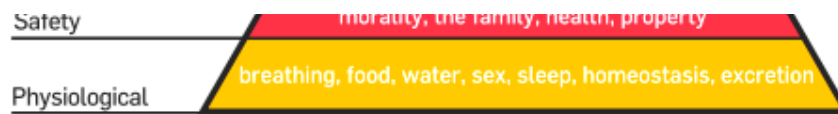
**Human relations movement** – suggests that managers using good human relations will achieve productivity

**Organizational behaviour** – the study of individuals and groups in an organization

### Maslow's Theory of Needs

**Abraham Maslow**, a psychologist, created a theory regarding people's needs. He defines a **need** as a physiological or psychological deficiency that a person wants to satisfy. According to Maslow, people try to satisfy the five needs in sequence.





**Douglas McGregor** had two theories regarding managerial assumptions. **Theory X** assumes people dislike work, lack ambition, act irresponsibly and refer to be led. **Theory Y** assumes people are willing to work, like responsibility and are self-directed and creative.

**Chris Argyris** believes that classical management approaches are inconsistent with mature adult personality. Argyris believes that managers who treat people positively and as responsible adults will achieve the highest productivity. He advises managers to expand job responsibilities, allow more task variety and adjust supervisory styles to allow more participation and promote better HR relations.

## MODERN MANAGEMENT FOUNDATIONS

**Management science and operations research** use quantitative analysis and applied mathematics to solve problems. **Operations management** is the study of how organizations produce goods and services.

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**Contingency thinking** – tries to match management practices with situational demands

**Total quality management** – managing with an organization-wide commitment to continuous improvement, product quality and customer needs

**Knowledge management** – the process of using intellectual capital for competitive advantage

Chapter 3: Global Dimensions of Management  
GMS Notes

**Globalization** – the process of growing interdependence among elements of the global economy

**Global management** – involves managing operations in more than one country

**Global manager** – one who is culturally aware and informed of international affairs

**Global business** – conducts commercial transactions across national borders

Why companies go global? Reasons include greater profits, more customers, access to suppliers, lower labour costs and easier access to financial resources (capital).

KNOW FIGURE 3.1!

## MARKET ENTRY STRATEGIES

A common first step into international business is **global sourcing** – the process of purchasing materials, manufacturing components or business services from around the world. A second form of international business is **importing** – selling locally made products in foreign markets. The opposite of importing is **exporting** – buying foreign made products and selling them in domestic markets. A third form of international

business is the **licensing agreement**, where foreign firms pay a fee for rights to make or sell another company's products in a specified region. **Franchising** is a form of licensing in which the foreign firms buy the rights to use another's name and operating methods in its home country.

### **DIRECT INVESTMENT STRATEGIES**

Firms may decide to make substantial investments in operations in foreign countries. Such **foreign direct investment**, or FDI, involves setting up, buying all, or buying part of a business in another country. The term **insourcing** describes job creation through foreign direct investment. When foreign firms do invest in a new country, a common way to start is a joint venture. A **joint venture** operates in a foreign country through co-ownership by foreign and local partners. A **global strategic alliance** is a partnership in which foreign and domestic firms share resources and knowledge for mutual gains. A **foreign subsidiary** is a local operation completely owned and controlled by a foreign firm. These subsidiaries are set up by **greenfield investments**, where an entirely new operation in a foreign country is built.

**Political risk** – the potential loss in value of a foreign investment due to instability and political changes in the host country

**Tariffs** – taxes governments levy on imports

**Protectionism** – a call for tariffs and favourable treatments to protect domestic firms from foreign competition

**NAFTA** – links Canada, US and Mexico in an economic alliance. It is a trade zone with limited barriers.

**European Union** – a political and economic alliance of European countries

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### **GLOBAL BUSINESSES**

**Global corporations**, also known as multinational corporations or “**MNCs**”, are business firms with extensive international operations in many foreign countries (eg. Walmart, Toyota and BMW). A **transnational corporation** is an MNC that operates worldwide on a borderless basis.

KNOW FIGURE 3.2!

### **ETHICAL CHALLENGES FOR GLOBAL MANAGERS**

**Corruption** – involves illegal practices to further one's business interests (high in Iraq, Haiti, Sudan)

**Child labour** – full time employment of children for work otherwise done by adults

**Sweatshops** – employ workers at very low wages for long hours and in poor working conditions

**Sustainable development** – meets the needs of the present without hurting future generations

### **CULTURE AND GLOBAL DIVERSITY**

**Culture** – shared set of beliefs, values and patterns of behaviour common to a group of people

**Culture shock** – the confusion and discomfort a person experiences when in an unfamiliar culture

**Ethnocentrism** – the tendency to consider one's culture superior to others

**Cultural intelligence** – the ability to accept and adapt to new cultures

Stages in adapting to a new culture

Stages in adapting to a new culture

1. Confusion – first contacts with the new culture leave you anxious, uncomfortable
2. Small victories – continued interactions bring you some successes
3. The Honeymoon – a time of cultural immersion with local ways viewed positively
4. Irritation and anger – when the “negatives” overwhelm the “positives”
5. Reality – able to enjoy the new culture while accommodating less desirable elements

Low context cultures – emphasize communication via spoken or written words

High context cultures – rely on nonverbal and situational cues as well as on spoken or written words

Monochronic culture – people tend to do one thing at a time

Polychronic culture – time is used to accomplish many things at once

Proxemics – how people use space to communicate

KNOW FIGURE 3.3!

Hofstede's dimensions of national culture

1. **Power distance** – the degree to which a society accepts unequal distribution of power
2. **Individualism-collectivism** – the degree to which a society emphasizes individuals and their self interests
3. **Uncertainty avoidance** - the degree to which a society tolerates risk and uncertainty
4. **Masculinity-femininity** – the degree to which a society values assertiveness and materialism
5. **Time orientation** – the degree to which a society emphasizes short term or long term goals

**Comparative management** – studies how management practices differ among countries and cultures

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Managers with **ethnocentric attitudes** believe the best approaches are found at home and tightly control foreign operations. Managers with **polycentric attitudes** respect local knowledge and allow foreign operations to run with substantial freedom. Managers with **geocentric attitudes** are high in cultural intelligence and take a collaborative approach to global management practices.

Chapter Five: Entrepreneurship and Small Business Management

GMS Notes

**Entrepreneurship** – risk-taking behaviour that results in new opportunities

**Entrepreneur** – one who is willing to pursue opportunities in situations others view as problems or threats

- they are born with these traits (“nature” views)
- they learn these traits (“nurture” views)

Entrepreneurs have several distinguished characteristics. They include (1) internal locus of control, (2) high energy level, (3) high need for achievement, (4) tolerance for ambiguity, (5) self-confidence, (6) passion and action orientation, (7) self-reliance and desire for independence, and (8) flexibility.

Advantages of being self employed	Disadvantages of being self employed
<ul style="list-style-type: none"> <li>- have the freedom to set your own priorities and satisfy your creative drive</li> <li>- given the tax deductibility of certain business expenses, you have a definite tax advantage over people who are not self employed</li> <li>- you enjoy job security as long as your business is successful</li> <li>- you have a flexible work schedule that can accommodate your personal needs</li> </ul>	<ul style="list-style-type: none"> <li>- you may earn irregular income depending on the nature of the business and the state of the economy</li> <li>- the business may be time consuming especially during start-up years</li> <li>- you risk losing your capital, and being exposed to bankruptcy costs under circumstances outside your control</li> <li>- business administration may be overwhelming</li> </ul>

**Necessity-based entrepreneurship** – takes place because other employment options don't exist

**Small business** – has fewer than 100 employees, is independently owned and operated, and does not dominate its industry  
 - employs 5 million workers, about 48 percent of the Canadian workforce

**Franchise** – a form of business where one business owner sells to another the right to operate the same business in another location

**Family business** – owned and controlled by members of a family

**Family business feud** – occurs when family members have major disagreements over how the business should be run

**Succession Plan** – describes how the leadership transition and related financial matters will be handled

**Succession problem** – is the issue of who will run the business when the current head leaves

Small businesses often fail for a number of reasons including (1) lack of experience, (2) poor financial control, (3) bad or no strategy, (4) ethical failure, (5) insufficient commitment, (6) poor leadership, (7) growing too fast, and (8) lack of expertise.

### New Venture Creation

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**First mover advantage** – comes from being first to exploit a niche or enter a market

### Stages in the Life Cycle of an Entrepreneurial Firm

#### Birth Stage

- establishing the firm
- getting customers
- finding the money  
(fighting for existence and survival)



#### Breakthrough Stage

- working on finances
- becoming profitable
- growing  
(coping with growth and takeoff)



#### Maturity Stage

- refining the strategy
- continuing growth
- managing for success  
(investing wisely and staying flexible)

**Business plan** – describes the direction for a new business and the financing needed to operate it

- the plan describes the details needed to obtain start-up financing and operate a new business
- every business plan should have an executive summary, cover certain business fundamentals, be well organized with headings, easy to read, and no longer than 20 pages

### Choosing the form of ownership

**Sole proprietorship** - a form of business where an individual pursues a profit

**Partnership** - a form of business where two or more people agree to contribute resources to start and operate a business together

**Corporation** - a legal entity that exists separately from its owners

**Limited liability Corporation** - a hybrid business form combining advantages of the sole proprietorship, partnership, and corporation

### Financing the New Venture

**Debt financing** - involves borrowing money that must be repaid over time with interest

**Equity financing** - involves exchanging ownership shares for outside investment monies

**Venture Capitalists** - make large investments in new ventures in return for an equity stake in the business

**Initial public offering (IPO)** - an initial selling of shares of stock to the public at large

**Angel investor** - a wealthy individual willing to invest in a new venture in return for equity in a new venture

### Chapter 6: Planning Processes and Techniques

#### GMS 200 Notes

**Planning** - the process of setting objectives and determining how to accomplish them

**Objective** - specific results that one wishes to achieve

**Plan** - a statement of intended means for accomplishing objectives

### The Planning Process

1. Define your objectives
2. Determine where you stand/current position
3. Develop premises regarding future conditions (anticipate the future)
4. Analyze alternatives to make a plan
5. Implement plan and evaluate results

Planning improves focus, flexibility, coordination, control.

**Complacency trap** - being carried along by the flow of events

Canadian Elliot Jacques suggested that people vary in their capability to think with different time horizons. He believed that most people work comfortably with only 3 month time spans, a small group works well within a 1 year span and rarely do people work with a 20 year time frame in mind.

**Strategic Plan** – identifies long term directions for the organization

**Vision** – clarifies the purpose of the organization and expresses what it hopes to be in the future

**Tactical Plan** – helps implement all or parts of a strategic plan

**Functional Plans** – indicate how different operations within the organization will help advance the overall strategy

**Operational Plans** – identifies short term activities to implement strategic plan

**Policy** – standing plan communicates broad guidelines for decisions and actions

**Procedure/rule** – precisely describes actions that are to be taken in specific situations

**Budget** – a plan that commits resources to projects or activities

**Zero based budget** – allocates resources as if each budget was brand new

**Forecasting** – attempts to predict the future

**Contingency planning** – identifies alternative courses of action to take when things go wrong

**Scenario planning** – identifies alternative future scenarios and make plans to deal with each

**Benchmarking** – uses external and internal comparisons to plan for future improvements

**Best practices** – things people and organizations do that lead to superior performance

**SMART GOALS** – Specific, Measureable, Attainable, Referred to, Timely

**Hierarchy of goals/objectives** – lower level objectives are means to accomplishing higher level ones

**Management by objectives** – process of joint objective setting between superior and subordinates

**Improvement objectives** – describe intentions for specific performance improvements

**Participatory planning** – includes the persons who will be affected by plans and/or who will implement them

## Chapter 7: Strategy and Strategic Management

### GMS Notes

**Competitive advantage** – the ability to do something so well that one outperforms competitors

typical sources of competitive advantage include cost and quality, knowledge and

- typical sources of competitive advantage include cost and quality, knowledge and speed, barriers to entry and financial resources

**Sustainable competitive advantage** - ability to outperform rivals in ways that are difficult or costly to imitate

**Strategy** - a comprehensive plan guiding resource allocation to achieve long term organization goals

**Strategic intent** - focuses and applies organizational energies on a unifying and compelling goal

There are three levels of strategy: corporate, business and functional

**Corporate strategy** - sets long term direction for the total enterprise (ex. growth and diversification strategies, restructuring strategies, global strategies, e-business strategies, cooperative strategies)

**Business strategy** - identifies how a division or strategic business unit will compete in its domain

**Functional strategy** - guides activities within one specific area of operations (supports business strategies)

**Strategic management** - process of creating and implementing strategies

**Strategic Analysis** - process of analyzing the organization, the environment, and the organization's competitive position and current strategies

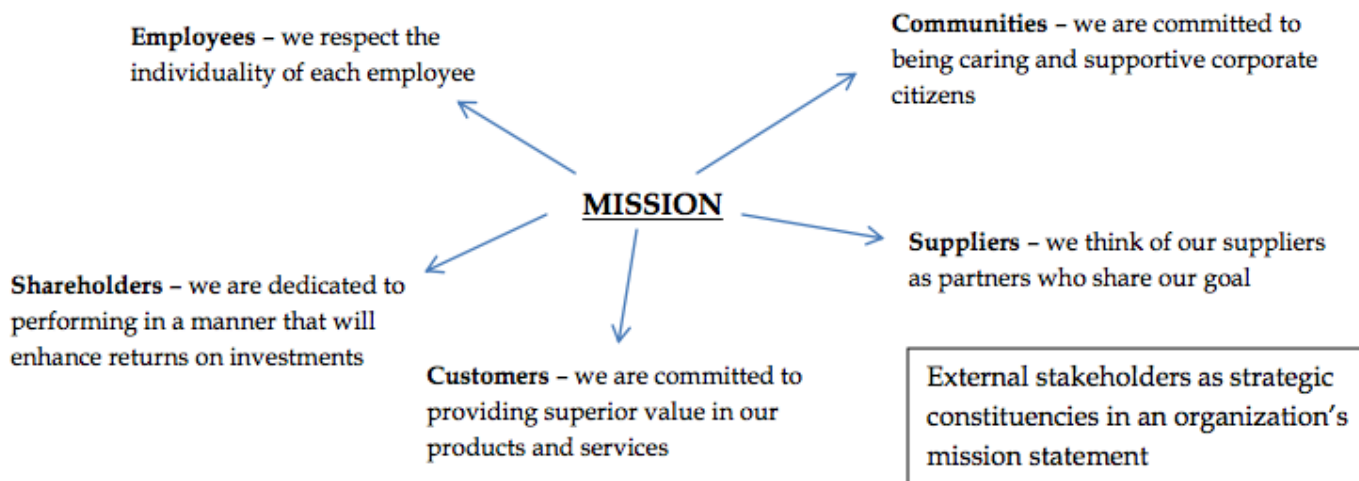
**Strategy formulation** - the process of creating strategies to guide the allocation of resources

**Strategy implementation** - process of putting strategies into action

**Mission statement**- expression of the organization's reason for existence in society

**Stakeholders** - individuals and groups directly affected by the organization and its strategic accomplishments

**Strategic constituencies analysis** - assesses interests of stakeholders and how well the organization is responding to them



**Core values** – broad beliefs about what is or is not appropriate behaviour

**Organizational culture** – the predominant value system for the organization as a whole

**Operating objectives** – specific results that organizations try to accomplish (ex. profit, financial wealth, cost efficiency, customer service, product quality, market share, innovation, etc.)

**SWOT analysis** – examines organizational strengths and weaknesses and environmental opportunities and threats (strengths and weaknesses are internal factors, opportunities and threats are external factors)

**Core competency** – a special strength that gives an organization a competitive advantage (ex. special knowledge or expertise, superior technologies, unique distribution systems, etc.)  
- they are capabilities are costly to imitate and cannot be substituted

### Porter's Five Forces Model



The five competitive forces constitute what Porter calls the “industry structure,” and it establishes the industry’s attractiveness or potential to generate long term gains. An *attractive industry* has **LESS** existing competition, few threats from new entrants or substitutes and low bargaining power among suppliers and buyers.

### CORPORATE LEVEL STRATEGY FORMULATION

#### 1. Grand or Master strategies

**Growth strategy** – involves expansion of the organization’s current operations

**Stability strategy** – maintains current operations without substantial changes

**Renewal strategy** – tries to solve problems and overcome weaknesses that are hurting performance

**Liquidation** – business operations cease and assets are sold to pay creditors

**Combination strategy** – pursues growth, stability and/or retrenchment in some combination

#### 2. Growth and Diversification strategies

**Concentration** – where expansion is within the same business area (ex. Tim Hortons, it pursues growth strategies while concentrating on their primary business areas)

