

CHANDLER THEORY

REVIEW SHEET

HIS CLAIMS

Successful firms capitalize on economies of scale and scope, create management structures and invest in research and development.

Once a firm loses the opportunity to be a first mover, it is hard to regain competitive advantage

In order for a company to succeed, she must use the logic of managerial enterprise, which means large industrial concerns in which operating and investment decisions are made by a salaried managers governed by a board of directors.

Logic of managerial enterprise: Logic of growth and competition.

BEHIND THE MANAGERIAL ENTERPRISE LOGIC

- **Size**

Having the cost advantages by getting big

Economy of scale	Economy of scope
Lower the cost per unit as the output rises	Use the same raw materials and production processes to make a variety of different product

*Important to mention in the exam

Keep growing, with related diversification and long-term thinking. Growth through unrelated diversification is a poor business strategy.

Short-term	Long-term
For financial purpose, you can go unrelated to make money in the short term. It's not recommended. (Stock market put this pressure)	For managerial purpose, go long-term with related diversification.

If you want to stay small, that's bad. Entrepreneurial enterprise is not a great goal, you must want to get big and become a large corporation.

- **National-international marketing and distribution organizations**

Going global is a reachable goal for a capital-intensive enterprise that want to go big.

- **Managerial hierarchy**

Separation between lower/middle managers and top-level managers, which include a CEO chosen by the board of directors.

- **Be the 1st mover**

It means to invest heavily on R&D, make investments, and make merger and acquisition. You have to be a first mover to keep your competitive advantage.

GREINER THEORY

R E V I E W S H E E T

HIS CLAIM

As for the psychologist theory that claim that the behaviour of individuals is determined primarily by past events and experiences, we can conclude that organizational development goes through a series of developmental phases in which companies can grow.

- Organizational growth is characterized as a series of developmental phases.
- Management practices that work well in one phase bring on a crisis in the next.

BEHIND THE ORGANIZATIONAL DEVELOPMENT LOGIC

- **The keys to consider**
 - I. Organization's age
The same practices are not maintained throughout a long life span.
Management problems are rooted in times.
Passage of time institutionalizes managerial attitudes.
 - II. Organization's size
Problems and solutions change as the number of employees and sales volume increase.
 - III. Growth rate of its industry
The speed at which a company experiences evolution and revolution is closely related to the market environment.
 - IV. Stages of evolution and revolution
(C.D.D.C.C. - L.A.C.R.)

Creativity	Direction	Delegation	Coordination	Collaboration
<ul style="list-style-type: none"> - Creation of the product and market - Entrepreneurially oriented - Informal communication - Decisions and motivation related to marketplace feedback 	<ul style="list-style-type: none"> - Organizational structure is introduced - Communication more formal - Hierarchy of titles - Lower-level supervisors are not decision-maker 	<ul style="list-style-type: none"> - Decentralized organizational structure - Profit centers and bonuses are used. - Headquarters manage only. - Infrequent communication 	<ul style="list-style-type: none"> - Formal planning procedure - Merger - Staff member hired to headquarters - Stock options to encourage employees to identify themselves with the company 	<ul style="list-style-type: none"> - Strong interpersonal collaboration - Spontaneity in management action - Social control and self-discipline - Team, matrix-structure - Educational programs
Leadership	Autonomy	Control	Red tape	
<ul style="list-style-type: none"> - Larger production requires knowledge - Founders are burdened by responsibilities - A strong manager is needed 	<ul style="list-style-type: none"> - Lower-level employees find themselves restricted, they are torn between following procedures and taking initiatives 	<ul style="list-style-type: none"> - Top managers seek to regain control - Too highly diversified operations 	<ul style="list-style-type: none"> - Lack of confidence - Programs exceed their usefulness - Uncooperative and uninformed line managers 	

- **Usual questions in exams.**
What is the stage?
What is the crisis?
What are the managerial practices?
*Do not forget to explain a little about the theory at the beginning of your answer in the exam. State the fact to be sure you're talking about the right thing.

BARNEY THEORY REVIEW SHEET

HIS CLAIM

In order for a company to succeed using its comparative advantage, she must consider its internal strengths and weaknesses, not only the external ones.

Sub-claims

- o To fully understand comparative advantage requires the analysis of a firm's internal strengths and weaknesses as well. When a firm's resources are valuable, rare and socially complex, those resources are likely to be sources of a sustained competitive advantage.
- o Firm's internal attributes, sources of competitive advantage, include financial, physical, human and organizational assets to develop, manufacture and deliver products and services.

Financial	Debt, equity, retained earnings
Physical	Machines, buildings, manufacturing facilities
Human	Experience, knowledge, judgement, risk taking propensity, wisdom of individuals
Organizational	History, relationships, trust, organizational culture, reporting structure, management systems, compensations policies

- o Managers must consider important questions about their resources and capabilities
IT'S NOT ABOUT THE PRODUCT, BUT THE CIE!

Value (enable to exploit an opportunity)	<ul style="list-style-type: none"> - Do a firm's resources and capabilities add value by enabling it to exploit opportunities and neutralize threats? - Although a firm's resources may have added value in the past, changes in customer tastes, industry structure or technology can render them less valuable in the future - Value is the link of analysis of internal resources and capabilities with the analysis of environmental opportunities and threats.
Rareness (how many firms possess it)	<ul style="list-style-type: none"> - If numerous firms control a resource, it will be a source of competitive advantage. - If a capability is not rare, they cannot (by themselves), be source of competitive advantage. - How many competing firms possess these valuable resources and capabilities? - Common (but valuable) resources remain important to consider.
Imitability (cost disadvantage)	<ul style="list-style-type: none"> - Valuable and rare resources can gain a temporary competitive advantage, but if competing firms face a cost disadvantage in imitating these resources, you can obtain a sustained competitive advantage. - Duplication occurs when an imitating firm builds the same kind of resources as the firm it is imitating. - Why it may be costly to imitate: I) The importance of history A firm will evolve with its unique resources, reflecting their particular path through history; the resources reflect the unique personality, experiences and relationships that exist in this single firm. (Ex. Caterpillar) II) Small decisions More and more, a firm's competitive advantage comes from numerous small decisions, through which the resources and capabilities are developed and exploited. Small decisions are invisible to firms seeking to imitate. Big decisions are more obvious, easier to describe and imitate. III) Socially complex resources Reputation, trust, friendship, teamwork and culture are not patentable and much more difficult to imitate.
Organization (that exploit full potential)	<ul style="list-style-type: none"> - Is a firm organized to exploit the full competitive potential of its resources and capabilities? - Those complementary resources – formal reporting structure, compensation policies, management control systems – have limited ability in isolation, but in combination with other resources and capabilities, they can enable the firm to realize its full competitive advantage.

Valuable	Rare	Costly to imitate	Organized	Competitive Consequences	Performance implication
No	No	No	No	Competitive disadvantage	Below average return
Yes	No	No	No	Competitive parity	Average revenue
Yes	Yes	Yes	No	Sustainable competitive advantage	Above average return
Yes	Yes	No	No	Temporary competitive advantage	Average return

COLLINS THEORY REVIEW SHEET

HIS CLAIM

For a company to succeed over time she must have a vision: core values and core purpose that remain fixed while other business strategies and practices adapt to the changing industry.



The guidance star

The summit you want to reach

<p>CORE IDEOLOGY</p> <p style="text-align: center;">Glue that holds organization together. Captures what you stand for and why you exist. Consistent identity that transcends product or market life. Source of guidance and inspiration</p>	<p style="text-align: center;">ENVISIONED FUTURE</p> <p>10-to-30 year audacious goal plus vivid descriptions of what it will be like to achieve the goal.</p>
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CORE VALUES	CORE PURPOSE	B.H.A.G.
<ol style="list-style-type: none"> 1) Belief about what is important 2) Small set of timeless guidance principles. 3) No external justification. 4) The key is not what core values a firm has but that it has core values at all. 5) Few core values, 3 to 5. 6) Firm should not change its core value due to market, it should rather change of market. 	<ol style="list-style-type: none"> 1) Organization's reason for being 2) People's idealistic motivations for doing company's work 3) Group of people get together and are able to accomplish something they wouldn't have done alone. 4) You cannot fulfill a purpose, it's like a guiding star 	<ol style="list-style-type: none"> 1) Big, hairy, audacious goals 2) It engages people. it grabs them. Serves as a unifying focal point of effort, acts as a catalyst for team spirit. 3) Such a goal requires of executive to be visionary, not only strategic. 4) Difficult but not impossible to achieve, not 100% guaranteed <p>Ex. of B.H.A.Gs Wal-Mart (1990): Become a \$125 billion company by 2000 Nike (1960): Crush Adidas Stanford University (1940): Become the Harvard of the West</p>

How?		How?	
<p style="text-align: center;">Mars group</p> <ul style="list-style-type: none"> - Cut-level understanding - Highest level of credibility - Highest level of competence <p>What core values do you personally bring to work Would you stick to those values even if they become a competitive disadvantage</p>	<p style="text-align: center;">5 whys</p> <p>Why is it important (5x)</p> <hr/> <p style="text-align: center;">Corporate serial killer</p> <ul style="list-style-type: none"> - What would be lost if the company ceased to exist.. - How, even billionaire, you would nevertheless keep working here 	<p style="text-align: center;">Vivid description</p> <ul style="list-style-type: none"> - Vibrant, engaging and specific description of what it will be like to achieve a BHAG. - Passion, emotion and conviction 	<p style="text-align: center;">Few key points</p> <ul style="list-style-type: none"> - Think of John Kennedy moon mission. It was simple, it galvanized people.
Discovering core ideology		Creative process	
<ul style="list-style-type: none"> - You understand it by looking inside, it is the people inside who need to commit to the organizational ideology over the long term - You can't ask people to share your ideology, they must be predisposed to share it. 		<ul style="list-style-type: none"> - You must start with questions. - Require a certain level of unreasonable confidence and commitment. 	

Ex. of core values for Walt Disney:

- No cynicism
- Nurturing and promulgation of "wholesome American values" dreams and imagination
- Fanatical attention to consistency and detail
- Preservation and control of the Disney magic

Ex. of core purpose:

- Hewlett Packard: To make technical contributions for the advancement and welfare of humanity
- Walt Disney: To make people happy
- Wal-Mart: To give ordinary folk the chance to buy the same things as rich people

HERZBERG THEORY

R E V I E W S H E E T

HIS CLAIM

In order to improve worker's efficiency, managers should give them motivation (personal generator) rather than just make their work less annoying.

HYGIENE FACTORS

+ Positive Kita = seduction	- Negative Kita = rape
<p>Hygiene (KITA) factors may get an employee to do what you want them to do at the moment, but they do not create continuous motivation.</p> <ul style="list-style-type: none"> ▪ Positive KITA <p>Less working hours, spiralling wages, fringe benefits</p>	<p>Because KITA results in short-term movement, the cost of those programs will increase steadily as old KITAs reach their satisfaction point</p> <ul style="list-style-type: none"> ▪ Negative physical KITA - <i>Physical attack</i> ▪ Negative physiological KITA - <i>Not visible like reprimanding employees</i> - <i>Those who practice it receive some ego satisfaction</i>

MYTHS ABOUT MOTIVATION

Those are hygiene factors, not motivation one.

1. Reduce time spent at work (motivated people seek more hours of work, not fewer)
2. Spiralling wages
3. Fringe benefits (medical coverage, stock options)
4. Human relations training
5. Sensitivity training (really 5times)
6. Communications
7. Two-way communication
8. Job participation (feeling of achievement)
9. Employee counselling

MOTIVATION FACTORS

How do you install a generator in an employee? Factors involved in producing job satisfaction (motivation) are separate and distinct from factors that lead to job dissatisfaction (kita). **Motivation factors lead to job satisfaction, absence of hygiene factors lead to job dissatisfaction.**

- Achievement
- Recognition
- Work itself
- Responsibility
- Opportunities for advancement
- Growth

JOB ENLARGEMENT (horizontal - to avoid)

- | | | |
|--|------------------|---|
| <ul style="list-style-type: none"> - Job loading (horizontal) - Challenging - Add another meaningless task - Rotating assignments - Remove hard parts | VERTICAL LOADING | <ul style="list-style-type: none"> ▪ Remove some controls while retaining accountability ▪ Increase accountability of individuals for own work ▪ Give person a complete natural unit of work ▪ Grant additional authority; job freedom ▪ Make periodic reports directly available to workers themselves rather than supervisors ▪ Introduce new, more difficult tasks ▪ Assign workers to specialized tasks, enabling them to become experts |
|--|------------------|---|

STEP FOR JOB ENRICHMENT

1. Select job (attitude are poor, hygiene is costly, motivation will make a difference in performance)
2. Approach them as they can be changed, and then brainstorm a list of changes
3. Eliminate suggestions that involve hygiene, avoid generalities and horizontal loading

KAPLAN & NORTON THEORY R E V I E W S H E E T

THE CLAIM

Social and environment performances are to consider when evaluating a company's performance, not just financial performance.

HOW TO CREATE THE MEASURES

* In an exam, start by one good measure for each perspective, then a 2nd for each, so on so forth...

- Balanced score should translate the company vision and strategy into tangible measures (numbers)
- Performance measures should be concrete, practical, measurable indicators that firms can use to evaluate their performance in the four areas.
- You always construct your measures according to the vision (is it low-fare, etc.)

Customer perspective: *what matters most to customers*

Ex. Change in nbr. of customers
Nbr. of complains
Nbr. of new customers
Brand awareness score

Internal business perspective: *operational: improving, more efficient*

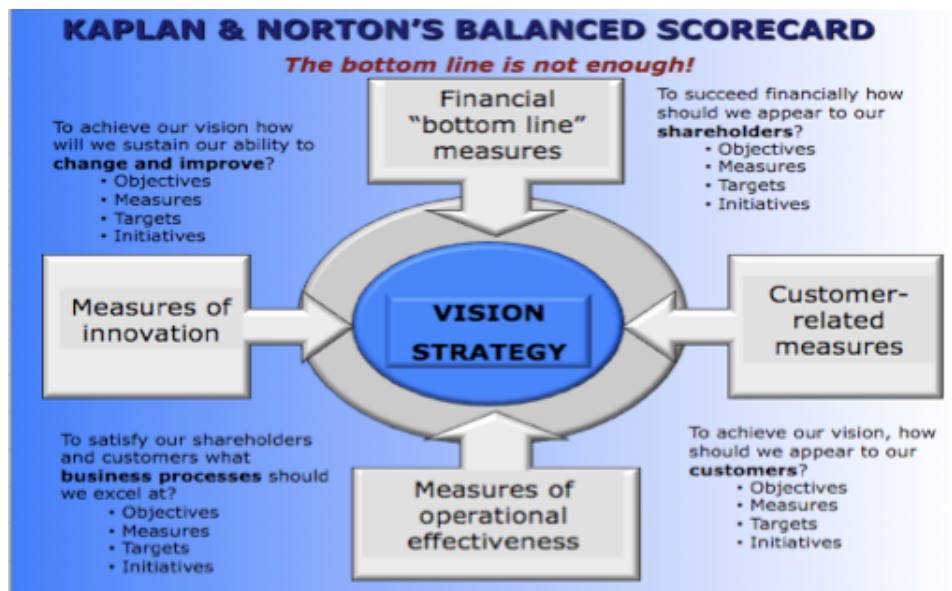
Ex. Nbr. of min. spent on a certain task
Average time spent on something compared to other companies or previous performances

Innovation and learning perspective: *are we learning or not*

Ex. % of employees who got trained

Financial perspective: *how to ensure profitability for shareholders*

Ex. % increases in market value
% reduction in lease cost



Explore underlying assumptions.

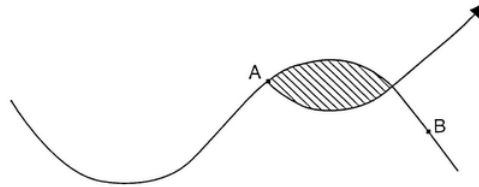
- What must be true if the claim is to follow from this evidence?
- What general principal might link this particular claim to this particular evidence?
- What beliefs might I expect from this type of person
- Could someone believe this evidence and still disagree with the claim? Why?

HANDY THEORY

REVIEW SHEET

THE CLAIM

We can use the sigmoid curve to explain our present. For a company, a constant growth means to start a new sigmoid curve before the first one peters out.



"the secret to constant growth is to start a new sigmoid curve before the first one peters out. The right place to start the second curve is at point A where there is the time, as well as the resources and the energy, to get the new curve through its initial explorations and floundering before the first curve begins to dip downward."

WHAT HAPPEN AT POINT A AND B

A	B
<ul style="list-style-type: none"> That is the pathway to paradox, the way to build a new future while maintaining the present. The leaders have the responsibility to keep the 1st curve going long enough to support the early stages of the 2nd curve. It requires great foresight, magnanimity to foster others and plan one's own departure. 	<ul style="list-style-type: none"> Current leaders are discredited because they are perceived to have led the organization down the hill. People get depressed. Institutions start the change process, by bringing new people at the top (only them have the credibility and the vision to lift the place back onto the 2nd curve.

SHADED AREA

This is a time of great confusion. Two or more sets of ideas are competing for the future.
Place of paradox, confusion of simultaneous opposites, unexpected consequences.

HOW TO...

Know where you are

This is a key dilemma for leaders in organizations – how do you assess when your current business model, your current "theory of success", has run its course? How do you judge when the very approach that led to your growth and success will now be the cause of your decline and close?

- Part of the response to this dilemma is that you can never know when that tipping point is reached, until well after the fact.
- Leaders need to be questioning their assumptions about what is making them successful, and what will continue to drive success in the future.
- You should always prepare for the second curve. What get you where you are may not keep you where you are.

Surf on the dilemma

While the end of an organization is inevitable, the time and place when this happens is not.

- Promote innovation and experimentation across the organization. (your solution now can be a problem in the future)
- Encouraging people to be dissatisfied with the way things are today gives them permission to push the boundaries and develop new ways of working – whether this is improving and making more efficient work processes or developing disruptive products and services.
- Questions. It rises ideas, possibilities, hypotheses. Then test them out and review the results.
- A creativity culture is helping the shaded area to be more smooth and short. (Gore example.)

MINTZBERG THEORY

R E V I E W S H E E T

THE CLAIM

In contrast with the common folklore about managers' job, they are overburdened with obligations, cannot easily delegate, and as a result they overwork and forced to do many tasks superficially. Brevity, fragmentation and verbal communication characterize their work.

MYTHS vs. FACTS

1. Manager works at an increasingly rapid pace, their activities are characterized by brevity, variety and discontinuity, strongly oriented to action. They dislike reflective activities.
2. Managerial work involves performing a number of regular duties.
3. Managers strongly favour verbal media, telephone calls and meetings over documents. (today's gossip may be tomorrow's fact)
 - a. It explains the dump-memory, which leads us to dilemma of delegation
4. Managers' programs (schedule time, process information. . .) remain locked deep inside their brains. We rely on judgement and intuition to describe those programs.

ROLES OF THE MANAGER

INTERPERSONAL	INFORMATIONAL	DECISIONAL
Figurehead: ceremonial duties, sometimes be routine, no important decision making. It smooth functioning of the organization, so cannot be ignored	Monitor: scanning the environment for information.	Entrepreneur: seeks to improve the unit. Do not involve single decisions, they emerge as a series of small decisions
Leader: direct leadership. Hiring and training their staff. Motivate and encourage employees, reconciling their needs with the goals of the firm.	Disseminator: passes some privileged information directly to subordinates	Disturbance handler: involuntarily responding to pressures. Maintain melodious performance. Dealing with problems.
Liaison: makes contact outside the vertical chain of command.	Spokesperson: sends some information to people outside the unit (must inform and satisfy people who control the organizational unit)	Resource allocator: responsibility for who will get what. Interrelated decisions. Who will get rewarded?
		Negotiator: Time for negotiations

INTEGRATED JOB

All those roles are not easily separable. Managers' effectiveness is significantly influenced by their insight into their own work. Performance depends on how well a manager understands and responds to the pressure and dilemmas of the job. Those who can be introspective will more likely to be affective

- Sales manager: interpersonal roles, reflection to extrovert nature of the marketing activity.
- Production managers: Decisional roles, reflection with efficient work.
- Staff managers: Informational roles, manage departments and advise other parts of the organization.

CHALLENGES

- The managers got to find systematic ways to share privileged information.
- They should be well advised to weigh the risks of exposing privileged information against having subordinates who can make effective decisions.
- Deal consciously with pressures of superficiality by giving serious attention to the issues that require it, by stepping back in order to see a broad picture, and by making use of analytical inputs.

BASES OF SOCIAL POWER

Reward power: based on ability to reward

Coercive power: based on ability to punish

Legitimate power: based on internalized values of legitimacy

Referent power: based on the identification with the power holder

Expert power: based on the perceived expertise on the power holder.

LIKER AND CHOI

R E V I E W S H E E T

THE CLAIM

Companies should build supplier **keiretsu**: close-knit networks of vendors that continuously learn, improve and prosper along with their parent companies.

Partnerships are the supply chain's lifeblood in today's scale-driven, technology-intensive global economy.

Why cost is the main criteria when choosing a supplier:

1. Companies were more easily able to source globally. (Low wage results in costs outweighed the long-term benefits of investing relationships)
2. Development and spread of Internet-based technologies allowed companies to get suppliers to compete on cost more efficiently.

STEPS

Examples from Toyota and Honda:

Create joint ventures between Japanese suppliers and American companies; select local companies they could develop, give new vendors small orders with some parameters. If answered correctly, give larger contracts.

Steps	Description
Understand how the supplier work	<ul style="list-style-type: none"> ▪ Managers at all level must study their suppliers to understand them ▪ Go see how suppliers work and respect its capabilities ▪ Commit to coprosperity
Turn supplier rivalry into opportunity	<ul style="list-style-type: none"> ▪ Do not depend on a single source of something, more of 2-3 ▪ Create compatible production philosophies and systems ▪ Encourage competition between vendors right from the product development stage. ▪ If supplier's performance slipped, award a contract to the next competitor. ▪ Continually reduce its cost and improve quality. ▪ Use competition between suppliers to cement relationship with existing vendor.
Supervise vendors/suppliers	<ul style="list-style-type: none"> ▪ Send monthly report cards to core suppliers and provide immediate feedbacks. ▪ Use elaborate systems to measure the way suppliers work, set targets for them, monitor their performances at all times. ▪ Expect their suppliers' senior managers to get involved whenever issues arise.
Develop suppliers' technical capabilities	<ul style="list-style-type: none"> ▪ Develop a common lexicon ▪ Suppliers' innovation capabilities are more important than their wage costs. ▪ Helped vendors by setting up learning links, forged by moving workers or launching transnational product development projects. ▪ Hone core suppliers' innovation capabilities.
Share information intensively but selectively	<ul style="list-style-type: none"> ▪ Inundating people with data diminishes focus while targeted information leads to results ▪ Set specific times for meetings ▪ Use rigid formats for sharing information ▪ Insist on accurate data collection and share it in a structured fashion.
Conduct joint improvement activities	<ul style="list-style-type: none"> ▪ Exchange best practices with suppliers ▪ Set up suppliers study group ▪ Models of lean management, bring about all-around improvements in their suppliers ▪ Aim is to open communication channels and create relationships ▪ Create a challenging environment that motivates its suppliers to improve. ▪ Culture of continuous improvement, joint learning among companies and suppliers