

## 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 than 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.

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)

## **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.

**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.

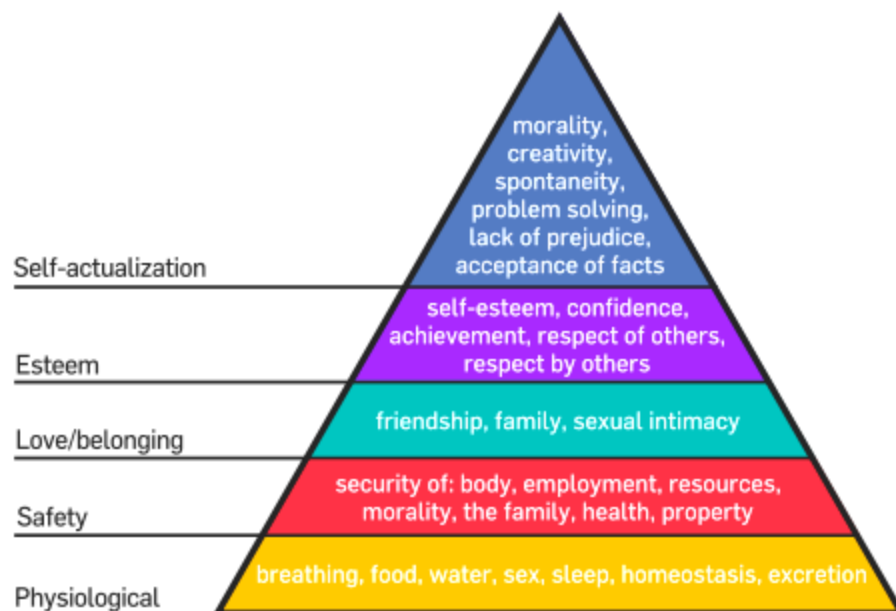
**Hawthorne effect** – the tendency of people singled out for special attention to perform as expected

**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 prefer 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.

**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

## 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

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

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
- have the freedom to set your own priorities and satisfy your creative drive - given the tax deductibility of certain business expenses, you have a definite tax advantage over people who are not self employed - you enjoy job security as long as your business is successful - you have a flexible work schedule that can accommodate your personal needs	- you may earn irregular income depending on the nature of the business and the state of the economy - the business may be time consuming especially during start-up years - you risk losing your capital, and being exposed to bankruptcy costs under circumstances outside your control - business administration may be overwhelming

**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

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

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

**New Entrants** – threat of potential new competitors

**Substitute Products** – threat of substitute products or services

**Industry Competition** – rivalry among competing firms

**Customers** – bargaining power of buyers

**Suppliers** – bargaining power of suppliers

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)

**Diversification** – where expansion takes place in new and different business areas

**Related diversification** – pursues growth by acquiring new businesses or entering business areas that are related to what one already does

**Unrelated diversification** – pursues growth by acquiring businesses or entering business areas that are different from what one already does

**Vertical integration** – growth by acquiring suppliers or distributors

### 3. Restructuring Strategies

**Restructuring** – changes the mix or reduces the scale of operations

**Turnaround** – strategy that tries to fix specific performance problems

**Downsizing** – decreasing the size of operations

**Divestiture** – sells off parts of the organization to refocus attention on core business areas

### 4. Global Strategies

**Globalization strategy** – adopts standardized products and advertising for use worldwide. Firms using this type of strategy often look at the world as one large market, making most decisions from corporate home base

**Multi-domestic strategy** – customized products and advertising to best fit local needs

**Transnational strategy** – seeks efficiencies of global operations with attention to local markets

### 5. Cooperative strategies

**Strategic alliance** – two or more organizations join together in partnership to pursue an area of mutual interest  
(ex. *outsourcing alliances* – contracting to purchase important services from another organization like when cars parts are manufactured in China but assembled in the US)

**Co-opetition** – the strategy of working with rivals on projects of mutual benefit

**E-Business strategies** – strategically using the internet to gain a competitive advantage

**B2B business strategy** – uses IT and web portals to link organizations vertically in supply chains

**B2C business strategy** – uses IT and web portals to link businesses with customers

Strategic Portfolio Planning

**Portfolio planning** – seeks the best mix of investments among alternative business opportunities

**BCG matrix** – analyzes business opportunities according to growth rate and market share

<u>Market Growth Rate for Products/Services</u>	High	<b><u>Question marks</u></b> poor position; growing industry	<b><u>Stars</u></b> dominant position; growing industry
	Low	<b><u>Dogs</u></b> poor position; low growth industry	<b><u>Cash Cows</u></b> dominant position; low growth industry
		Low	High
<u>Market Share of Products/Services</u>			

### **BUSINESS LEVEL STRATEGY FORMULATION**

The following is Porter's competitive strategies framework. He bases business level strategic decisions on two main considerations (1) market scope and (2) source of competitive advantage for the product or service.

<u>Market Scope</u>	Broad	Cost leadership Strategy	Differentiation Strategy
	Narrow	Focused Low cost strategy	Focused Differentiation strategy
		Low Price	Unique Product
<u>Source of competitive advantage</u>			

**Differentiation strategy** - offers products that are different from the competition

**Cost leadership strategy** - seeks to operate with low costs so that products can be sold at lower prices

**Focus strategy** - concentrates on serving a unique market segment better than anyone else

**Focused differentiation** - strategy offers a unique product to a special market segment

**Focused cost leadership** - strategy seeks the lowest costs of operations within a special market segment

**Strategic Incrementalism** - makes modest changes in strategy as experience builds over time

**Emergent strategy** - unfolds over time as managers learn from and respond to experience

**Lack of participation error** - is a failure to include key people in strategic planning

**Corporate governance** - the system of control and performance monitoring of top management

**Strategic control** - makes sure strategies are well implemented and that poor strategies are scrapped or modified

**Strategic leadership** - inspires people to continuously change, refine and improve strategies and their implementation

**Organizing** – the process of arranging people and other resources to work together to accomplish a goal

**Organization structure** – a system of tasks, reporting relationships, and communication linkages

**Organization chart** – describes the arrangement of work positions within an organization

**Formal structure** – the official structure of the organization

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

**Levels of management** – vertical layers of management are shown

**Informal structure** – the set of unofficial relationships among an organization’s members

**Social network analysis** – identifies the informal structures and their embedded social relationships that are active in an organization

### Traditional Organization Structures

**Departmentalization** – the process of grouping people and jobs into work units

**Functional structures** – groups together people with similar skills who perform similar tasks

Advantages of Functional Structures	Disadvantages of Functional Structures
<ul style="list-style-type: none"><li>- economies of scale with efficient use of resources</li><li>- task assignments consistent with expertise and training</li><li>- high quality technical problem solving</li><li>- in depth training and skill development within functions</li><li>- clear career paths within functions</li></ul>	<ul style="list-style-type: none"><li>- difficulties in pinpointing responsibilities for things like cost containment, product or service quality and innovation</li><li>- <b>Functional chimney problems</b> – a lack of communication and coordination across functions</li><li>- sense of common purpose gets lost to self centred and narrow viewpoints</li></ul>

### Divisional Structures

**Divisional structure** – groups together people working on the same product, in the same area, with similar customers, or on the same processes

**Product structure** – groups together people and jobs focused on a single product or service

**Geographical structure** – groups together people and jobs performed in the same location

**Customer structure** – groups together people and jobs that serve the same customers and clients

**Work process** – group of related tasks that collectively creates a valuable work product

**Process structure** - groups jobs and activities that are part of the same processes

Advantages of Divisional Structures	Disadvantages of Divisional Structures
<ul style="list-style-type: none"> <li>- more flexibility in responding to environmental changes</li> <li>- improved coordination across functional departments</li> <li>- clear points of responsibility for product or service delivery</li> <li>- expertise focused on specific customers, products and regions</li> <li>- greater ease in changing size by adding or closing down divisions</li> </ul>	<ul style="list-style-type: none"> <li>- reduce economies of scale</li> <li>- increase costs through the duplication of resources and efforts across divisions</li> <li>- create unhealthy rivalries as divisions compete for resources and top management attention</li> </ul>

Matrix Structures

**Matrix structure** - combines functional and divisional approaches to emphasize project or program teams

Advantages of Matrix Structures	Disadvantages of Matrix Structures
<ul style="list-style-type: none"> <li>- better cooperation across functions</li> <li>- improved decision making</li> <li>- increased flexibility in adding, removing or changing operations to meet changing demands</li> <li>- better customer service</li> <li>- better performance accountability through the program, product or project managers</li> <li>- improved strategic management; top managers are freed from lower-level problem solving</li> </ul>	<ul style="list-style-type: none"> <li>- susceptible to power struggles</li> <li>- can create task confusion and conflicting work priorities</li> <li>- team meetings can take up a lot of time</li> </ul>

Horizontal Organization Structures

**Team structure** - uses permanent and temporary cross-functional teams to improve lateral relations

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

**Project teams** - convened for a particular task or project and disband once it is completed

Advantages of Team Structures	Disadvantages of Team Structures
<ul style="list-style-type: none"> <li>- help eliminate difficulties with communication and decision making that result from the functional chimneys problem</li> <li>- team members get to know one another (which can boost morale)</li> <li>- speed and quality of decisions could be enhanced</li> </ul>	<ul style="list-style-type: none"> <li>- conflicting loyalties for people with both team and functional assignments</li> <li>- a lot of time is spent on team meetings (which may not be the most productive use of time)</li> </ul>

**Network structures** - uses information technologies to link with networks of outside suppliers and service contractors

Advantages of Network Structures	Disadvantages of Network Structures
<ul style="list-style-type: none"> <li>- certain operations may require fewer than normal employees</li> <li>- help organizations stay cost-competitive through reduced overhead and increased operating efficiency</li> <li>- IT makes it easy to manage contracts and business alliances, even across great distances</li> </ul>	<ul style="list-style-type: none"> <li>- the more complex the business or mission of the organization, the more complicated it is to control and coordinate the network of contracts and alliances</li> </ul>

**Boundaryless organizations** - eliminates internal boundaries among subsystems and external boundaries with the external environment

**Virtual organization** - uses IT and the internet to engage a shifting network of strategic alliances

Organizational design

**Organizational design** - the process of creating structures that accomplish mission and objectives

**Bureaucracy** - emphasizes formal authority, order, fairness and efficiency

**Mechanistic design** - is centralized, with many rules and procedures, a clear cut division of labour, narrow spans of control and formal coordination

**Organic design** - decentralized, with fewer rules and procedures, open divisions of labour, wide spans of control and more personal coordination

**Adaptive organization** - operates with a minimum of bureaucratic features and encourages worker empowerment and teamwork

**Subsystem** - a work unit or smaller component within a larger organization

**Differentiation** - the degree of difference between subsystems in an organization

**Integration** - the level of coordination achieved between subsystems in an organization

Trends in organizational design

1. Fewer levels of management

**Chain of command** - links all persons with successively higher levels of authority

**Span of control** - the number of subordinates directly reporting to a manager

2. More delegation and empowerment

**Delegation** - the process of distributing and entrusting work to other people

**Empowerment** - allows others to make decisions and exercise discretion in their work

### 3. Decentralization with Centralization

**Centralization** - the concentration of authority for most decisions at the top level of an organization

**Decentralization** - the dispersion of authority to make decisions throughout all organization levels

### 4. Reduced Use of Staff

**Staff positions** - provide technical expertise for other parts of the organization

## Chapter Eleven: Leading and Leadership Development

### GMS Notes

**Leadership** - the process of inspiring others to work hard to accomplish important tasks

**Power** - the ability to get someone else to do something you want done or to make things happen the way you want

Position Power - based on things managers can offer others

**Reward Power** - the capacity to offer something of value as a means of influencing people (If you do what I ask, I'll give you a reward)

**Coercion** - the capacity to punish or withhold positive outcomes as a means of influencing other people (If you don't do what I ask, I'll punish you)

**Legitimate power** - the capacity to influence other people by virtue of formal authority, or the rights of office (Because I am the boss, you must do as I ask)

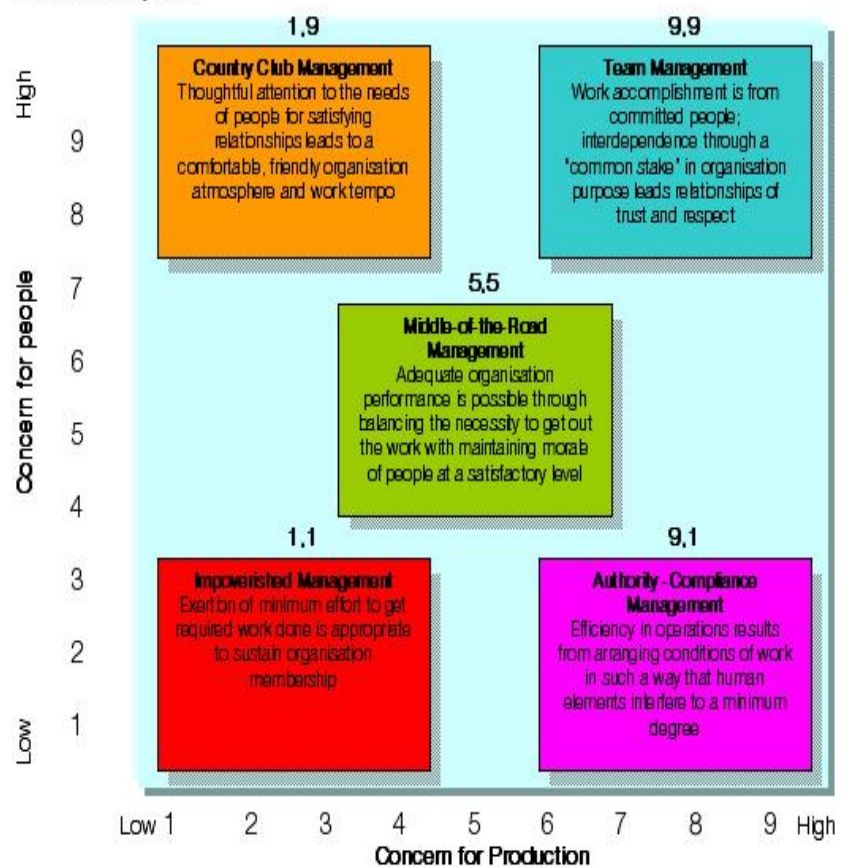
Power of the Person - based on how managers are viewed by others

**Expert Power** - the capacity to influence other people because of specialized knowledge (You should do what I want because of my special expertise or information)

**Referent power** - the capacity to influence other people because of their desire to identify personally with you (You should do what I want in order to maintain a positive, self-defined relationship with me)

### Leadership and Vision

The Leadership Grid



**Vision** – a clear sense of the future

**Visionary leadership** – brings to the situation a clear sense of the future and an understanding of how to get there

**Servant leadership** – leadership based on commitment to helping others in their work

**Empowerment** – enables others to gain and use decision-making power

**Leadership styles** – the recurring pattern of behaviours exhibited by a leader (concern for the task to be accomplished and concern for the people doing the work)

*A leader high in concern for the task* plans and defines the work to be done, assigns task responsibilities, sets clear work standards, urges task completion and monitors performance results.

*A leader high in concern for people* acts warm and supportive toward followers, maintains good social relations with them, respects their feelings, is sensitive to their needs and shows trust in them.

### CLASSIC LEADERSHIP STYLES

**Autocratic** – one who acts in a unilateral command and control fashion

**Human relations** – one who emphasizes people over tasks

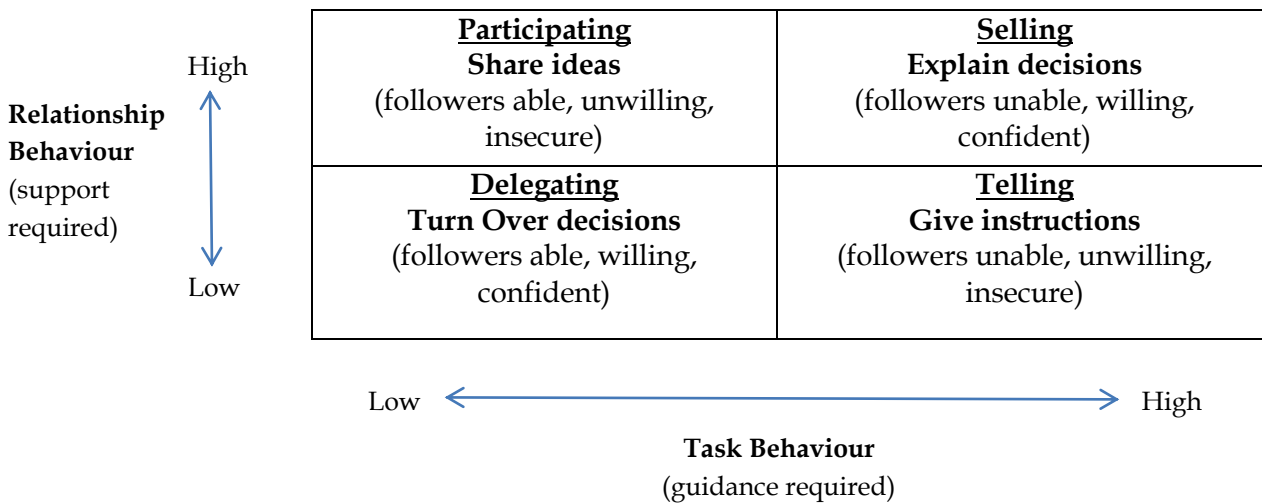
**Laissez faire** – one who displays a “do the best you can and don’t bother me” attitude

**Democratic** – emphasizes both tasks and people

### CONTINGENCY THEORIES

1. Fred Fiedler came up with an early contingency leadership model. He proposed that good leadership depends on a match between leadership styles and situational demands. Leadership style in Fiedler’s model is measured on the least-preferred co-worker scale, known as the LPC scale. It describes tendencies to behave either as a task motivated leader (low LPC score) or as a relationship motivated leader (high LPC score).

2. Hersey-Blanchard situational leadership model suggests that successful leaders do adjust their styles.



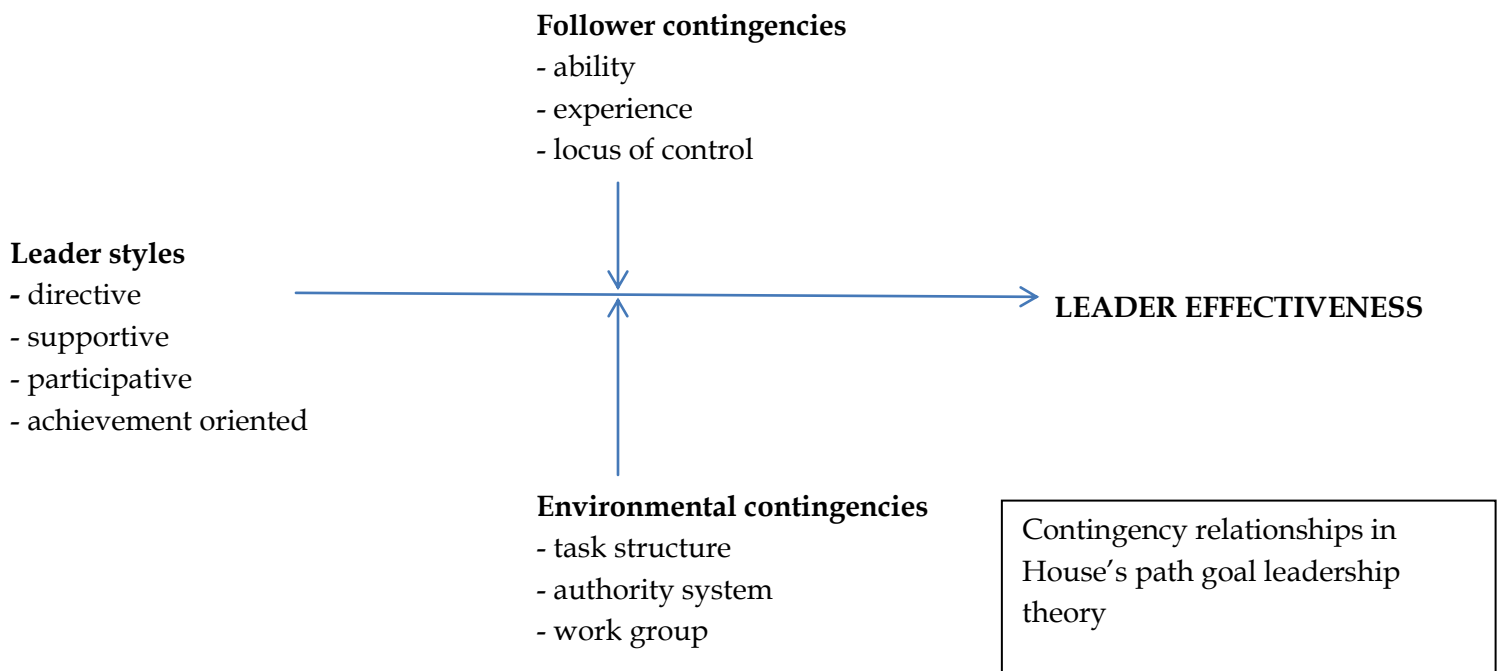
3. Robert House developed the path-goal theory. This theory suggests that an effective leader is one who clarifies paths by which followers can achieve both task related and personal goals. The best leaders help followers move along these paths by clarifying goals, removing barriers, and providing valued rewards for goal accomplishment.

**Directive leadership** - letting subordinates know what is expected; giving directions on what to do and how

**Supportive leadership** - doing things make work more pleasant; treating group members as equals

**Achievement oriented leadership** - setting challenging goals; expecting high levels of performance

**Participative leadership** - involving subordinates in decision making; consulting with subordinates



#### 4. Leader-Participation Model

The Vroom-Jago leader participation model indicates that leadership success results when the decision making method used by a leader best fits the problem being faced. An **authority decision** is made by the leader and then communicated to the group. A **consultative decision** is made by the leader after gathering information and advice from others. A **group decision** is made by the group with the leader's support as a contributing member.

#### Issues in Leadership Development

**Charismatic leader** - develops special leader-follower relationships and inspires followers in extraordinary ways (sometimes called "superleaders")

**Transactional leadership** - uses tasks, rewards, and structures to influence and direct the effort of others

**Transformational leadership** - is inspirational and arouses extraordinary effort and performance

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

**Gender similarities hypothesis** - holds that males and females have similar psychological properties

**Interactive leadership** - leaders are strong communicators and act in a democratic and participative manner with followers

**Moral leadership** - is always "good" and "right" by ethical standards

**Integrity** - in leadership is honesty, credibility and consistency in putting values into action

**Authentic leadership** - activates positive psychological states to achieve self-awareness and positive self-regulation

### The Communication Process

**Communication** - the process of sending and receiving symbols and meanings attached

**Effective communication** - the intended meaning is fully understood by the receiver

**Efficient communication** - occurs at a minimum cost

**Persuasive communication** - presents a message in a manner that causes the other person to support it

**Credible Communication** - earns trust, respect and integrity in the eyes of others

**Communication channel** - the pathway through which a message moves from sender to receiver

**Nonverbal communication** - takes place through gestures and body languages

**Mixed message** - results when words communicate one message while actions, body language or appearance communicate something else

**Filtering** - the intentional distortion of information to make it appear most favourable to the recipient

**Active listening** - helps the source of a message say what he or she really means

**Feedback** - the process of telling someone how you feel about something that person did or said

Chapter Thirteen: Information and Decision Making

GMS 200

### WHAT IS USEFUL INFORMATION?

**Data** - raw facts and observations

**Information** - useful data for decision making

- Information that is useful must be timely, of high quality, complete, relevant and understandable

**Information technology** - helps us acquire, store and process information

**Intelligence information** - gathered from stakeholders and external environment

} Internal and external information flows are essential to problem solving and decision

**Internal information** - flows up, down, around and across organizations

**Public information** - disseminated to stakeholders and external environment

- ranges from image building to product advertising to financial reporting

**Information systems** - use IT to collect, organize, and distribute data for use in decision making

**Management information systems** - meet the information needs of managers in making daily decisions

**Problem solving** - the process of identifying a problem and taking action to resolve it (ex. performance deficiency)

**Decision** - a choice among possible alternative courses of action

**Problem avoiders** - managers who ignore information that would otherwise signal the presence of a performance opportunity or deficiency

**Problem solvers** - managers who are willing to make decisions and try to solve problems, but only when forced into the situation

**Problem seekers** - managers who actively process information and constantly look for problems to solve

**Systematic thinking** - one who approaches problems in a rational and analytical fashion

**Intuitive thinking** - one who approaches problems in a flexible and spontaneous fashion

**Multidimensional thinking** - an ability to address more than one problem at once

**Strategic opportunism** - focuses on long term objectives while being flexible in dealing with short term problems

**Cognitive styles** - the way people deal with information while making decisions

**Sensation thinkers** - those who emphasize the impersonal rather than the personal and take a realistic approach to problem solving. They like hard facts, certainty, etc.

**Sensation feelers** - those who emphasize both analysis and human relations. They tend to be realistic and prefer facts

**Intuitive thinkers** - comfortable with abstract and unstructured situations. Tend to avoid details.

**Intuitive feelers** - those who prefer broad and global issues. They are insightful and tend to avoid details.

**Structured problems** - ones that are familiar, straightforward, and clear with respect to information needs

**Programmed decision** - applies a solution from past experience to a routine problem

**Unstructured problem** - have ambiguities and information deficiencies

**Nonprogrammed decision** - applies a specific solution crafted for a unique problem

**Crisis** - an unexpected problem that can lead to disaster if not resolved quickly and appropriately

**Crisis management** - preparation for the management of crises that threaten an organization's health and well-being

## 6 rules for crisis management

1. Figure what is going on – take time to understand what’s happening
2. Remember that speed matters – attack the crisis as quickly as possible
3. Remember that slow counts, too – know when to back off and wait for a better opportunity
4. Respect the danger of the unfamiliar – understand the danger of your surroundings
5. Value the skeptic – don’t look for and get too comfortable with agreement
6. Be ready to “fight fire with fire” – when things are going wrong and no one is paying attention, start a crisis

**Certain environment** – offers complete information on possible action alternatives and their consequences

**Risk environment** – lacks complete information but offers “probabilities” of the likely outcomes for possible action alternatives

**Uncertain environment** – lacks so much information that it is difficult to assign probabilities to the likely outcomes of alternatives

**Decision Making Process** – begins with identification of a problem and ends with evaluation of solutions

### Steps in the Decision Making Process

1. Find and define the problem
2. Generate and evaluate alternative solutions
3. Make decision and conduct ethics double check
4. Implement the decision
5. Evaluate results

**Cost-benefit analysis** – involves comparing the costs and benefits of each potential course of action

**Classical Decision model** – describes decision making with complete information  
- views the manager as acting rationally in a certain world

**Optimizing Decision** – chooses the alternative giving the absolute best solution to a problem

**Bounded rationality** – describes making decisions within the constraints of limited information and alternatives

**Behavioural decision model** – described decision making with limited information and bounded rationality

**Satisficing decision** – chooses the first satisfactory alternative that comes to one’s attention

**Lack of participation error** – failure to involve in a decision the persons whose support is needed to implement it

**Heuristics** – strategies for simplifying decision making

**Availability heuristic** – bases a decision on recent information or events

**Representativeness heuristic** – bases a decision on similarity to other situations

**Anchoring and adjustment heuristic** – bases a decision on incremental adjustments from a prior decision point

**Framing error** – trying to solve a problem in the context in which it is perceived (for example, if a company has 40 percent of the market share, a negative frame would suggest that the manager would ask a question like “why are we doing wrong?” because we are missing 60%)

**Confirmation error** – occurs when focusing only on information that confirms a decision already made

**Escalating commitment** – the continuation of a course of action even though it is not working

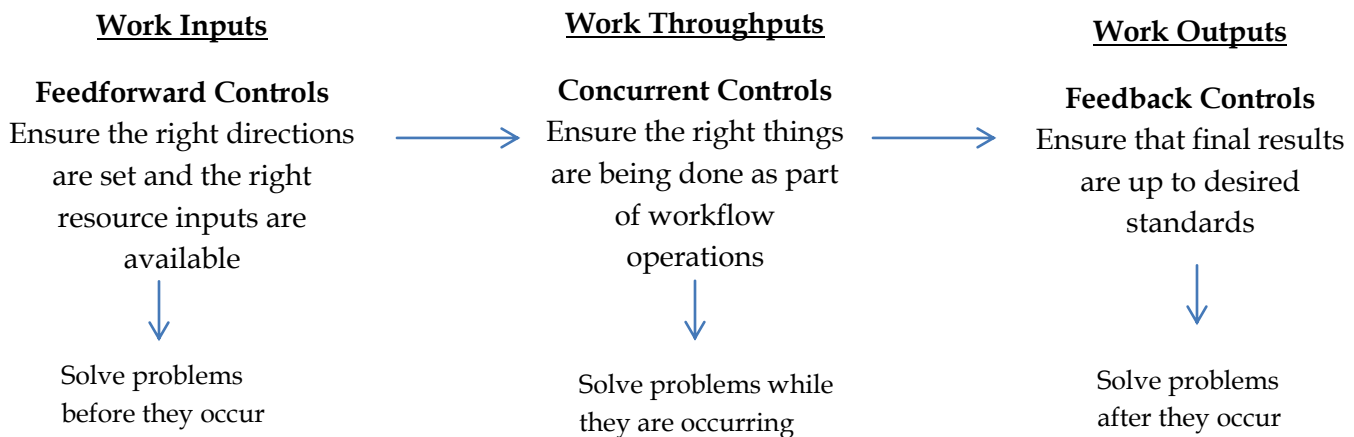
Chapter Sixteen: Control Processes and Systems

GMS Notes

**Controlling** - the process of measuring performance and taking action to ensure desired results

**After action interview** – identifies lessons learned through a completed project, task force assignment or special operation

**The following are types of Controls:**



**Feedforward Controls** – ensures that directions and resources are right before the work begins  
- also called preliminary controls

**Concurrent control** – focuses on what happens during the work progress  
- sometimes called steering controls, they make sure things are going according to plan

**Feedback control** – takes place after an action is completed

Internal and External Controls

**Self-Control** – an internal control, occurs through self-discipline in fulfilling many responsibilities

**Bureaucratic control** – influences behaviour through authority, policies, procedures, job descriptions, budgets and day to day supervision  
- another level of bureaucratic control comes from laws and regulations, which may govern behaviour of top executives

**Clan Control** – influences behaviour through norms and expectations set by the organizational culture  
- this is the power of collective identity, where people who share values and identify strongly with one another tend to behave in ways that are consistent with one another's expectations

**Market control** – essentially the influence of market competition on the behaviour of organizations and their members  
- business firms show the influence of market control in the way that they adjust projects, pricing and promotions

### Steps in the Control Process

#### **Step One: Establish Objectives and Standards**

The control process begins with planning, when performance objectives and standards for measuring them are set. Performance objectives identify key results that one wants to accomplish.

**Output standard** – measures performance results in terms of quantity, quality, cost or time  
- output standards include earnings per share, sales growth and market share

**Input standard** – measures work efforts that go into a performance task  
- common in situations where outputs are difficult or expensive to measure

#### **Step Two: Measure Performance Results**

The second step in the control performance is to measure actual performance. It is the point where output standards and input standards are used to carefully document results. Measurements must be accurate enough to spot significant difference between what is really taking place and what was originally planned.

#### **Step Three: Compare Results with Objectives and Standards**

Step 3 in the control process is to compare objectives with results.

Need for action = desired performance minus actual performance

Need for action = desired performance – actual performance

#### **Step Four: Take Corrective Action**

The final step in the control process is to take action needed to correct problems or make improvements.

**Management by exception** is the practice of giving attention to situations that show the greatest need for action. It focuses attention on substantial differences between actual and desired performance.

### Employee Discipline Systems

**Discipline** – the act of influencing behaviour through reprimand

**Progressive Discipline** – ties reprimands to the severity and frequency of misbehaviour  
- this type of discipline system takes the following into consideration: the seriousness of the problem, how frequently it has occurred, how long it lasts, etc.

### Project Management and control

**Projects** – one-time activities with many component tasks that must be completed in proper order, and according to a budget

**Project management** – makes sure that activities required to complete a project are planned well and accomplished on time

**Gantt chart** - graphically displays the scheduling of tasks required to complete a project

### Financial Controls

**Economic value added** - a measure of economic value created by profits being higher than the cost of capital

**Market value added** - a performance measure of stock market value relative to the cost of capital

### Basic Financial Ratios

**Liquidity** - measures ability to meet short term obligations

Current Ratio = Current Assets / Current Liabilities

Quick Ratio = Current Assets - Inventory / Current Liabilities

Higher is better: you want more assets and fewer liabilities

**Leverage** - measures use of debt

Debt Ratio = Total Debts / Total Assets

Lower is better: You want fewer debts and more assets

**Asset Management** - measures asset and inventory efficiency

Asset Turnover = Sales / Total Assets

Inventory turnover = sales / average inventory

Higher is better: you want more sales and fewer assets or lower inventory

**Profitability** - measures ability to earn revenues greater than costs

Net margin = Net Profit Taxes / Sales

Return on Assets (ROA) = Net profit after Taxes / Total Assets

Return on Equity (ROE) = Net Income / Owner's Equity

Higher is better: You want more profit for sales, assets, and equity.