

## Chapter 1

- What does *Global Management* mean?
  - Involves managing operations in more than one country.
- Define Globalized economy
  - Resources, markets, and competition are worldwide in scope.
- In a competitive global business landscape, the increasing demand for talented, knowledge workers is primarily due to the increasing use of low-cost production. (FALSE). It is due to advancement in technology.
- The age gap in today's workplaces is one of the diversity issues that may create major challenges for managers. (TRUE)
- The recruitment and retention of talented workers is one of the major challenges faced by manager in a global competitive economy (TRUE).
- According to the Katz's framework on essential managerial skills, low-level managers need to develop more conceptual skills than top-level managers (FALSE).
- What are the key conditions that describes the general (business) environment?
  - Economic Conditions: influence customer spending, resource supplies, and investment capital.
  - Legal-Political Conditions: laws and regulations, government policies, and philosophies of political parties.
  - Technological Conditions: Rapid changing technology and implications that it has on work environment.
  - Socio-cultural Conditions: Norms, customs, social values and beliefs on matters such as ethics, human rights, lifestyles. Companies need to anticipate changing trends.
  - Natural Environment Conditions: "Green" perspectives, concerned with global warming and being eco friends.
- Describe a Learning Organization
  - Renewed belief in human capital
  - Emphasis on teamwork,
  - demise of "command and control",
  - Pre-eminence of technology,
  - embrace of networking,
  - new workforce expectations,
  - concern for work-life balance,
  - Focus on speed.
- What are the critical survival skills for a new workplace?
  - Planning: process of setting objectives, and ways of accomplishing them
  - Organizing: arranging tasks, people, and resources to accomplish work
  - Leading: Inspiring people to work hard
  - Controlling: Measuring performance and taking actions.

## **Chapter 2**

- What are the **three branches of the classical approach** to management?
  - Scientific management
  - Administrative principles
  - Bureaucratic organization
  
- Who is known as the **father of Scientific Management**?
  - **Fredrick W. Taylor**, Father of scientific management.
  
- Who is known as the father of bureaucratic management?
  - **Max Weber**, father of bureaucratic management.
  
- What are the **main findings of the Hawthorne studies** (1924-32)?
  - Initial study examined how **economic incentives and physical conditions** affected worker output.
  - No consistent relationship found
  - **“Psychological factors”** influenced results
  - Relay assembly test-room studies
  - Manipulated physical work conditions to assess impact on output
  - Designed to minimize the “psychological factors” of previous experiment
  - Factors that accounted for increased productivity
    - ✓ Group atmosphere
    - ✓ Participative supervision
  - Employee attitudes, interpersonal relations and group processes
    - ✓ Some things satisfied some workers but not others
    - ✓ People restricted output to adhere to group norms
  - Lessons from the Hawthorne Studies:
    - ✓ Social and human concerns are keys to productivity
    - ✓ Hawthorne effect — people who are singled out for special attention perform as expected
  
- Review **Fredrick Taylor’s approach** to scientific management
  - Develop rules of motion, standardized work implements, and proper working conditions for every job
  - Carefully select workers with the right abilities for the job
  - Carefully train workers and provide proper incentives
  - Support workers by carefully planning their work and removing obstacles
  - Motion study
    - ✓ Science of reducing a job or task to its basic physical motions
  - Eliminating wasted motions improves performance
  - Practical lessons from scientific management
    - ✓ Make results-based compensation a performance incentive
    - ✓ Carefully design jobs with efficient work methods
    - ✓ Carefully select workers with the abilities to do these jobs
    - ✓ Train workers to perform jobs to the best of their abilities
    - ✓ Train supervisors to support workers so they can perform jobs to the best of their abilities

- Review **Max Weber's approach** to bureaucratic management?
  - Bureaucracy
    - ✓ An ideal, intentionally rational, and very efficient form of organization
    - ✓ Based on principles of logic, order, and legitimate authority
  - **Characteristics** of bureaucratic organizations:
    - ✓ Clear division of labour
    - ✓ Clear hierarchy of authority
    - ✓ Formal rules and procedures
    - ✓ Impersonality
    - ✓ Careers based on merit
  - **Possible Disadvantages** of bureaucracy:
    - ✓ Excessive paperwork or "**red tape**"
    - ✓ Slowness in handling problems
    - ✓ Rigidity in the face of shifting need
    - ✓ Resistance to change
    - ✓ Employee apathy
  
- Review **Maslow's Hierarchy**
  - A need is a physiological or psychological deficiency a person feels compelled to satisfy
  - **Need levels:**
    - ✓ Physiological
    - ✓ Safety
    - ✓ Social
    - ✓ Esteem
    - ✓ Self-actualization
  - Deficit principle
    - ✓ A satisfied need is not a motivator of behaviour
  - Progression principle
    - ✓ A need becomes a motivator once the preceding lower-level need is satisfied
  - Both principles cease to operate at self-actualization level
  
- Review **Chris Argyris' theory of adult personality**
  - Classical management principles and practices inhibit worker maturation and are inconsistent with the mature adult personality
  - Management practices should accommodate the mature personality by:
    - ✓ Increasing task responsibility
    - ✓ Increasing task variety
    - ✓ Using participative decision making
  
- Review (human systems) **Contingency Thinking (model)**
  - Tries to match managerial responses with problems and opportunities unique to different situations
    - ✓ Especially individual or environmental differences
  - No "**one best way**" to manage
  - Appropriate way to manage depends on the situation

### **Chapter 3**

- Common **reasons for firms becoming international?**
  - **Profits:** Global operations offer greater profit potential
  - **Customers:** Global operations offer new markets to sell products
  - **Suppliers:** Global operations offer access to needed products and services
  - **Capital:** Global operations offer access to financial resources
  - **Labour:** Global operations offer access to lower labour costs.
- Advantages/Disadvantages of Direct and Indirect Exporting

#### **Advantages of Direct Exporting**

- you are in control of pricing
- full control of your brand
- direct understanding of buyers' or end users' needs and an ability to customise accordingly
- maintain the customer relationship
- able to identify possible new opportunities
- Customers may prefer dealing directly with the producer.

#### **Disadvantages of Direct Exporting**

- will take a lot of time, energy, staff resources and money
- competitors with a local presence will be perceived as lower risk to buy from
- after-sales commissioning and service may require local language capability
- prompt troubleshooting may not be able to be done remotely and will require additional visits
- growth will be slower.

#### **Advantages of Indirect Exporting**

- Selling to or through an intermediary is a relatively cheap and straightforward way to enter a new market.
- A good intermediary will have in-market experience, reputation and contacts.

#### **Disadvantages of Indirect Exporting**

- intermediary still requires sales support
- intermediary takes a margin
- have no direct contact with the end customer
- will have less control over the actual final transaction
- Don't get to learn about the overseas market, which could slow down longer term expansion plans.

- What does importing involve?
  - Importing involves buying foreign-made products and selling them domestically.
- What ethical issues are usually raised in relations the international operations of multinational enterprises?

### Corruption

- illegal practices that further one's business interests
- Bribery and others forms of corruption can pose significant challenges as global managers around the world.

### Sweatshops

- employing workers at low wages for long hours and in poor working conditions

### Child Labour

- full-time employment of children for work otherwise done by adults

### Sustainable Development

- Global warming, industrial pollution, hazardous waste disposal, depletion of natural resources, and related concerns are worldwide issues.
- meeting current needs without compromising future needs
- Difference between **brownfield and greenfield investment**

**Greenfield Investment:** A form of foreign direct investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.

**Brownfield Investment:** When a company or government entity purchases or leases existing production facilities to launch a new production activity.

- What factors should be taken into account when considering a joint venture?

**Joint Ventures:** operates in a foreign country through co-ownership by foreign and local partners. Some factors/questions to take into account when considering a joint venture are:

- Is the partner familiar with your firm's major business
- Employs a strong local workforce
- Value its customers
- Has potential for future expansion
- Has strong local market for its products
- Has good profit potential
- Has sound financial standing.

- **Licensing:** one firm pays fee for rights to make or sell another company's products in a specified region. The license typically grants access to a unique manufacturing technology, special patent, or trademark. In effect, the firm provides the local firm with the technology and knowledge to offer its products or services for local sales. Such licensing involves *potential* risk.
- **Franchising:** a fee is paid for rights to use another firm's name and operating method in its home country. The international version operates similarly to domestic franchising agreements.
- **Foreign Direct Investment (FDI):** involves setting up, buying all, or buying part of a business in another country. For many countries, the ability to attract foreign business investors has been a key to succeeding in the global economy. **Insourcing** is often used to describe job creation that results from foreign direct investment. Its effect can be very positive for the local economy.

- Nature of the relationship (i.e. complaints) between host countries and multinational corporations (MNCs).

### **Host-Country complaints about MNCs**

- Excessive profits
- Domination of local economy
- Interference with local government
- Hiring the best local talent
- Limited technology transfer
- Disrespect for local customs

### **MNCs complaints about host countries**

- Profit limitations
- Overpriced resources
- Exploitative rules
- Foreign exchange restrictions
- Failure to uphold contracts.

### **Major regional blocks/free-trade agreements**

- **World Trade Organization (WTO):** Currently 153 members, agree to negotiate and resolve disputes about tariffs and trade restrictions. Established to promote free trade and open markets around the world. **“Liberal trade policies – which involve allow the unrestricted flow of goods and services – sharpen competition, motivate innovation, and breed success. They multiply the rewards that result from producing the best products, with the best design, at the best price. “**
- **North American Free Trade Agreement (NAFTA):** Creates a trade zone with minimal barriers, which frees the flow of goods and services, workers, and investments among the three countries – Canada, USA, and Mexico. NAFTA include greater cross-border trade, benefits to farm exports, greater productivity of manufacturers, and reform of the Mexican business environment.
- **European Union (EU):** Now links 27 countries that agree to support mutual economic growth by removing barriers that previously limited cross-border trade and business development.
- Define a **Global Manager**
  - Someone who is culturally aware and informed on international affairs.
- Difference between **low-context and high-context culture**

### **Low-context culture**

- Emphasize communication via spoken or written words
- As the saying goes in U.S, Canada, and Germany, **“we say or write what we mean, and we mean what we say”**

### High-context culture

- Rely on non-verbal and situational cues as well as on spoken or written words in communication.
  - Including body language, physical setting, and even past relationship among the people involved.
- Hofstede's **five cultural dimensions**:
    - **Power Distance**: Degree to which a society accepts unequal distribution of power. In high-power cultures, we expect to find great respect for age, status, and titles. People in these **cultures** tend to be tolerant of power; they are prone to follow orders and accept differences in rank.
    - **Individualism – Collectivism**: Degree to which a society emphasizes individuals and their self-interests.
    - **Uncertainty Avoidance**: Degree to which a society is uncomfortable with risk, change and situational uncertainty, versus having tolerance for them. Low-uncertainty avoidance cultures display openness to change and innovation. In high-uncertainty avoidance cultures, by contrast, one would expect to find a preference for structure, order and predictability.
    - **Masculinity – Femininity**: Degree to which a society values assertiveness and materialism. It is a tendency for members of a culture to show stereotypical masculine and feminine traits and reflect different attitudes toward gender roles.
    - **Time-Orientation**: Degree to which a society emphasizes short-term or long-term goals.

## Chapter 5

- Who is an **entrepreneur**? What is **entrepreneurship**?
  - **Entrepreneur**: risk-taking individual who takes action to pursue opportunities others fail to recognize, or even view as problems or threats. Business entrepreneurs start new ventures that bring to life new products or service ideas.
  - **Entrepreneurship**: Strategic thinking and risk-taking behaviour that results in the creation of new opportunities for individuals and/or organizations.
- **Myths about entrepreneurs**:
  - Entrepreneurs are born, not made
  - Entrepreneurs are gamblers
  - Money is the key to entrepreneurial success
  - You have to be young to be an entrepreneur
  - You must have a degree in business to be an entrepreneur
- Different forms of **Business Ownerships**:
  - **Sole Proprietorship**: simply an individual or a married couple pursuing a business for a profit. This does not involve incorporation. A sole proprietorship is easy to start, run, and terminate and it is the most common form of small business ownership In Canada.
  - **Partnership**: formed when two or more people agree to contribute resources to start and operate a business together. It is usually backed by a legal and written partnership agreement. Business partners agree on the contribution of resources and skills to the new venture, and on the sharing of profits and losses.

- ✓ **General Partnership:** simplest and most common form, they also share management responsibilities.
- ✓ **Limited Partnership:** consists of a general partner and one or more “limited” partners who do not participate in day-to-day business management.
- ✓ **Limited Liability Partnership:** common among professionals such as accountants and lawyers, limits the liability of one partner of the negligence of another.
- **Corporation:** commonly identified by the “Inc.” designation in a name, is a legal entity that is chartered by the government and exists separately from its owners. The corporation can be for-profit or non-profit. The corporate form offers 2 major advantages: (1) it grants the organization certain legal rights, and (2) the corporation becomes responsible for its own liabilities.
- **Limited Liability Corporation (LLC):** combines the advantages of the other forms. For liability purposes, it functions like a corporation, protecting the assets of owners made against the company.

• **Financing options available to new ventures:**

- **Debt Financing:** involves going into debt by borrowing money from another person, bank, or financial institution. This loan must be paid back over time, with interest. It also requires collateral that pledges business assets or personal assets, such as home, to secure the loan in case of default.
- **Equity Financing:** involves giving ownership shares in the business to outsiders in return for their cash investments. This money does not need to be paid back. It is an investment, and the investor assumes the risk for potential gains and losses. In return for taking the risk, the equity investor gains some proportionate ownership control.
- **Venture Capitalists:** companies and individuals make large investments in new ventures in return for an equity stake in the business. Most venture capitalists tend to focus relatively large investments of \$1 million or more, and they usually take a management role.
- **Initial Public Offering (IPO):** when shares of stock in the business are first sold to the public and then begin trading on a major stock exchange.

• **Stages in the life cycle of an entrepreneurial firm**

- **Birth Stage:**
  - ✓ Establishing the firm
  - ✓ Getting customers
  - ✓ Finding the money
- **Breakthrough stage:**
  - ✓ Working on finances
  - ✓ Becoming profitable
  - ✓ Growing
- **Maturity Stage:**
  - ✓ Refining the strategy
  - ✓ Continuing growth
  - ✓ Managing for success

## Chapter 6

### • What does **planning as a management function entail**?

- The Planning Process
  - ✓ **Planning:** The process of setting objectives and determining how to best accomplish them
  - ✓ **Objectives:** Identify the specific results or desired outcomes that one intends to achieve
  - ✓ **Plan:** A statement of action steps to be taken in order to accomplish the objectives
- **Steps in the Planning Process**
  - ✓ **Define your objectives:** Identify desired outcomes or results in very specific ways. Know where you want to go.
  - ✓ **Determine where you stand vis-à-vis objectives:** Evaluate current accomplishments relative to the desired results. Know where you stand in reaching your objectives'
  - ✓ **Develop premises regarding future conditions:** Anticipate future events. Generate alternative “scenarios” for what may happen;
  - ✓ **Analyze and choose among action alternatives:** List and evaluate possible actions. Chose the alternative most likely to accomplish your objectives'
  - ✓ **Implement the plan and evaluate results:** Take action and carefully measure your progress toward objectives.
- **Benefits of Planning:**
  - ✓ Improves focus and flexibility
  - ✓ Improves action orientation
  - ✓ Improves coordination and Control
  - ✓ Improves time management

### • What is **planning**?

- Process of setting objectives and determining how to accomplish them.
- Creates a solid platform for the other management functions: organizing, planning, leading, and controlling.

### • **Two factors** Walmart primarily gains directions from are:

- **Basic Beliefs** (respect for the individual, service to our customers, striving for excellence)  
+
- **Customer Service Rule** (sundown, ten foot, and everyday low prices rule).

### • What is **Scenario planning? What are its benefits?**

- **Scenario planning** identifies alternative scenarios and makes plans to deal with each. A long-term version of contingency planning
- **Benefits of Scenario planning:**
  - ✓ Managers are forced to break out of their standard world view, exposing blind spots that might otherwise be overlooked in the generally accepted forecast.
  - ✓ Decision-makers are better able to recognize in its early stages, should it actually be the one that unfolds.
  - ✓ Managers are better able to understand the source of disagreements that often occur when they are envisioning different scenarios without realizing it.

- What is **Contingency planning**:
  - Identifies alternative courses of action to take when things go wrong or if circumstances change.
- What are **organizational procedures** and **policies**? What is the **main difference** between them?
  - **Organizational Procedures**: precisely describe actions that are to be taken in specific situations. They are stated in employee handbooks and often called “SOPs” – standard operating procedures.
  - **Organizational Policies**: communicate broad guidelines for making decisions and taking action in specific circumstances. Organizations operate with lots of policies, and they set expectations for many aspects of employee behavior.

## Chapter 7

- What is **Strategy**? What is **strategic management**?
  - **Strategy**: comprehensive plan guiding resource allocation to achieve long-term organization goals.
  - **Strategic management**: Process of formulating and implementing strategies.
- What are **two basic ways** in which **firms compete against** their **rivals**?
  - **Competitive Advantage**: the ability to do something so well that one outperforms competitors.
  - **Sustainable Competitive Advantage**: ability to outperform rivals in a way that are difficult or costly to imitate.
- **Porter’s five forces of framework**:
  - **Industry Competition**: the intensity of rivalry among firms in the industry and the ways they behave competitively toward one another.
  - **New entrants**: the threat of new competitors entering the market, based on the presence or absence of barriers to entry.
  - **Substitute products or service**: the threat of substitute products or services, based on the ability of consumers to find what they want from other sellers.
  - **Bargaining power of suppliers**: the ability to resource suppliers to influence the price that one has to pay for their products or services.
  - **Bargaining power of customers**: the ability of customers to influence the price that they will pay for the firm’s products or services.
- **Porter’s model of generic strategies**:
  - **Cost Leadership Strategy (Broad)**: seeks to have low costs so that they can sell products and services at low prices. While the low cost drive sales, the low cost structure allows them to still make profits even when selling at low prices that competitors can’t match. Success with the cost leadership at low prices strategy requires a continuing search for innovations that increase operating efficiencies throughout purchasing, production, distribution, and other organizational systems. **Walmart** is an example of Cost Leadership Strategy.
  - **Differentiation Strategy**: seek competitive advantage through uniqueness. Then try to develop goods and services that are clearly different from the competition or that, through successful advertising, are perceived as clearly different. The objective is to build a strong base of customers that are loyal to the organization’s products and lose in those of competitors. **Polo Ralph** is an example of Differentiation Strategy.

- **Focused low-cost strategy:** seeks the lowest costs of operations within a special market segment.
  - **Focused Differentiation:** offers a unique product to a special market segment.
- **Various components of SWOT Analysis:**
- **SWOT Analysis:** examines organizational strengths and weaknesses and environmental opportunities and threats.
  - **Strengths:** Positive Internal assessment of the Organization.
    - ✓ Manufacturing efficiency?
    - ✓ Skilled workforce?
    - ✓ Good market share?
    - ✓ Strong financing?
    - ✓ Superior reputation?
  - **Weaknesses:** Negative Internal assessment of the Organization.
    - ✓ Outdated facilities?
    - ✓ Inadequate research and development?
    - ✓ Obsolete technologies?
    - ✓ Weak management?
    - ✓ Past planning failures?
  - **Opportunities:** Positive External assessment of the Organization.
    - ✓ Possible new markets?
    - ✓ Strong economy?
    - ✓ Weak market rivals?
    - ✓ Emerging technologies?
    - ✓ Growth of existing market?
  - **Threats:** Negative External assessment of the Organization.
    - ✓ New competitors
    - ✓ Shortage of resources?
    - ✓ Changing market tastes?
    - ✓ New regulations?
    - ✓ Substitute products?
- **Total Quality Management (TQM):** managing with an organization-wide commitment to continuous improvement, product quality, and customer needs. This is a process that makes quality principles part of the organization's strategic objectives, applying them to all aspects of operations and striving to meet customers' needs by doing things right the first time.
- **Supply Chain Management (CSM):** involves strategic management of all operations linking an organization and its suppliers, including such areas purchasing, manufacturing, transportation, and distribution. The goals of SCM are to achieve efficiency in all aspects of the supply chain while ensuring on-time availability of quality resources and products.
- **Customer Relationship Management (CRM):** establish and maintain high standards of customer service. This approach uses the latest information technologies to maintain intense communication with customers as well as to gather and use regarding their needs and desires.

- **BCG Matrix Approach:** developed by the Boston Consulting Group. This framework analyzes business opportunities according to industry or market growth rate and market share. As shown in the figure, this comparison results in four possible business conditions, each associated with a strategic implication.
  - **Stars:** High market-share businesses in high-growth markets. They produce profits through substantial penetration of expanding markets. The preferred strategy for stars is growth, and further resource investments in them are recommended.
  - **Question marks:** low-market share businesses with high-growth markets. They do not produce much profit, but they compete in rapidly growing markets. The preferred strategy is growth, but the risk exists that further investments will not result in improved market share. Only the most promising questions marks should be targeted for growth; others are candidates for retrenchment by restructuring or divestiture.
  - **Cash cows:** high-market share businesses with low-growth markets. They produce large profits and a strong cash flow. Because the markets offer little growth opportunity, the preferred strategy is stability or modest growth. “Cows” must be “milked” to generate cash that can be used to support investments in stars and questions marks.
  - **Dogs:** low-market share businesses in low-growth markets. They do produce much profit, and they show little potential for future improvement. The preferred strategy for dogs is retrenchment by divestiture.
- **Strategic alliance:** two or more organizations join together in partnership to pursue an area of mutual interest. One way to cooperate strategically is through *outsourcing alliance* – contracting to purchase important services from another organization.
- **Vertical integration:** where a business acquires suppliers (backward vertical integration) or distributors (forward vertical integration). Backward vertical integration was once common in the automobile industry, as firms purchased suppliers to ensure quality and control over the availability of key parts. In beverages, both Coca-Cola and PepsiCo have pursued forward vertical integration by purchasing some of their major bottlers.
- **Restructuring Strategy:** tries to correct weaknesses by changing the mix or reducing the scale of operations. The idea is to reverse or change an approach that is not working, and recognize to compete better in the future.
- **Globalization Strategy:** tends to view the world as one large market, making most decisions from the corporate home base and trying as much as possible to standardize products and their advertising for use everywhere.
- **Multidomestic Strategy:** customize products and their advertising as much as possible to fit the local needs of different countries or regions. Local and regional managers are given authority to provide this differentiation.
- **Transnational Strategy:** tries to balance efficiencies in global operations and responsiveness to local markets. The transnational firm tries to operate without a strong national identity and blend seamlessly with global economy to fully tap its business potential.

## Chapter 8

- **Organization Chart:** shows reporting relationships and the formal arrangement of work positions within an organization. A typical organization chart identifies various positions and job titles, as well as the lines of authority and communication between them. It shows the **formal structure**, or the structure of the organization in its official state. By reading an organization chart, you can learn the **basics of an organization's formal structure** including:
  - **Division of work:** Positions and titles show work responsibilities
  - **Supervisory relationships:** Lines show who reports to whom
  - **Communication channels:** Lines show formal communication flows.
  - **Major subunits:** Positions reporting to a common manager are shown.
  - **Levels of Management:** Vertical layers of management are shown.
  
- **Formal Structure:** Official Structure of the organization
- **Informal Structure:** set of unofficial relationships among an organization's members. Potential **Advantages and Disadvantages** of informal structure are:
  - **Advantages:**
    - ✓ Helping people accomplish their work
    - ✓ Overcoming limits of formal structure
    - ✓ Gaining access to interpersonal networks
    - ✓ Informal learning
  - **Disadvantages:**
    - ✓ May work against best interests of entire organization
    - ✓ Susceptibility to rumor
    - ✓ May carry inaccurate information
    - ✓ May breed resistance to change
    - ✓ Diversion of work efforts from important objectives
    - ✓ Feeling of alienation by outsiders
  
- **Functional Structures:** people with similar skills and performing similar tasks are grouped together into formal work units. Members of functional departments share technical expertise, interests, and responsibilities. Some of the advantages and Disadvantages of functional structures are:
  - **Advantages:**
    - ✓ Economies of scale
    - ✓ Task assignments consistent with expertise and training
    - ✓ High-quality technical problem solving
    - ✓ In-depth training and skill development
    - ✓ Clear career paths within functions
  - **Disadvantages:**
    - ✓ Difficulties in pinpointing responsibilities
    - ✓ Functional chimneys problem
    - ✓ Sense of cooperation and common purpose break down
    - ✓ Narrow view of performance objectives
    - ✓ Excessive upward referral of decisions

• **Divisional Structures:** Group together people who work on the same product or process, serve similar customers, and/or are located in the same area or geographical region. Common in complex organizations. Avoid problems associated with functional structures. Types of divisional structures and how they group job and activities:

- **Product structures** focus on a single product or service
- **Geographical structures** focus on the same location or geographical region
- **Customer structures** focus on the same customers or clients
- **Process structures** focus on the same processes
- **Advantages:**
  - ✓ More flexibility in responding to environmental changes
  - ✓ Improved coordination
  - ✓ Clear points of responsibility
  - ✓ Expertise focused on specific customers, products, and regions
  - ✓ Greater ease in restructuring
- **Disadvantages:**
  - ✓ Duplication of resources and efforts across divisions
  - ✓ Competition and poor coordination across divisions
  - ✓ Emphasis on divisional goals at expense of organizational goals

• **Matrix Structure:** Combines functional and divisional structures to gain advantages and minimize disadvantages of each. It is used in:

- Manufacturing
- Service industries
- Professional fields
- Non-profit sector
- Multi-national corporations
- **Advantages:**
  - ✓ Better cooperation across functions
  - ✓ Improved decision making
  - ✓ Increased flexibility in restructuring
  - ✓ Better customer service
  - ✓ Better performance accountability
  - ✓ Improved strategic management
- **Disadvantages:**
  - ✓ Two-boss system is susceptible to power struggles
  - ✓ Two-boss system can create task confusion and conflict in work priorities
  - ✓ Team meetings are time consuming
  - ✓ Team may develop "groupitis."
  - ✓ Increased costs due to adding team leers to structure

• **Network Structures:** A central core that is linked through networks of relationships with outside contractors and suppliers of essential services. Own only core components and use strategic alliances or outsourcing to provide other components.

- **Advantages**
  - ✓ Firms can operate with fewer full-time employees and less complex internal systems
  - ✓ Reduced overhead costs and increased operating efficiency
  - ✓ Permits operations across great distances

- **Disadvantages:**
  - ✓ Control and coordination problems may arise from network complexity
  - ✓ Potential loss of control over outsourced activities
  - ✓ Potential lack of loyalty among infrequently used contractors
  - ✓ Excessively aggressive outsourcing can be dangerous

- **Contemporary organizing trends:**

- Fewer levels of management
  - ✓ Shorter chains of command
  - ✓ Less unity of command
- Wider spans of control
- More delegation and empowerment
- Decentralization with centralization
- Reduced use of staff

- **Departmentalization:** process of grouping people and jobs into units.

- **Cross-functional team:** brings together team members from different functional departments

## Chapter 11

- **Leadership:** the process of inspiring others to work hard to accomplish important tasks – is one of the most popular management topics. Leadership communicates the vision, build enthusiasm, and motivate commitment, hardwork.

- **Emotional intelligence:** ability to manage our emotions in social relationships.

- **Transactional leadership:** uses tasks, rewards, and structures to influence efforts of others. This describes someone who can apply their knowledge to keep others forward to achieve performance goals.

- **Transformational leadership:** inspirational and arouses extraordinary effort and performance. This describes a person who is truly inspiring as a leader, who is personally excited about what she or he is doing, and who arouses others to seek extraordinary performance accomplishments. He/she raises aspirations and shifts people and organizational systems into new, high-performance patterns.

- **Visionary leader:** describes a leader who brings to the situation a clear and compelling sense of the future, as well as an understanding of the actions needed to get there successfully. This means having a clear vision, communicating the vision, and getting people motivated and inspired to pursue the visions in their daily work.

- **Charisma:** using the power of personal reference and emotion to arouse others' enthusiasm, faith, loyalty, pride, and trust in them.

- **Symbolism:** Identifying "heroes" and holding spontaneous and planned ceremonies to celebrate excellence and high achievement.

- **Empowerment:** helping others develop by removing performance obstacles, sharing responsibilities, and delegating truly challenging work.

**• Hersey-Blanchard situational model:**

- Leaders adjust their styles depending on the readiness of their followers to perform in a given situation.
- Readiness — how able, willing and confident followers are in performing tasks.
- **Delegating**
  - ✓ Low-task, low-relationship style
  - ✓ Works best in high readiness-situations
- **Participating**
  - ✓ Low-task, high-relationship style
  - ✓ Works best in low- to moderate-readiness situations
- **Selling**
  - ✓ High-task, high-relationship style
  - ✓ Work best in moderate- to high-readiness situations
- **Telling**
  - ✓ High-task, low-relationship style
  - ✓ Work best in low-readiness situations

**• Fiedler's Contingency Model:**

- Good leadership depends on a match between leadership and situational demands
- Determining leadership style based on LPC Scale (Least-Preferred Co-Worker Scale):
  - ✓ Low LPC — task-motivated leaders
  - ✓ High LPC — relationship-motivated leaders
- Leadership is part of one's personality, and therefore relatively enduring and difficult to change
- Leadership style must be fit to the situation
- Diagnosing situational control:
  - ✓ Quality of leader-member relations (good or poor)
  - ✓ Degree of task structure (high or low)
  - ✓ Amount of position power (strong or weak)
- Task oriented leaders are most successful in:
  - ✓ Very favorable (high control) situations
  - ✓ Very unfavorable (low control) situations
- Relationship-oriented leaders are most successful in:
  - ✓ Situations of moderate control

**• House's Path-Goal Leadership model:**

- Effective leadership deals with the paths through which followers can achieve goals
- Leadership styles for dealing with path-goal relationships:
  - ✓ Directive leadership
  - ✓ Supportive leadership
  - ✓ Achievement-oriented leadership
  - ✓ Participative leadership
- Directive leadership
  - ✓ Communicate expectations
  - ✓ Give directions
  - ✓ Schedule work
  - ✓ Maintain performance standards

- ✓ Clarify leader's role
- Supportive leadership
  - ✓ Make work pleasant
  - ✓ Treat group members as equals
  - ✓ Be friendly and approachable
  - ✓ Show concern for subordinates' well-being
- Achievement-oriented leadership
  - ✓ Set challenging goals
  - ✓ Expect high performance levels
  - ✓ Emphasize continuous improvement
  - ✓ Display confidence in meeting high standards
- Participative leadership
  - ✓ Involve subordinates in decision making
  - ✓ Consult with subordinates
  - ✓ Ask for subordinates' suggestions
  - ✓ Use subordinates' suggestions
- When to use House's leadership styles:
  - ✓ Use directive leadership when job assignments are ambiguous
  - ✓ Use supportive leadership when worker self-confidence is low
  - ✓ Use participative leadership when performance incentives are poor
  - ✓ Use achievement-oriented leadership when task challenge is insufficient
- Substitutes for leadership
  - ✓ Aspects of the work setting and the people involved that can reduce the need for a leader's personal involvement
- Possible leadership substitutes
  - ✓ Subordinate characteristics
  - ✓ Task characteristics
  - ✓ Organizational characteristics

#### • Vroom-Jago leader-participation theory

- Helps leaders choose the method of decision making that best fits the nature of the problem situation
- Basic decision-making choices:
  - ✓ Authority decision
  - ✓ Consultative decision
  - ✓ Group decision
- Decision-making options in the Vroom-Jago leader-participation theory:
  - ✓ Decide alone
  - ✓ Consult individually
  - ✓ Consult with group
  - ✓ Facilitate
  - ✓ Delegate
- Contingency factors in the Vroom-Jago leader-participation theory
  - ✓ Decision quality: Who has the information needed for problem solving?
  - ✓ Decision acceptance: Importance of subordinate acceptance to eventual implementation
  - ✓ Decision time: Time available to make and implement the decision
- According to Vroom-Jago leader-participation theory, a leader should use authority-oriented decision methods when:
  - ✓ The leader has greater expertise to solve a problem

- ✓ The leader is confident and capable of acting alone
  - ✓ Others are likely to accept and implement the decision
  - ✓ Little or no time is available for discussion
  - According to Vroom-Jago leader-participation theory, a leader should use group-oriented and participative decision methods when:
    - ✓ The leader lacks sufficient information to solve a problem by himself/herself
    - ✓ The problem is unclear and help is needed to clarify the situation
    - ✓ Acceptance of the decision and commitment by others is necessary for implementation
    - ✓ Adequate time is available for true participation
  - Benefits of participative decision methods:
    - ✓ Help improve decision quality
    - ✓ Help improve decision acceptance
    - ✓ Helps develop leadership potential
  - Potential disadvantages of participative decision methods:
    - ✓ Lost efficiency
    - ✓ Not particularly useful when problems must be solved immediately
- **Autocratic style**
    - Emphasizes task over people, keeps authority and information within the leader's tight control, and acts in a unilateral command-and-control fashion
  - **Laissez-faire style**
    - Shows little concern for task, lets the group make decisions, and acts with a "do the best you can and don't bother me" attitude
  - **Democratic style**
    - Committed to task and people, getting things done while sharing information, encouraging participation in decision making, and helping people develop skills and competencies

## **Chapter 13**

- Difference between Classical Decision Model and Behavioural Decision Model.

### **Classical Decision Model:**

- Managers act rationally in a certain world.
- Managers face clearly defined problems and have complete knowledge of all possible alternatives and their consequences.
- Results in an optimizing decision.

### **Behavioural Decision Model:**

- Managers act in terms of what they perceive about a given situation.
- Recognizes limits to human information-processing capabilities.
  - ✓ Cognitive limitations.
  - ✓ Bounded rationality.
  - ✓ Results in a satisficing decision.

- Review the five-step Decision making process

**Step 1: Identify and define the problem**

- Focuses on information gathering, information processing, and deliberation
- Decision objectives should be established.
- Common mistakes in defining problems
  - Defining the problem too broadly or too narrowly
  - Focusing on symptoms instead of causes.
  - Choosing the wrong problem.

**Step 2: Generate and Evaluate Alternative Courses of Action**

- Potential solutions are formulated and more information is gathered, data are analyzed, the advantages and disadvantages of alternative solutions are identified.
- Approaches for evaluating alternatives:
  - Stakeholder analysis
  - Cost-benefit analysis.

**Step 3: Decide on a Preferred Course of Action****• Classical Decision Model:**

- Managers act rationally in a certain world.
- Managers face clearly defined problems and have complete knowledge of all possible alternatives and their consequences.
- Results in an optimizing decision.
- Structured Problem
- Clearly Defined
- Certain environment
- Complete information
- All alternatives and consequences are known

**• Behavioural Decision Model:**

- Managers act in terms of what they perceive about a given situation.
- Recognizes limits to human information-processing capabilities.
  - ✓ Cognitive limitations.
  - ✓ Bounded rationality.
  - ✓ Results in a satisficing decision.
- Unstructured problem
- Not clearly defined
- Uncertain environment
- Incomplete information
- Not all alternatives and consequences known.

**Step 4: Implement the Decision**

- Involves taking action to make sure the solution decided upon becomes a reality
- Managers need to have willingness and ability to implement action plans.
- Lack-of-participation error should be avoided.

**Step 5: Evaluate results**

- Involves comparing actual and desired results
  - Positive and negative consequences of chosen course of action should be examined.
  - If actual results fall short of desired results, the manager returns to earlier steps in the decision-making process.
- 
- Review managerial/problem-solving/decision styles – programmed/structured vs. non-programmed/unstructured decisions; intuitive vs. systematic thinking.

**Managers as information processors**

- Depicted as a nerve centre of information flows in today's IT-enriched organizations.
- Gather, give and receive information
- Interpersonal, decisional, and informational – involve communication and information processing.
- **Planning Advantages**
  - Better and more timely access to useful information
  - Involving more people in planning
- **Organizing Advantages**
  - More ongoing and informed communication among all parts of the organization
  - Improved coordination and integration
- **Leading Advantages**
  - Improved communication with staff and stakeholders
  - Keeping objectives clear
- **Controlling Advantages**
  - More immediate measures of performance results
  - Allows real-time solutions to performance problems

**Managers as problem solvers**

- **A performance deficiency**
  - Actual performance being less than desired performance
- **A performance opportunity**
  - Actual performance being better than desired performance
- **Problem Solving**
  - The process of identifying a discrepancy between actual and desired performance and taking action to resolve it
- **A decision**
  - A choice among possible alternative course of action

**Problem solving approaches or styles:**

**Problem avoiders:** Inactive in information gathering and solving problems. Ignore information that would otherwise signal the presence of a performance opportunity or deficiency.

**Problem Solvers:** Reactive in gathering information and solving problems. Willing to make decisions, and solve the problem, but only when forced by the situation.

**Problem Seekers:** Proactive in anticipating problems and opportunities and taking appropriate action to gain an advantage. Actively process information and constantly look for problems to solve.

### Systematic vs. Intuitive thinking

- **Systematic thinking** approaches problems in a rational, step-by-step, and analytical fashion
- **Intuitive thinking** approaches problems in a flexible and spontaneous fashion.
- **Multidimensional thinking** applies both intuitive and systematic thinking
- Effective **multidimensional thinking** requires skill at strategic opportunism

### • **Cognitive Styles**

- **Sensation Thinkers** emphasize the impersonal rather than the personal and take a realistic approach to problem solving
- **Intuitive Thinkers** are comfortable with abstraction and tend to be idealistic. spontaneous fashion
- **Intuitive Feelers** prefer broad and global issues and are comfortable with intangibles
- **Sensation Feelers** emphasize analysis and human relations and tend to be realistic and prefer facts

### Types of Managerial Decisions

**Programmed Decisions:** Apply solutions that are readily available from past experiences to solve structured problems. **Structured problems** are ones that are familiar, straightforward, and clear with respect to information needs. Best applied to routine problems that can be anticipated.

**Non-programmed Decision:** Develop novel solutions to meet the demands of unique situation that present unstructured problems. **Unstructured problems** are ones that are full of ambiguities and information deficiencies. Commonly faced by higher-level management

**Crisis Decision making:** A crisis involves an unexpected problem that can lead to disaster if not resolved quickly and appropriately.

### **Rules for Crisis Management**

- Figure out what is going on
- Remember that speed matters
- Remember that slow counts, too
- Respect the danger of the unfamiliar.
- Value the skeptic
- Be ready to “fight fire with fire.”

## Types of Decision Conditions

**Certain Environment:** Offer complete information about possible action alternatives and their outcomes. This is a situation where factual information is available about the possible alternatives of courses of action and their outcomes.

**Risk Environment:** Lack complete information about action alternatives and their consequences, but offer some estimates of probabilities of outcomes for possible action alternatives. These situations require the use of probabilities to estimate the likelihood that a particular outcome will occur.

**Uncertain Environment:** Information is so poor that probabilities cannot be assigned to likely outcomes of known action alternatives.

## Types of heuristics for simplifying decision making

**Available Heuristics:** People use information “readily available” from memory as a basis for assessing a current event or situation.

**Representativeness heuristics:** People assess the likelihood of something happening based upon its similarity to a stereotyped set of occurrences.

**Anchoring and adjustment heuristics:** People make decisions based on adjustments to a previously existing value or starting point.

**Framing Error:** The tendency to evaluate and resolve a problem in the context in which it is perceived – either positively or negatively.

**Confirmation Error:** Offer complete information about possible action alternatives and their outcomes.

**Escalating Commitment:** The tendency to increase effort and apply more resources to a course of action that is not working. Occurs as a decision to increase effort and perhaps apply more resources to pursue a course of action that is not working.

### **Ways to avoid the escalation trap**

- Set advance limits and stick to them
- Make your own decisions
- Carefully determine why you are continuing a course of action
- Remind yourself of the costs
- Watch for escalation tendencies