

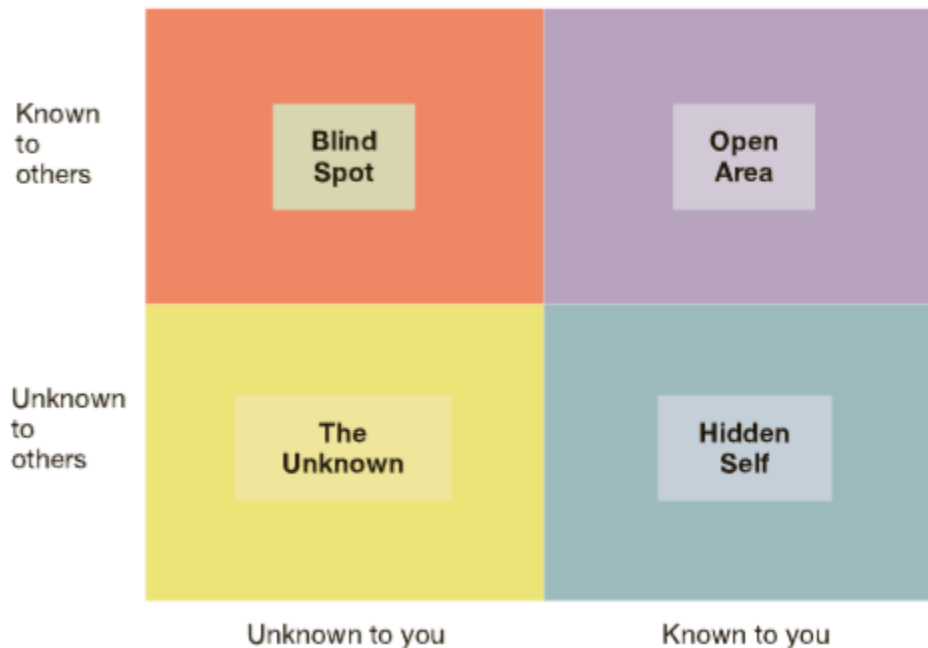
GMS200 – Midterm Notes

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Chapter 1 – Introducing Management

Self-Awareness

- What do you really know about yourself? How often do you take a critical look at your attitude, behaviour, skills, personal characteristics, and accomplishments?
- Do you ever realistically assess your strengths and weakness from a career perspective – both as you see them and as others do?
- The **Johari Window** offers a way of comparing what we know about ourselves with what others know about us



Welcome to Management 3e

- We are dealing with a new workplace, one in which everyone must adapt to a rapidly changing society with constantly shifting **demands** and **opportunities**
- Learning and speed are **in**; habit and complacency are **out**
- Organizations are fast changing
- The economy is **global**, driven by **innovation** and **technology**
- Even the concept of success, personal and organizational, is evolving as careers are transformed
- **This is a time when smart people and smart organizations create their own futures**
- The best employers share an important commitment → **they value people**
- What often sets **great organizations** apart today is that they offer creative and inspiring leadership and supportive work environments that reward and respect people, allowing their talents to be fully utilized

Working Today

- “Technology shrinks the world but consumes all of our time... globalization means we can work anywhere, but must compete with people from everywhere” – Lynda Gratton, *The Shift: The Future of Work is Already Here*
- What does this mean when planning for a career entry and advancement?
- At minimum there are few guarantees of long-term employment
- Jobs are increasingly earned and re-earned everyday through one’s performance and accomplishments

- Careers are being redefined along the lines of “flexibility,” “free agency,” “skill portfolio,” and “entrepreneurship”
- Career success requires lots of initiative and self-awareness, as well as continuous learning
- The question is: Are you ready?

Talent

- High performers achieve success because they are better than their competitor at getting extraordinary results from the people working for them
 - o “These companies have won the war for talent, not just by being a great place to work – although they are that – but by figuring out how to get the best out of all of their people, every day” – Charles O’Reilly and Jeffrey Pfeffer, from study of high-performing companies
- 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:** the collective brainpower or shared knowledge of a workplace
- The **ultimate challenge** in any organization is to **combine** the **talents** of many people to **achieve** unique and significant results
- **Knowledge Workers:** someone whose mind is a critical asset to the employer
 - o Daniel Pink (Futurist) → entering the **conceptual age**, which belongs to people with “whole mind” competencies that are both “high concept” (creative and good with ideas) and “high touch” (joyful and good with relationships)
- **We are entering an era where knowledge is a commodity and the differentiating factor will be how fast each individual is able to create something → creative economy (Gary Hamel)**

Diversity

- **Workforce Diversity:** describes the differences among workers in gender, race, age, ethnicity, religion, sexual orientation, and able-bodiedness
- Diversity trends of changing demographics are well recognized → more seniors, women, members of visible minorities, and immigrants are in the workforce
 - o Statistics Canada predicts that by 2031, 3 in 10 Canadians (29% - 32%) will be members of visible minority groups
 - o South Asians and Chinese compose the largest portion of the visible minority groups
 - o Arabs and West Asians are predicted to be the fastest-growing minority groups in Canada between 2006 and 2031
 - o Aging baby boomers are a growing proportion of the population, more are postponing retirement
- Even though our society is diverse, **diversity issues** in employment are not always handled very well
 - o **Example:** resumés with white-sounding first names (i.e., Brett, Kevin) received 50% more responses from potential employers than those with black-sounding first name (i.e., Kareem)?
- **Prejudice:** the display of negative, irrational attitudes toward members of diverse populations
 - o **Example:** lingering prejudice against working mothers → 1977 with 49% of men and 71% of women who believed that mothers can be good employees → 2008 with 67% men and 80% women → **why is it not 100% in support of working mothers?**
- Prejudice can become active **discrimination**
 - o **Discrimination:** actively denies minority members the full benefits of organizational membership
 - o **Example:** a manager fabricates reasons to not interview a minority job candidate, or refuses to promote a working mother for fear that parenting responsibilities will make it hard for her to do a good job
- **Glass Ceiling Effect:** an invisible barrier limiting career advancement of women and minorities
 - o The loss caused by any form of discriminatory practice is “undervalued and underutilized human capital” – Judith Rosener
- Diversity is a **“business imperative”** → today’s increasingly diverse and multicultural workforce should be an asset that, if tapped, creates opportunities for performance gains

- “Consciously creating an environment where everyone has an equal shot at contributing, participating, and most of all advancing” – A female vice-president at Avon

Globalization

- **Globalization:** the worldwide interdependence of resource flows, product markets, and business competition
- It is described a process in which **“improvements in technology (especially communications and transportation) combine with the deregulation of markets and open borders to bring about vastly expanded flows of people, money, goods, services, and information”**
- Globalization isn’t an abstract concept
- It is increasingly a part of the fabric of our everyday lives, and with **particular consequences** for work and careers
- In our global world, countries and people are increasingly **interconnected** through the news, in travel and lifestyles, in labour markets and employment patterns, and in financial and business dealings
- Government leaders now worry about the **competitiveness of nations**, just as corporate leaders worry about business competitiveness
- Employees in a growing number of occupations must worry about being **replaced** by workers in other countries who are willing and able to perform their jobs through **outsourcing** at **lower cost to employers**
 - Every new graduate must worry about **lower-price competition** for the same jobs from graduates in **other parts of the world**
- “Any activity where we can digitalize and decompose the value chain, and move work around, will get moved around” – Thomas Friedman, *The World is Flat* → challenges of globalization
 - **Example:** Canadians find that their customer service call is answered in India, their company’s website designed in Malaysia, and their tax return is prepared by an accountant in the Philippines
- **Globalization offers both opportunities and challenges**

Technology

- Technology continually tests our talents
- We live and work in a **technology-driven world** increasingly dominated by instant messaging, text messaging, blogs, on-line media, electronic commerce, social networks, and more
- Technology is an indispensable part of everyday business – whether one is checking inventory, making a sales transaction, ordering supplies, or analyzing customer preferences
- Big data is big business news
- Physical distance hardly matters anymore; in **“virtual space,”** people hold meetings, access common databases, share information and files, make plans, and solve problems together – all without ever meeting face to face
- Technology has also added great **flexibility** to work arrangements, allowing people to **telecommute**, work from home, and maintain mobile offices while working in non-traditional ways
- **Everyone has to rush to stay informed and build their “Tech IQ”**
 - **Example:** job applications now increasingly involve multimedia resumés and electronic portfolios that display skills and job qualifications

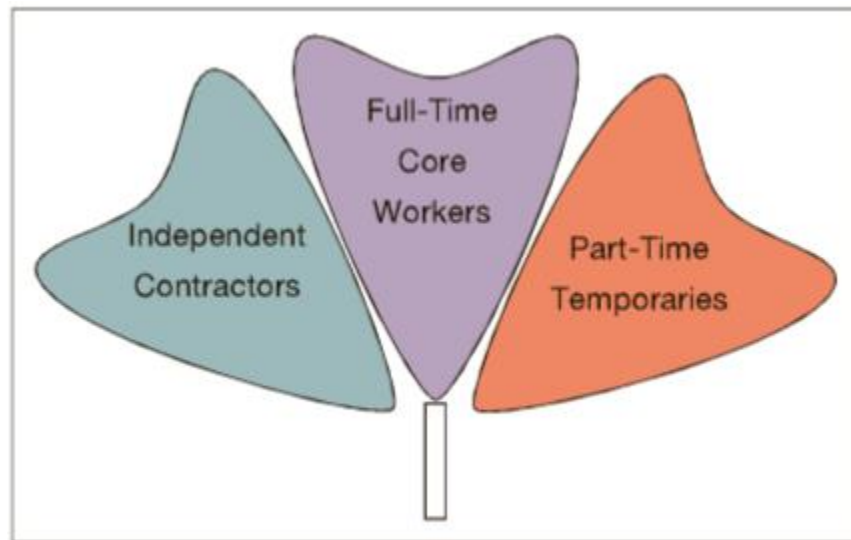
Ethics

- When American investment advisor Bernard Madoff was sentenced to 150 years in jail for a fraudulent Ponzi scheme that cost investors billions in dollars, the message was crystal clear → **commit a white-collar crime and you will be punished**
 - Madoff’s crime did terrible harm to individuals who lost lifelong and retirement savings, foundations that lost millions in charitable gifts, and employees who lost jobs → **society at large paid a price as well** → the **faith** in the business system was damaged greatly
- Another example is **Enron** → decision to purposely shut down power – ignoring its responsibilities as an organization – basic human citizens

- **Ethics:** a code of moral principles that sets standard of what is “good” and “right” in one’s behaviour
- There are ethical failures like Enron, but there are also a plethora of positive cases and ethical role models to be studied as well
 - o **Example:** CEO of Dial Corporations, Herb Baum → gave his annual bonus to the firm’s lowest-paid workers | CEO of Colgate Palmolive, Reuben Mark → returned a disk containing Dial’s new marketing campaign to Baum without looking at it

Careers

- Globalization, emerging technologies, and the demand for talent makes very personal the importance of initiative and self-renewal when it comes to careers



- **Core Workers (Full-Time Employees)** → pursue traditional career paths; with success and the maintenance of critical skills, they can advance within the organization and may remain employed for a long time
- **Independent Contractors** → perform specific tasks as needed by the organization and are compensated on a fee-for-service basis rather than by a continuing wage or salary; they sell a skill or service and contract with many different employers over time
- **Part-Time Employees** → employers expand and reduce their part-time staffs as business needs rise and fall
- New graduates should be prepared to **prosper** in any of the three shamrock’s three leaves
- It is likely that you will be changing jobs and employers overtime → skills **must be portable and always of value**
 - o These skills aren’t gained once and the forgotten; they must be carefully **maintained** and **upgraded** all the time
- **Portfolio Worker:** someone who always has up-to-date skills that allow for job and career mobility
- **“You’re always moving. You can expect to fall into the water any number of times, and you have to get up to catch the next wave”** – some career consultant

Organizations

- “Everybody works for somebody or something – be it a board of directors, a pension fund, a venture capitalists, or a traditional boss. Sooner or later you’re going to have to decided who you want to work for” – Robert Reich
- In order to make **good employment choices** and **perform well** in a career, you need a fundamental understanding of the nature of organizations

Management Smarts – Early Career Survival Skills

Mastery: You need to be good at something; you need to be able to contribute something of value to your employer

Networking: You need to know people; links with peers and others within and outside the organization are essential to get things done

Entrepreneurship: You must act as if you are running your own business, spotting ideas and opportunities and stepping out to embrace them

Love of Technology: You have to embrace technology; you don't have to be a technician, but you must be willing and able to fully utilize information technology

Marketing: You need to be able to communicate your successes and progress, both yours personally and those of your work group

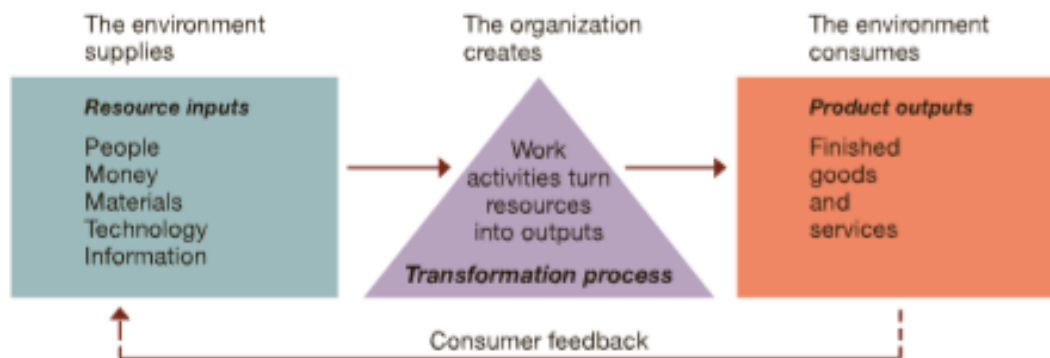
Passion for Renewal: You need to be continuously learning and changing, always updating yourself to best meet future demands

What is an Organization?

- **Organization:** a collection of people working together to achieve a common purpose
- It is a unique social phenomenon that enables its members to perform tasks far beyond the reach of individual accomplishments
- This description applies to organizations of all sizes and types, from large corporations to small businesses that make up the life of any community and to non-profit organizations (i.e., school, government agencies)
- All organizations share a **broad purpose** – providing goods or services of value to customers and clients
- A clear sense of purpose tied to **“quality products and services”** and **“customer satisfaction”** is an important source of organizational strength and performance advantage

Organizations as Systems

- Organizations are **open systems**
 - o **Open System:** transforms resource inputs from the environment into product outputs



- The **external environment** is both the **supplier of resources** and the **source of customers**
- **Feedback** from the environment indicates how well an organization is doing
- When customers stop buying a firm's products, it will be hard to stay in business for long unless something soon changes for the better
 - o **Example:** when you hear or read about bankruptcies remember that they are stark testimonies to this fact of the marketplace → **without loyal customers, a business can't survive**

Organizational Performance

- If an organization is to perform well, its resources must be well utilized and its customers must be well served

- This is a process of **value creation** through organization performance
- If operations **add value** to the **original cost of resources input**, then:
 - o (1) a business organization can earn a profit – sell a product **more** than the cost of making it
 - o (2) a non-profit organization can add wealth to society – provide a public service that is worth **more** than its cost (e.g., fire protection in a community)
- A common way to describe how well an organization is performing overall is **productivity**
 - o **Productivity**: the quantity and quality of work performance, with resource utilization considered
- Productivity can be measured at the individual and group as well as organization levels
 - o **Productivity involves two common performance measures: effectiveness and efficiency**



- **Performance Effectiveness**: an output measure of task or goal accomplishment
 - o **Example**: if you are working as a software engineer for a computer game developer, performance **effectiveness** may mean that you meet daily production target in terms of the **quantity** and **quality** of lines and code written → adds **productivity**, helping the company as a whole maintain its production schedule and meet customer demands for timely deliverance and high-quality gaming products
- **Performance Efficiency**: an input measure of resource cost associated with goal accomplishment
 - o **Example**: gaming example – the most **efficient** software production is accomplished at a **minimum cost** in materials and labour → produce **fewer** lines or code in a day than you are capable of is **inefficient** work → such **inefficiencies** **reduce productivity**

Changing Nature of the Organizations

- Change is a continuing theme in society, and organizations are certainly undergoing **dramatic changes today**

Organizational Trends and Transitions

Priorities on Sustainability: social values show more attention to preservation of natural resources for future generations and understanding how work affects human well-being

Valuing Human Capital: demands of the new economy place premiums on high-involvement and participatory work settings that rally the knowledge, experience, and commitment of all members

Demise of “Command-and-Control”: traditional hierarchical structures with “do as I say” bosses are proving too slow, conservative, and costly to do well in today’s competitive environments

Emphasis on Teamwork: today’s organizations are less vertical and more horizontal in focus; they are increasingly driven by teamwork that pools talents for creative problem solving

Pre-Eminence of Technology: new opportunities appear with each development in computer and information technology; they continually change the way organizations operate and how people work

Importance of Networking: organizations are networked for intense, real-time communication and coordination, internally among parts and externally with partners, contractors, suppliers, and customers

New Workforce Expectations: a new generation of workers brings to the workplace less tolerance for hierarchy, more informality, and more attention to performance merit than the status and seniority and for work-life balance

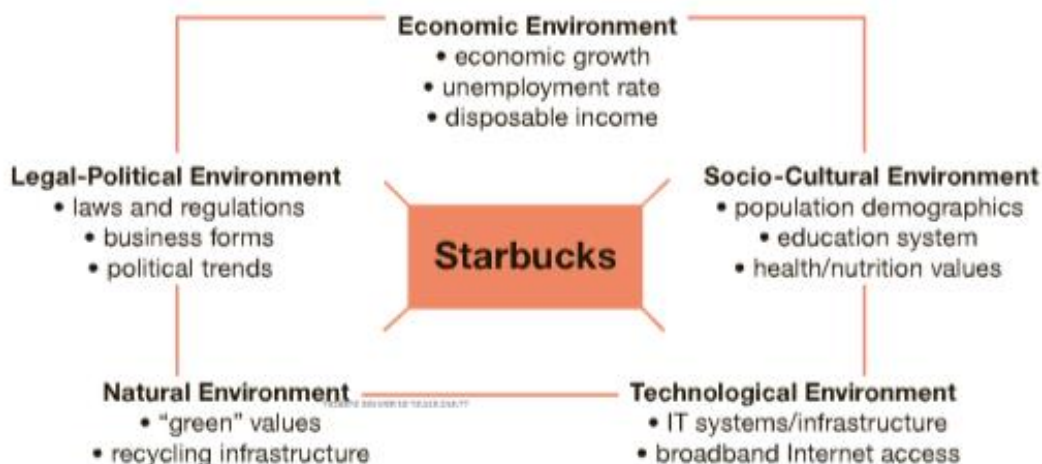
Focus on Speed: everything moves fast today; in business, those who get products to market first have an advantage, and in any organization, work is expected to be done both well and in a timely manner

Organizational Environment

- It wasn’t that long ago that former U.S. Secretary of Labor Robert Reich said: “The emerging economy is offering unprecedented opportunities, an ever-expanding choice of terrific deals, fabulous products, good investments, and great jobs for people with the right talents and skills. Never before in human history have so many had access to so much so easily.”
- But times have changed quite dramatically
 - o **Example:** we’ve been dealing with a severe financial crisis, mortgage foreclosures, and property value meltdowns in the US, global monetary challenges, major energy woes etc.
- The environment which we live and work includes substantial threats as well as great opportunities → **what will the future bring?**

Dynamic Forces and the General Environment

- **General Environment:** composed of economic, legal-political, technological, socio-cultural, and natural environment conditions



(I) Economic Conditions

- Managers must be concerned about the *economic conditions* in the general environment, particularly those that influence customer spending, resource supplies, and investment capital
 - o **Example:** overall health of the economy is terms of financial markets, inflation, income levels, gross domestic product, unemployment etc.
- They affect the amount of wealth available to consumers, and that affects product markets and spending patterns
- **Changing** economic conditions were major concerns for retail executive of major companies (e.g., The Bay, Walmart)
- When Canadians were hit with losses in investment and retirement accounts and negative economic forecasts, they cut back on consumer spending
- Among retailers, discounters benefited or at least held their own → premium sellers suffered

(II) Legal-Political Conditions

- Represented by existing and proposed law and regulations, government policies, and the philosophy and objectives of political parties
- The global business environment presents many challenges in respect to legal-political conditions
 - o **Example:** in 2008, the EU fined Microsoft \$1.35 billion (U.S.) for antitrust violation → ruling targeted Microsoft's practice of bundling media and Windows software, and making the source code for compatibility with other systems unavailable to competitors
- **Internet Censorship:** the deliberate blockage and denial of public access to information posted on the Internet
 - o **Example:** Chinese government cut off access to information searched on Google and Google allowed it
- With encouragement from the Canadian government and the U.S. Senate, large media icons (e.g., Yahoo, Google, Microsoft etc.) have reached an agreement on an Internet Freedom Code of Conduct
 - o This code would voluntarily govern firms' behaviour in environments like China where Internet access is restricted by the government

(III) Technological Conditions

- Steve Ballmer, CEO of Microsoft, believes that we are on the edge of another technological revolution → involving **personal empowerment** and **social interaction**
- Manager must stay abreast of the latest technologies for their work applications and must be aware of their work implications
- **Employer Side** → more than 70% of employees spend over an hour a day watching web-based videos
- **Employee Side** → “never free from the job” because it follows them home, on vacation and everywhere else in the form of notebook computers and smartphones

(IV) Socio-Cultural

- Takes meaning as norms, customs, and social values on such matters as ethics, human rights, gender roles, and lifestyle
- Also include environmental trends in education and related social institutions, as well as demographic patterns
- All changes have consequences for how organizations are managed
 - o **Example:** in the current depressed economy with wide gaps between the average worker's pay (\$42,305) and the average CEO's (\$7.3 billion) → complaints are flying → the public values are shifting towards intolerance of perceived pay inequities
- Business executives go to great lengths to tract demographic and social trends to anticipate shifting values that will affect customer tastes and preferences
 - o **Example:** not long ago less than 10% of consumers would go out of their way to buy something but due to dramatic shifts in energy prices and increased attention on global warming → consumer preferences for “green” products have skyrocketed

(V) Natural Environment Conditions

- There are a variety of initiatives in place everywhere in our community to reduce paper usage, buy local produce, and adopt energy-saving products
- In job markets, where growth in industries like renewable power is creating new opportunities for “green-collar” employment
- As the public concerns for global warming, carbon emissions, and protection of natural environment grow in strength, their impact on government and business grow as well
- Consumers increasingly expect business to supply them with environmentally friendly products and to operate in ways that preserve and respect the environment
 - o **Example:** Timberland shoes are labelled with a carbon rating to show how much greenhouse gas was released during the production
- **Sustainable Business:** firms operate in ways that both meets the need of customers and protects the well-being of our natural environment
- Hallmarks of **sustainable business practices** include less waste, less toxic materials, resource efficiency, energy efficiency, and renewable energy
- They represent a transition away from traditional practices that took an exploitative approach to nature and toward ones that demonstrate a desire to live in harmony with nature
- **Sustainable Innovation:** creates new products and product methods that have reduced environmental impact
 - o **Example:** energy use, water use, packaging, waste management, and transport practices
 - o **Example:** Tide Cold Water laundry detergents was created by Procter & Gamble after they discovered that the major energy consumptions by consumers was using hot water to wash

Stakeholders and the Specific Environment

- **Specific Environment (Task Environment):** includes the people and groups whom an organization interacts and conducts business with
- **Stakeholders:** persons, groups, and institutions directly affected by an organization
 - o Key constituencies that have a stake in the organization’s performance → influenced by how it operates and can influence it in return



- **Value Creation:** the creation of value for and satisfying needs of stakeholders
 - o **Example:** businesses create value for customers through product pricing and quality; for owners, the value is represented in realized profits and losses; for suppliers, through the benefits of long-term business relationships; for local communities, this value can be found in areas such as the citizenship business display in using and contributing to public services; for employees, through wages earned and job satisfaction
- Sometimes the interests of multiple stakeholders sometimes conflict, and management decisions have to address different priorities and trade-offs among them

Competitive Advantage

- **Competitive Advantage:** allows an organization to deal with market and environmental forces better than its competitor
 - o Do things **better** than one's competitors
 - o When these are things which others cannot quickly copy or easily learn, the competitive advantage becomes more **sustainable**
- **“What does my organization do best?”**
 - o **Example:** Walmart's inventory management technology enables a low cost structure; Coca-Cola's brand management helps maintain a loyal customer base
- **Strategic Positioning:** occurs when an organization does different things or the same things in different ways from its major competitors

Pursuing Competitive Advantage

Competitive Advantage can be Achieved through Costs: finding ways to operate with lower costs than one's competitors and thus earn profits with prices that competitors have difficulty matching

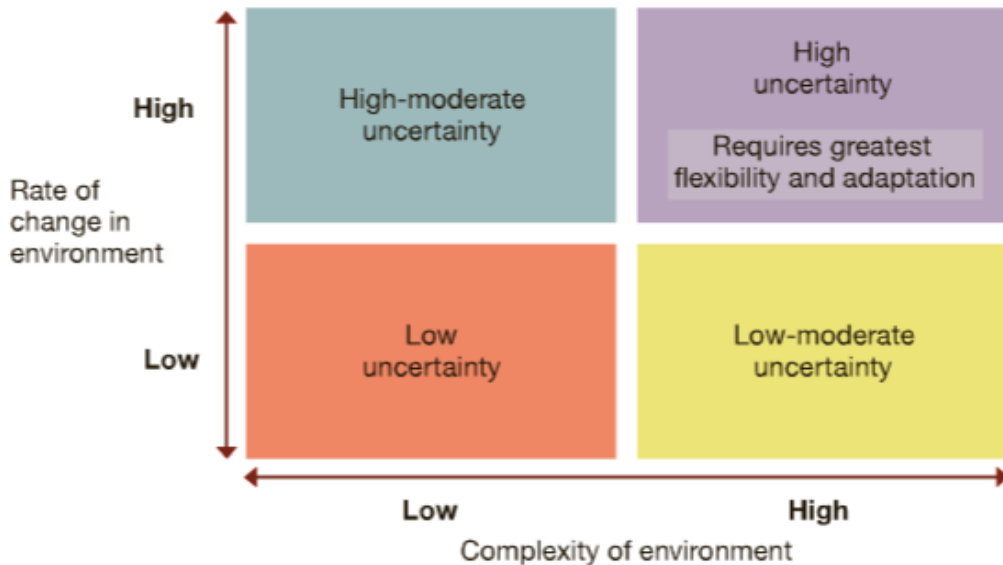
Competitive Advantage can be Achieved through Quality: finding ways to create products and services that are demonstrably and consistently higher quality for customers than what is offered by one's competitors

Competitive Advantage can be Achieve through Delivery: finding ways to outperform competitors by delivering products and services to customers faster and consistently on time, and to continue to develop timely new products

Competitive Advantage can be Achieved through Flexibility: finding ways to adjust and tailor products and services to fit customer needs in ways that are difficult for one's competitors to match

Environmental Uncertainty

- **Environmental Uncertainty:** a lack of complete information about the environment
- This makes it difficult to analyze general environment conditions and deal more specifically with stakeholders' needs
- With **great uncertainty** it becomes harder to predict future state of affairs and understand their potential implications for the organization



- The first is the *degree of complexity*, or number of different factors in the environment → simple or complex
- The second is the *rate of change* in and among these factors → stable or dynamic

Organizational Effectiveness

- **Organizational Effectiveness:** sustainable high performance in using resources to accomplish a mission



- The *systems resource approach* looks at the input side and defines organizational effectiveness in terms of success in acquiring needed resources from the organization's environment
- The *internal process approach* looks at the transformation process and defines organizational effectiveness in terms of how efficiently resources are utilized to produce goods and services
- The *goal approach* looks at the output side and defines organization effectiveness in terms of how to measure the 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 key stakeholders and their interests

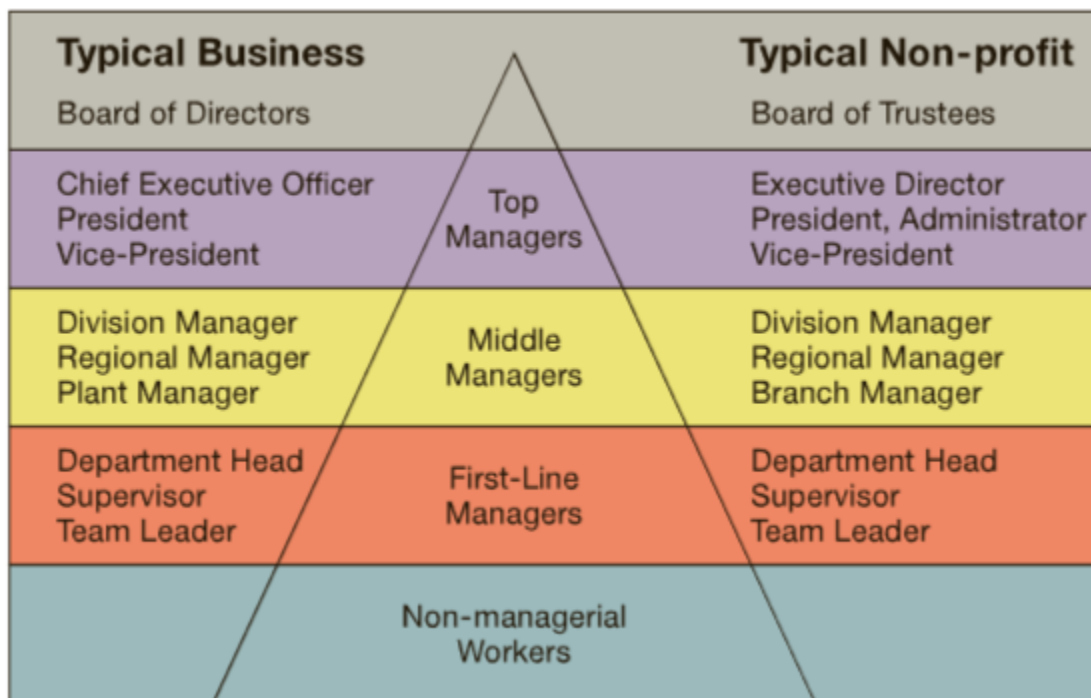
Managers in the New Workplace

- Managers in high-performing organizations act in ways that truly value people → they don't treat people as costs to be controlled; they treat them as valuable strategic assets to be carefully nurtured and developed

What is a Manager?

- They can be found in all organizations and work with a wide variety of job titles (i.e., team leader, department head, project manager etc.)
- Always work directly with other persons who rely on them for critical support and assistance in their own jobs
- “Make work productive and workers effective” – Peter Drucker
- **Managers:** a person who supports, activates, and is responsible for the work of others
- For those serving as managers, their job is challenging and substantial
- Any manager is responsible not just for her or his own work but for the overall performance accomplishments of a team, work group, department, or even organization as a whole

Levels of Managers



- **Top Managers:** guide the performance of the organization as a whole or of one of its major parts
 - o Supposed to pay special attention to the external environment, be alert for potential long-run problems and opportunities, and develop appropriate ways of dealing with them
 - o Also create and communicate **long-term vision**, and ensures that **strategies** and **objectives** are consistent with the organization's purpose and mission
 - o **Should be** future-oriented, strategic thinkers capable of making decisions under competitive and uncertain conditions
- **Middle Managers:** oversee the work of large departments or divisions → reports top managers
 - o **Example:** clinic directors in hospitals, deans in universities, plant managers, regional sales managers in business
 - o Works with top managers and coordinates with peers to develop and implement action plans to accomplish organizational objectives

- **First-Line Managers:** some in charge of a small group composed of non-managerial workers → reports to middle managers
 - o **Example:** the leader of an auditing team is considered a first-line manager

Management Smarts – Advance for Front-Line Managers

1. Plan meetings and work schedules
 2. Clarify goals and tasks, and gather ideas for improvement
 3. Appraise performance and counsel team members
 4. Recommend pay increases and new assignments
 5. Recruit, train, and develop team members
 6. Encourage high performance and teamwork
 7. Inform team members about organizational goals
 8. Inform higher levels of team needs and accomplishments
 9. Coordinate activities with other teams
-

Types of Managers

- **Line Managers:** directly contribute to the producing of goods or services
 - o **Example:** the president, retail manager, and department supervisors of a local department store all have line responsibilities → jobs are directly related to the **sales operation** of the store
- **Staff Managers:** use special technical expertise to advise and support line workers
 - o **Example:** director of human resources, chief financial officer
- **Functional Managers:** responsible for one area (i.e., finance, marketing, production, personnel, accounting, or sales)
 - o **Example:** plant manager who oversees purchasing, manufacturing, warehousing, sales, personnel and accounting functions
- **Administrator:** a manager of a public or non-profit organization
 - o **Example:** hospital administrator, public administrator

Managerial Performance

- All managers help people, working individually and in groups, to perform
- They do this while being held personally “accountable” for results achieved
- **Accountability:** the requirement to show performance results to a supervisor
 - o Team leader is accountable to a middle manager who is accountable to a top manager who is accountable to a board of directors or trustees
- **What actually constitutes managerial performance? When is a manager “effective?”**
- **Effective Manager:** helps others achieve high performance and satisfaction at work
- **Quality of Work Life:** the overall quality of human experiences in the workplace
 - o **High-QWL** workplace offers things like fair pay, safe working conditions, opportunities to learn and use new skills, room to grow and progress in a career, protection of individual rights

Changing Nature of Managerial Work

- **Upside-Down Pyramid:** operating workers are at the top, serving customers, while managers are at the bottom supporting them
 - o Managers aren’t just giving orders, they are there to mobilize and deliver the support others need to do their jobs best and serve customer needs
 - o This whole concept is about the organization, as a whole, being devoted to serving the customers and the job of managers is to **support** the workers



The Management Process

- If productivity is the form of high levels of performance effectiveness and efficiency is a measure of organizational success, managers are largely responsible for its achievement
- The ultimate “bottom line” in every manager’s job is to help an organization achieve high performance by best utilizing its human and material resources

Functions of Management

- **Management:** the process of planning, organizing, leading, and controlling the use of resources to accomplish performance goals



- All managers, regardless of title/level/type/in an organizational setting, are responsible for the four functions

- These functions are continually engaged as a manager moves from task to task and opportunity to opportunity in his or her work

(I) Planning

- **Planning:** the process of setting objectives and determining what should be done to accomplish them
- Through planning, a manager identifies desired results and ways to achieve them
 - o **Example:** developing an initiative to better meet the needs of a firm’s female professionals → concern grew from concern about the firm’s retention rates for women

(II) Organizing

- **Organizing:** the process of assigning tasks, allocating resources, and coordinating work activities
- Through organizing, managers turn plans into actions by defining jobs, assigning personnel, and supporting them with technology and other resources

(III) Leading

- **Leading:** the process of arousing enthusiasm and inspiring efforts to achieve goals
- By leading, managers build commitments to a common vision, encourage activities that support goals, and influence others to do their best work on the organization’s behalf

(IV) Controlling

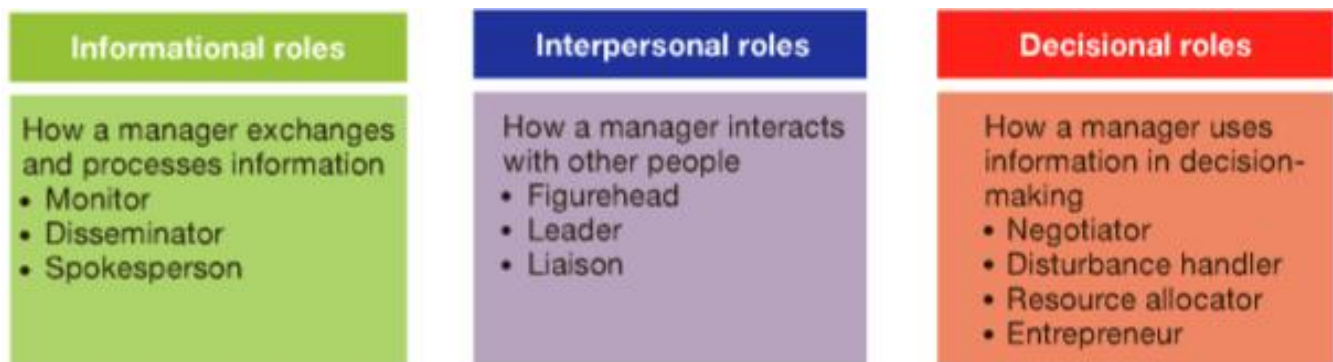
- **Controlling:** the process of measuring performance and taking action to ensure desired results
- Through controlling, managers maintain active contact with people in the course of their work, gather and interpret reports on performance, and use this information to make constructive changes
- In today’s dynamic times, such control and adjustment are indispensable
- Things don’t always go as anticipated, and plans must be modified and redefined to future success

Managerial Roles and Activities

- Although the management process as just described may seem straightforward, planning, organizing, leading, and controlling are **more complicated than they appear at first glance**
- “There was no break in the pace of activity during office hours. The mail... telephone calls... and meetings... accounted for almost every minute from the moment these executives entered their offices in the morning until they departed in the evenings” – Henry Mintzberg, *The Nature of Managerial Work*
- Today, we complicate that even further by adding ever-resent e-mail, instant messages, text messages, and voice mail to Mintzberg’s list of executive preoccupations

Managerial Roles

- There are ten roles that managers fulfill and these roles fall into three categories:



(I) Informational Roles

- A manager’s informational roles involve the giving, receiving, and analyzing of information
 - o **Monitor** → scanning for information

- **Disseminator** → sharing information
- **Spokesperson** → acting as official communicator

(II) **Interpersonal Roles**

- The interpersonal roles involve interactions with people inside and outside the work unit
 - **Figurehead** → modelling and setting forth key principles and policies
 - **Leader** → providing direction and instilling enthusiasm
 - **Liaison** → coordinating with other

(III) **Decisional Roles**

- The decisional roles involve using information to make decisions to solve problems or address opportunities
 - **Negotiator** → making deals and forging agreements
 - **Disturbance Handler** → dealing with problems and conflicts
 - **Resource Allocator** → handling budgets and distributing resources
 - **Entrepreneur** → developing new initiatives

Managerial Activities

- Managers must not only understand and master their roles, they must also have the ability to implement them in an intense and complex work-setting
- Managerial work is busy, demanding, and stressful for all levels of responsibility in any work setting
- However, managerial work is also intellectually challenging and personally and financially rewarding

The Nature of Managerial Work

- | |
|---|
| 1. Managers work long hours |
| 2. Managers work at an intense pace |
| 3. Managers work at fragmented and varied tasks |
| 4. Managers work with many communication media |
| 5. Managers accomplish their work largely through interpersonal relationships |

Managerial Agendas and Networks

- On his way to a meeting, a GM bumped into a staff member who did not report to him
- Using this opportunity, in a two minute conversation, he:
 - **1.** Asked two question and received the information he needed
 - **2.** Reinforced their good relationship by sincerely complimenting the staff on something he had recently done
 - **3.** Got the staff member to agree to do something that the GM needed one
- This brief incident provides a glimpse of an effective GM in action
- **Two activities that are crucial to a manager's success are agenda setting and networking**
- **Agenda Setting:** develops action priorities for accomplishing goals and plans
 - These agendas are usually incomplete and loosely connected in the beginning, but they become more specific as the manager utilizes the information continually gleaned from many different sources
 - Agendas are always kept in mind and are “played out” whenever an opportunity arises
- **Networking:** the process of creating positive relationships with people who can help advance agendas
 - Networking creates **social capital**
- **Social Capital:** a capacity to get things done with support and help of others

Essential Managerial Skills

- Today's turbulent times present an ever-shifting array of problems, opportunities, and performance expectations for organization, their managers, and their members

- Career success depends on a real commitment to **learning**
- **Learning:** a change in behaviour that results from experience
 - o Focus is on developing skills and competencies to deal with the complexities of human behaviour and problem solving in organizations
 - o It is not just formal leaning in the class room that counts
- **Lifelong Learning:** continuous learning from daily experiences and opportunities
- **Skill:** the ability to translate knowledge into action that results in the desired performance



(I) Technical Skills

- **Technical Skill:** the ability to use expertise to perform a task with proficiency
 - o **Example:** accountants, engineers, market researchers, system analysts
- **“What can I do right from the start that offers value for an employer?”**

(II) Human and Interpersonal Skills

- **Human Skill (Interpersonal Skill):** the ability to work well in cooperation with other people
- Given the highly interpersonal nature of managerial work, human skills are consistently important across all the managerial levels
- They emerge in the workplace as the capacity to **collaborate** and **network** with others, to engage others with a spirit of trust, enthusiasm, and positive engagement
- A manager with good human skills will have a **high degree of self-awareness** and a capacity to understand or empathize with the feelings of others
- **Emotional Intelligence:** the ability to manage ourselves and our relationships effectively
 - o Reflected in how well or poorly you recognize, understand, and manage feelings while interacting and dealing with others
 - o Someone high in EI will know when her or his emotions are about to become disruptive and act to control them

(III) Conceptual and Analytical Skills

- **Conceptual Skill:** the ability to think analytically to diagnose and solve complex problems
- Involves the capacity to break problems into smaller parts, to see the relations between the parts and to recognize the implications of any one problem for others
- Conceptual thinking is very important for top managers
- **“Am I developing the critical-thinking and problem-solving capabilities I will need for a long-term career success?”**

Developing Managerial Competencies

- **Management Competency:** a skill-based capability for high performance in a management job
 - **Communication**—Ability to share ideas and findings clearly in written and oral expression—includes writing, oral presentation, giving/receiving feedback, technology utilization.
 - **Teamwork**—Ability to work effectively as a team member and team leader—includes team contribution, team leadership, conflict management, negotiation, consensus building.
 - **Self-management**—Ability to evaluate oneself, modify behaviour, and meet performance obligations—includes ethical reasoning and behaviour, personal flexibility, tolerance for ambiguity, performance responsibility.
 - **Leadership**—Ability to influence and support others to perform complex and ambiguous tasks—includes diversity awareness, global understanding, project management, strategic action.
 - **Critical thinking**—Ability to gather and analyze information for creative problem solving—includes problem solving, judgement and decision-making, information gathering and interpretation, creativity/innovation.
 - **Professionalism**—Ability to sustain a positive impression, instill confidence, and maintain career advancement—includes personal presence, personal initiative, career management.

Chapter 13 – Information and Decisions-Making

Self-Confidence

- Self-confidence is a powerful force, something to be nurtured and protected
- Managers must have the self-confidence to make decisions and to take the actions required to implement them
- Self-confidence doesn't have to mean acting alone, but it does mean being willing to act

Situation: Hurricane Katrina has damaged a railroad bridge over Lake Pontchartrain in New Orleans. You are leading a repair team of 100 people. The bridge is important for relief efforts in the devastated city. Two alternatives are on the table: rebuild using new tracks or rebuild with old track salvaged from the lake.

Question: How do you proceed?

- A. Decide to rebuild with new tracks; move quickly to implement.
- B. Decide to rebuild with old tracks; move quickly to implement.
- C. Consult with team; make decision; move quickly to implement.

Information, Technology, and Management

- Tests of our ability to make good decisions that occur every day in situations that may not be crisis driven, but nevertheless have real consequences for ourselves and others
- Our society is now highly information-driven, digital, net-worked, and continually evolving
- Career and personal success increasingly requires three “must-have” competences:
 - **1. Technological Competency** → the ability to understand new technologies and use them to their best advantage
 - **2. Information Competency** → the ability to locate, gather, organize and display information

- 3. Analytical Competency → the ability to evaluate and analyze information to make actual decisions and solve real problems

What is Useful Information?

- **Data:** raw facts and observations
- **Information:** data made useful for decision-making
- The management process of **PLOC** is driven by information
- Managers need good information and they need it all the time
- Information that is truly useful in management meets the test of these five criteria:

Five Criteria

1. **Timely** – the information is available when needed; it meets deadlines for decision-making
2. **High Quality** – the information is accurate and it is reliable; it can be used with confidence
3. **Complete** – the information is complete and sufficient for the task at hand; it is as current and up to date as possible
4. **Relevant** – the information is appropriate for the task at hand; it is free from extraneous or irrelevant materials
5. **Understandable** – the information is clear and easily understood by the user; it is free from unnecessary detail

- Even when information is good, we don't always make the right decisions based on it
- **Analytics:** involves systematic gathering and processing of data to make informed decisions
 - Important to all aspects of the management process (POLC)
- Consider these situations:

Aeroplan runs into turbulence—When Aeroplan announced that members of its loyalty program would lose any frequent-flyer points not redeemed after seven years, backlash by Canadians was strong and the plan faced class-action lawsuits from some members. Several months before the policy was to take effect in 2014, Aeroplan reversed its decision and announced that points would never expire.⁶

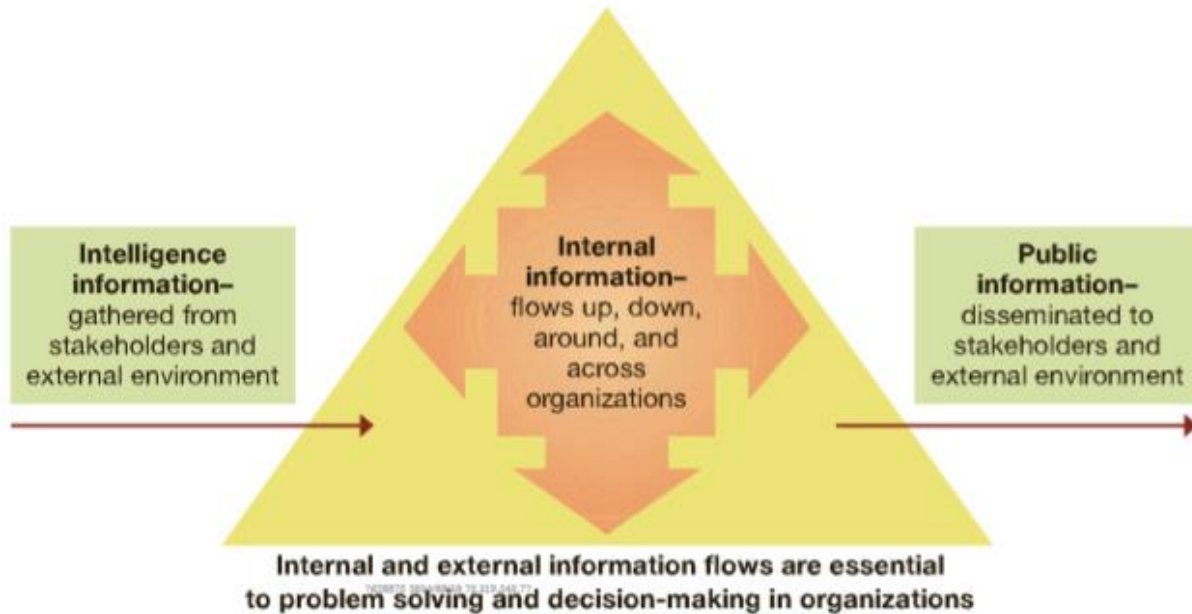
Hewlett-Packard hits the delete key—HP's then-CEO Leo Apotheker announced that the firm was most likely going to get out of the PC business. Loyal PC customers yelled "foul," shareholders yelled "What's going on with our company?," and HP's board was left to wonder, "Why did we approve this possibility?" Five weeks later, Apotheker was fired, Meg Whitman moved from the board to the CEO's job, and HP announced that it was sticking with its PC business after all. Whitman said the decision was made after "HP objectively evaluated the strategic, financial and operational impact."⁷

Information Systems and Business Intelligence

- **Information Technology:** helps us acquire, store, and process information
- Information systems are indispensable executive tools
- Also help bring financial transparency to all levels of an organization
- In terms of the **big picture information** → companies can now easily share the latest financial record so that employees know current profits and how they compare with past results and desired targets
- In terms of **business** – or **function-specific information** → companies can make sure that plant workers always know the costs, marketing people always know sales expenses relative to the sales revenues, and customer service workers know cost per service contact
- **Business Intelligence:** the process of tapping or mining information systems to extract or report data in organized ways that are helpful to decision-makers

- **Example:** use of executive dashboard that visually displays and updates key performance metrics such as graphs, charts, and scorecards on a real-time basis

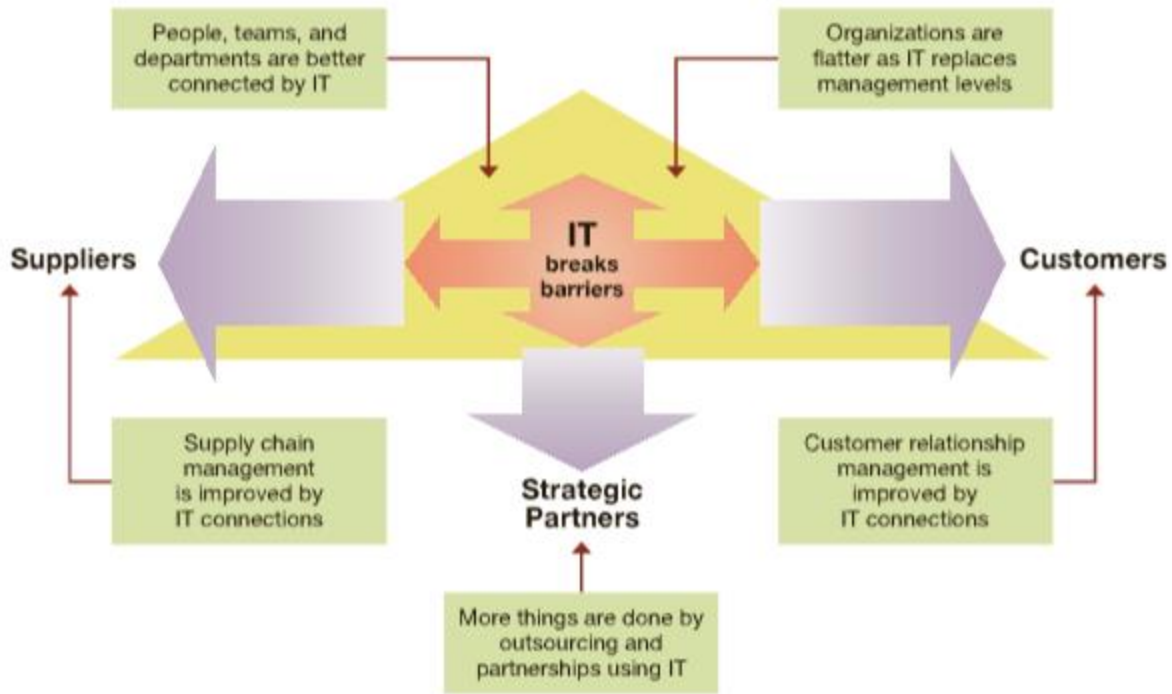
Information Needs in Organizations



- At the organization’s boundaries, information in the external environment is accessed
- Managers use this **intelligence information** to deal with customers, competitors, and other stakeholders such as government agencies, creditors, suppliers, and stockholders
 - “A winning strategy will require information about events and conditions outside the institution” – Peter Drucker
- Organizations also send vast amounts of **public information** to stakeholders and the external environment
 - This serves a variety of purposes, ranging from image building to product advertising to financial reporting
- Within organizations, people need vast amounts of information to make decisions, solve problems in their daily work, act individually and in teams
 - Need information from their **immediate work setting** and from **other parts** of the organization and from the organization’s **external environment**
- The ability of IT to gather and move information quickly within an organization can be a great asset to decisions-making
 - Can help top levels stay informed, while freeing lower levels to make speedy decisions and take the action they need to best perform their jobs

How Information Technology is Changing Organizations

- People perform best when they have available to them the right information at the right time and in the right place
- **Management Information Systems (MIS):** use IT to collect, organize, and distribute data for use in decision-making
- Organizations are not only using IT, they are being changed by its use
 - Information departments or centres are now mainstream features on organizational charts
- The number and variety of information career fields is rapidly expanding
 - IT is helping to break down barriers within organizations
 - People working in different departments, levels, and physical locations now use IT to easily communicate and share information

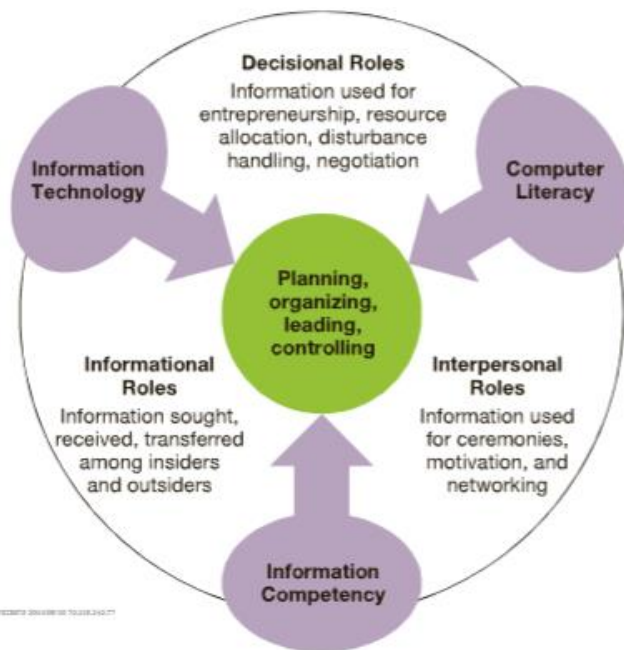


Information and Managerial Decisions

- Information is the centre point in all three phases – information helps a leader sense the need for a decision, frame an approach to it, and communicate about it with others
- “The source of many fatal judgements is the information pipeline. How do leaders get information that is relevant, has meaning, and is timely?” – Warren G. Bennis

Managers as Information Processors

- A manager’s job in today’ IT-enriched organizations can be depicted as a nerve centre of information flows



- Managers in this sense are information processors – continually gathering information, giving it, and receiving it

Advantage of IT for POLC

1. **Planning Advantages of IT** – better and more timely access to useful information, involving more people in the planning process
2. **Organizing Advantages of IT** – more ongoing and informed communication among all parts, improving coordination and integration
3. **Leading Advantages of IT** – more frequent and better communication with staff and diverse stakeholders, keeping objectives clear
4. **Controlling Advantage of IT** – more immediate measures of performance results, allowing real-time solutions to problems

Managers as Problem Solvers

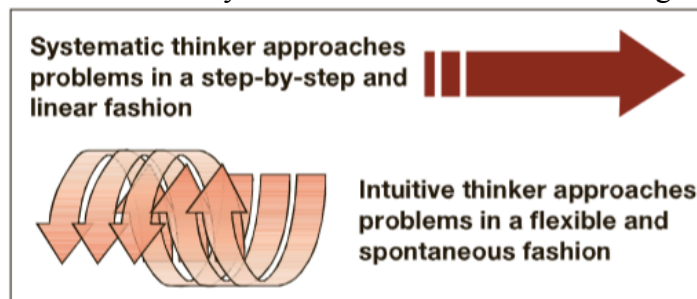
- **Problem Solving:** the process of identifying a discrepancy between an actual and a desired state of affairs, and then taking action to resolve it
- Success in problem solving depends on using information to make good **decisions**
 - o **Decisions:** a choice among possible alternative courses of action
- Managers, in this sense, make decisions while facing a continuous stream of daily problems
- The most obvious problem situation is a **Performance Deficiency** → when actual performance is less than desired
 - o **Example:** when turnover or absenteeism suddenly increases in the work unit
- Another important problem situation emerges as **Performance Opportunity** → when an actual situation either turns out better than anticipated or offers the potential to do so

(I) Openness to Problem Solving

- Managers often differ in their openness to problem solving → their basic willingness to accept the responsibilities that it entails
- Approaches to problem solving ranges from passive to reactive to proactive
- Some managers are **Problem Avoiders** → ignore information that would otherwise signal the presence of a performance opportunity or deficiency
 - o They are **passive** in information gathering, not wanting to make decisions and deal with problems
- Other managers are **Problem Solvers** → willing to make decisions and try to solve problems, but only when **forced** to by the situation
 - o They are **reactive** in gathering information and tend to respond to problems after they occur
 - o May deal **reasonably well** with performance deficiencies, but they may miss many performance opportunities
- **Problem Seekers** → managers who actively process information and constantly look for problems to solve
 - o True problem seekers are **proactive** and forward-thinking
 - o They anticipate performance deficiencies and opportunities, and they take appropriate action to gain the advantage

(II) Systematic and Intuitive Thinking

- Managers also differ in their use of “systematic” and “intuitive” thinking during decision-making



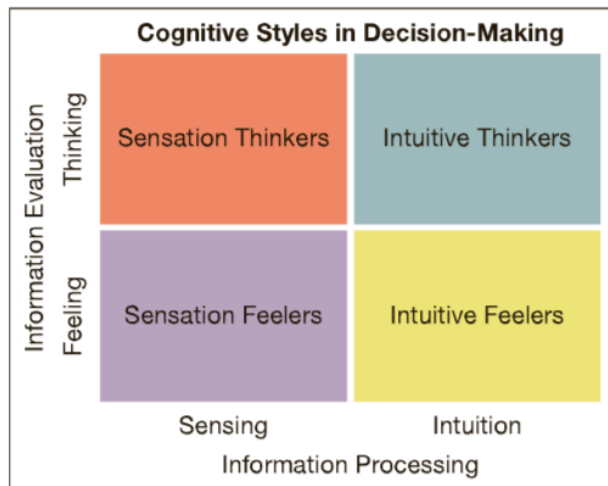
- **Systematic Thinking:** approaches problems in a rational and analytical fashion (step-by-step)
 - o This type of thinking breaks a complex problem into **smaller components** and then address them in a logical and integrated fashion
 - o Managers who are **systematic** can be expected to **make a plan** before **taking action**, and carefully search for information to facilitate problem solving in a step-by-step fashion
- **Intuitive Thinking:** approaches problems in a flexible and spontaneous fashion
 - o This type of thinking allows a person to respond imaginatively to a problem based on a quick and broad evaluation of the situation and possible alternative courses of action
 - o Managers who are **intuitive** can expect to deal with many aspects of a problem at once, jumping quickly from one issue to another
 - o This approach tends to work best in situations where facts are **limited** and **few decisions precedents exists**

(III) Multidimensional Thinking

- Managers often deal with portfolios of problems that consists of multiple interrelated issues
- **Multidimensional Thinking:** the ability to view and address many problems at once
 - o The best managers are able to “map” multiple problems into a network that can be actively managed over time as priorities, events, and demands continuously change
 - o They are able to make decisions and take actions in the **short-run** that benefit the **long-run objectives**
 - o And they avoid being sidetracked while sorting through a shifting mix of daily problems
- **Strategic Opportunism:** focuses on long-term objectives while being flexible in dealing with short-term problems

(IV) Cognitive Styles

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



Cognitive Styles in Decision Making

1. **Sensation Thinkers** – tend to emphasize on the impersonal rather than the personal and take a realistic approach to problem solving; they like hard “facts,” clear goals, certainty, and situations of high control
2. **Sensation Feelers** – tend to emphasize both analysis and human relations; they tend to be realistic and prefer facts; they are open communicators and sensitive to feelings and values
3. **Intuitive Thinkers** – comfortable with abstraction and unstructured situations; they tend to be idealistic and prone toward intellectual and theoretical positions; they are logical and impersonal, but also avoid details
4. **Intuitive Feelers** – prefer broad and global issues; they are intangibles; they value flexibility and human relationships

Types of Managerial Decisions

- Managers make many types of decisions while solving problems in their day-to-day work
- Some decisions are structured and routine, while others are more unstructured and unique

(I) Programmed and Non-Programmed Decisions

- **Structured Problems:** straightforward and clear with respect to information needs
- **Programmed Decisions:** applies a solution from past experiences to a routine problem
 - o Structured problems are usually answered via programmed decisions
- **Unstructured Problems:** new or unusual situations full of ambiguities and information deficiencies
- **Non-Programmed Decisions:** applies a specific solution crafted for a unique problem
 - o Most problems faced by higher-level managers are of this type, often involving the choice of strategies and objectives in situations of some uncertainty

(II) Crisis Decisions

- **Crisis:** an unexpected problem that can lead to disaster if not resolved quickly and appropriately
- The ability to handle crises could be the ultimate test of any manager's decision-making capabilities
- A manager should not isolate themselves and try to solve the problem alone or in a small "closed" group

Six Rules for Crisis Management

1. **Figure Out What is Going On** – take the time to understand what's happening and the conditions under which the crisis must be resolved
2. **Remember that Speed Matters** – attack the crisis as soon as possible, trying to catch it when it is as small as possible
3. **Remember that Slow Counts, Too** – know when to back off and wait for a better opportunity to make progress with the crisis
4. **Respect the Danger of the Unfamiliar** – understand the danger is all-new territory where you and others have never been before
5. **Value the Sceptic** – don't look for and get too comfortable with agreement; appreciate sceptics and let them help you see things differently
6. **Be Ready to "Fight Fire with Fire"** – when things are going wrong and no one seems to care, you may have to start a crisis to get their attention

- **Crisis Management:** preparation for the management of crises that threaten an organization's health and well-being
- Anticipation is one aspect of crisis management; preparation is another
- People can be assigned ahead of time to crisis management teams, and crisis management plans can be developed to deal with various contingencies
 - o **Example:** police departments and community groups plan ahead and train to best handle civil and natural disasters

Decision Conditions

- There are three different decisions conditions: **certainty**, **risk**, and **uncertainty**
- Although managers make decisions in each, the conditions of risk and uncertainty are common at higher management levels where problems are more complex and unstructured
 - o **Example:** former Coca-Cola CEO Roberto Goizueta was known to be risk taker → one of his risky moves was introducing Diet Coke – a success story; he also changed the formula of Coca-Cola to create New Coke – a failure



(I) Certain Environment

- **Certain Environment:** offers complete information on possible action alternatives and their consequences
- This is an ideal decision situation where **factual information** is available about the possible **alternative courses of action** and their outcomes
- The decision-maker's task is simple → study the alternative and choose the best solution

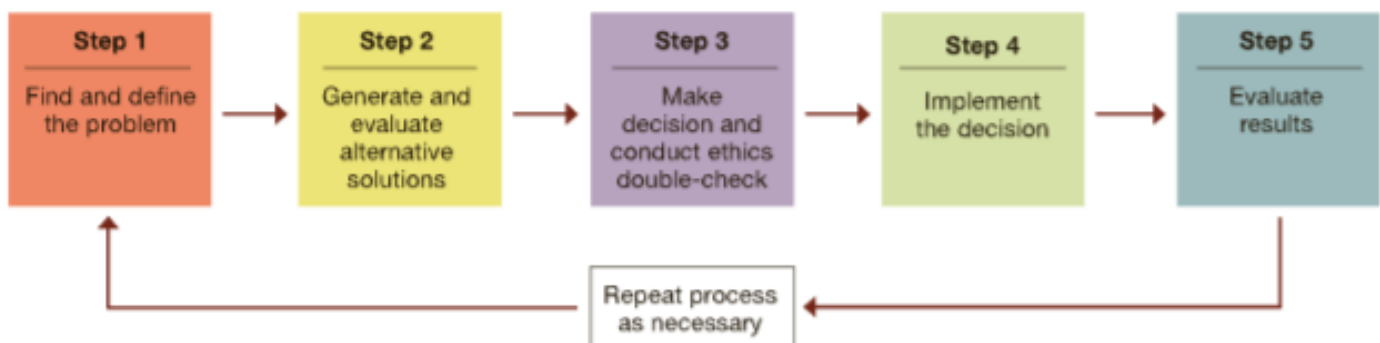
(II) Risk Environment

- **Risk Environments:** lacks complete information but offers “probabilities” of the likely outcomes for possible action alternatives
 - o Facts and information on action alternatives and their consequences are incomplete → requires probabilities to estimate the likelihood that a particular outcome will occur
- These probabilities are only possibilities, they introduce risk into the decisions situation

(III) Uncertain Environment

- **Uncertain Environment:** lacks so much information that it is difficult to assign probabilities to the likely outcomes of alternatives
 - o Facts are few and information is so poor that managers are unable to even assign probabilities to the likely outcomes of alternatives
- The high level of uncertainty forces managers to rely heavily on creativity in solving problems

The Decision Making Process



- **Decision-Making Process:** begins with identification of a problem and ends with evaluation of implemented solutions

(I) Step 1: Identify and Define the Problem

- Information gathering and deliberation are critical in this stage
- The way a problem is defined can have a major impact on how it is resolved, and it is important to clarify exactly what a decision should accomplish
- The more specific the goals, the easier it is to evaluate results after the decision actually implemented
- **Three common mistakes that can occur:**
 - o (1) Defining the problem too broadly or too narrowly
 - o (2) Focusing on symptoms instead of causes → symptoms are indicators that the problems may exist, but they shouldn't be mistaken for the problems themselves
 - o (3) Choosing the wrong problem to deal with at a certain point in time → prioritize the most important ones first!

(II) Step 2: Generate and Evaluate Alternative Courses of Action

- It is important to clarify exactly what is known and what needs to be known
- Extensive information gathering should identify alternative courses of action, as well as their anticipated consequences
- Key stakeholders in the problem should be identified, and the effects of possible courses of action on each of them should be considered
- **Cost-Benefit Analysis:** involves comparing the costs and benefits of each potential course of action
 - o At **minimum**, the benefits of an alternative should be greater than its costs

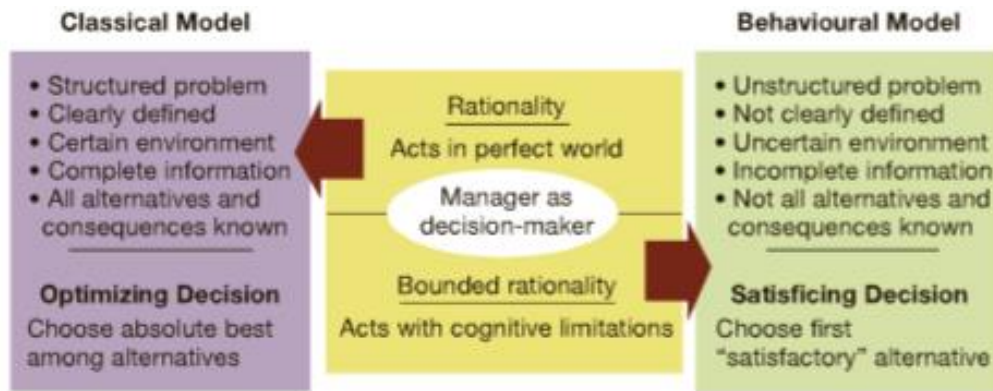
Criteria for Evaluating Alternatives

1. **Costs** – what are the “costs” of implementing the alternative, including resource investments as well as potential negative side effects
2. **Benefits** – what are the “benefits” of using the alternative to solve a performance deficiency or take advantage of an opportunity
3. **Timelines** – how fast can the alternative be implemented and a positive impact be achieved?
4. **Acceptability** – to what extent will the alternative be accepted and supported by those who must work with it?
5. **Ethical Soundness** – how well does the alternative meet acceptable ethical criteria in the eyes of the various stakeholders?

- Ultimately, any course of action can only be as good as the quality of the alternative considered
 - o The **better** the pool of alternative, the more likely that any actions taken will help solve the problem at hand
- A **common error** in this step is abandoning the search for alternatives too quickly
 - o Often happens under pressures of time and other circumstances
- An alternative is **convenient** but it doesn't make it the best → it could have damaging side effects or it could be less good than others that might be discovered with extra effort
 - o To **minimize** this error is through **consultation** and **involvement** → bring more people into the decision-making process to get different opinions and perspectives

(III) Step 3: Decide on a Preferred Course of Action

- This is where an actual decision is made to select a preferred choice of action



- **Classical Decision Model:** describes decision-making with complete information
 - o Assumption that a rational choice of the preferred course of action will be made by a decision-maker who is fully informed about all possible alternatives
 - o Manager faces a clearly defined problem and knows all possible action alternatives, as well as their consequences
- **Optimizing Decision:** chooses the alternative giving the absolute best solution to a problem
- **Behavioural Decision Model:** describes decision-making with limited information and bounded rationality
- **Bounded Rationality:** describes making decisions within the constraints of limited information and alternatives
 - o Managerial decisions are only rational within the boundaries set by the available information and known alternatives, both of which are incomplete
- Because perceptions are often imperfect, the decision-maker has only partial knowledge about the available action alternatives and their consequences
- Consequently, the first alternative that appears to give a satisfactory resolution of the problem is likely to be chosen
 - o **Satisfactions Decision:** chooses the first satisfactory answer that comes to one's attention

(IV) Step 4: Implement the Decision

- Once a decision is made, actions must be taken to fully implement it
- Nothing new can or will happen unless action is taken to actually solve the problem
- Managers not only need the determination and creativity to arrive at a decision, they also need the ability and willingness to implement it
- **Lack-of-Participation Error:** failure to involve in a decision the persons whose support is needed to implement it

(V) Step 5: Evaluate Results

- If desired results are not achieve or if undesired side effects occur, corrective actions should be taken
- Such evaluation is a form of managerial control
- It involves gathering data to measure performance results and compare them against goals
- If results are less than what was desired, it is time to reassess and return to earlier steps
- In this way, problem solving becomes a dynamic and ongoing activity within the management process
- Evaluation is always easier when clear goals, measurable targets, and timetables were established to begin with

(VI) At All Steps – Check Ethical Reasoning

- Each step in the decision-making process can and should be linked with **ethical reasoning**
- The choices made often have **moral dimensions** that might easily be overlooked

- We sometimes have to take special care to stay tuned into important *virtues* – things like fairness, kindness, compassion and generosity
- One way to check **ethical reasoning** in decision-making is to see if the choices test positive on the four ethics criteria:

Ethics Criteria

1. **Utility** – does the decision satisfy all stakeholders?
2. **Rights** – does the decision respect the rights and duties of everyone?
3. **Justice** – is the decision consistent with the norms of fairness and justice?
4. **Caring** – is the decision consistent with my responsibility to care?

- Another way to test ethical reasoning is to consider a decision in the context of full transparency and the prospect of shame
- **Spotlight Questions:** test the ethics of a decision by exposing it to scrutiny through the eyes of family, community members, and ethical role models

Issues in Managerial Decision Making

- **Heuristics:** strategies for simplifying decision-making
 - o Can help in dealing with complex and ambiguous situations but can also cause common decision-making errors

Decision Errors and Traps

(I) Availability Bias

- **Availability Heuristic:** bases a decision on recent information or events
 - o Occurs when people use information that is “readily available” from memory as a basis for assessing a current event or situation
 - o **Example:** deciding not to invest in a new product based on recollection of a recent potential failure
- The **potential bias** is that the readily available information is **fallible** and **irrelevant**
 - o **Example:** the product that recently failed may have been a good idea that was released to market at the wrong time of year

(II) Representation Bias

- **Representativeness Heuristic:** bases a decision on similarity to other situations
 - o Occurs when people assess the likelihood of something happening based on its similarity to stereotyped set of occurrences
 - o **Example:** deciding to hire someone for a job vacancy simply because he/she graduated from the same school attended by your last and most successful hire
- The **potential bias** is that the representative stereotype masks factors that are important and relevant to the decision
 - o **Example:** the abilities and career expectations of the person receiving the offer may not fit the job requirements

(III) Anchoring and Adjustment Bias

- **Anchoring and Adjustment Heuristic:** bases a decision on incremental adjustments from a prior decision point
 - o Occurs when decisions are biased by inappropriate allegiance to a previously existing value or starting point
 - o **Example:** a manager who sets a new salary level for an employee by simply raising her prior year’s salary by a small percentage amount → although the increase may appear reasonable to

the manager, the prior year's salary may have substantially undervalued the employee relative to the market

(IV) **Framing Error**

- **Framing Error:** occurs when trying to solve a problem in the context in which it is perceived
 - o Occurs when a problem is evaluated and resolved in the context in which it is perceived – positively or negatively
 - o **Example:** the data shows a product has a 40% market share → negative frame views the product as deficient because it is missing 60% of the market | positive frame views the 40% share as a good accomplishment

(V) **Confirmation Error**

- **Confirmation Error:** occurs when focusing only on information that confirms a decision already made
- We notice, accept, and even seek out only information that confirms or is consistent with a decision we have just made
- Other and perhaps contrary information is **downplayed or denied**
- This is a form of **selective perception**, in which we focus on problems from our particular reference or vantage point only
- We **neglect** other points of view or information that might support a different decision

(VI) **Escalating Commitment**

- **Escalating Commitment:** the continuation of a course of action even though it is not working
 - o Occurs as a decision to increase effort and perhaps apply more resources to pursue a course of action that is not working
- Managers prone to escalation let the momentum of the situation overwhelm them
 - o They are unable to “call it quits” even when facts and experience otherwise indicate that this is the best thing to do
 - o It is a common decision error

How to Avoid the Escalation Trap in Decision-Making

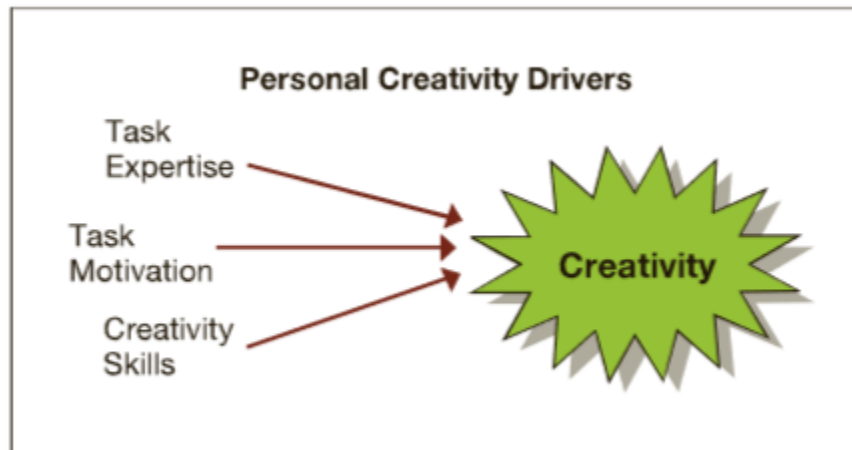
1. Set advance limits on your involvement and commitment to a particular course of action; stick with these limits
2. Make your own decisions; don't follow the lead of others, since they are also prone to escalation
3. Carefully assess why you are continuing a course of action; if there are no good reasons to continue, don't
4. Remind yourself of what a course of action is costing, consider saving these costs as a reason to discontinue
5. Watch for escalation tendencies in your behaviours and those of others

Creativity in Decision-Making

- Creativity is one of our greatest personal assets, even though it may be too often unrecognized
- Just imagine what could be accomplished with all the creative potential that exists in an organization's workforce?
 - o How do you turn that potential into creative decisions?
- **Design Thinking:** unlocks creativity in decision-making through a process of experiencing, ideation, and prototyping
 - o **Experiencing** → defining problems by research and observation; not simply accepting them as delivered
 - o **Ideation** → visualizing and brainstorming potential solutions in collaboration with others
 - o **Prototyping** → testing and modifying the potential solution over and over to achieve the best outcome

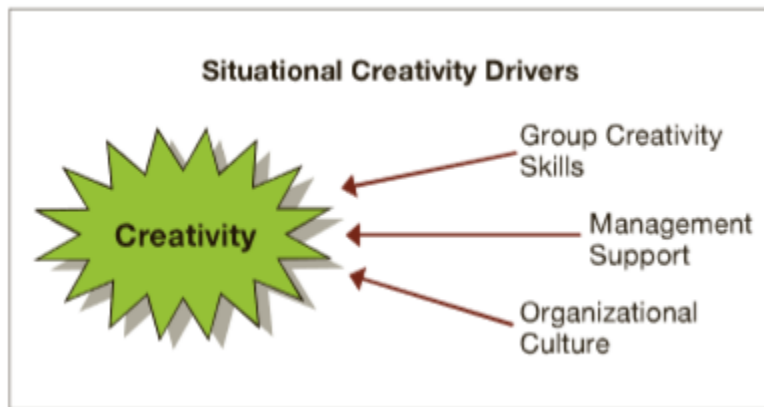
(I) Personal Creativity Drivers

- **Creativity:** the generation of a novel idea or unique approach that solves a problem or crafts an opportunity



- Creative decisions are more likely to occur when the person or team has a lot of *task expertise*
 - o Creativity is an outgrowth of skill, and it typically extends into new directions, such as something one is good at or know about
- Creativity is also more likely when people making decisions are highly *task-motivated*
 - o Creativity tends to occur in part because people work exceptionally hard to resolve a problem or exploit an opportunity
- Creative decisions are more likely when the people involved have stronger *creativity skills*
 - o Left-brain thinking = logic, order, method, and analysis | Right-brain thinking = imagination, intuition, spontaneity, and emotion

(II) Situational Creativity Drivers



Individual versus Group Decision-Making

- Groups and teams are important sources of creativity in decision-making
- However, it is important to remember that the way that managers use or don't use group decision-making can be real turning points in the results achieved
- Basically, the issue boils down to this → **in a problem solution, should the decision be made individually or with the assistance of a group?**

(I) Advantages of Group Decisions

- Decisions that involve team members make greater amounts of information, knowledge and expertise available to solve problems

- They expand the number of action alternatives that are examined; they help to avoid tunnel vision and consideration of only limited options
- Increase understanding and acceptance by members
- Team decisions increase the commitment of members to work hard to implement the decisions they have made together

(II) Disadvantages of Group Decisions

- Traces largely to the difficulties that can be experienced in group processes
- Social pressure to conform
- Individuals may feel intimidated or compelled to go along with the apparent wishes of others
- May be minority domination, where some members feel forced to accept a decision advocated by one vocal individual or a small coalition
- Requires time to make decisions

Chapter 3 – Global Dimensions of Management

Cultural Awareness

- Complications of globalization are a constantly reminder of the challenges of cultural awareness
- “Cultural spectacle” that limit our vision, causing us see and interpret things with the biases of ur own culture
- Each one of us has the responsibility to take off the blinders that limit our vision to the culture that we were raised in
- We need to broaden our cultural horizons to embrace the full diversity of the world’s people
- We live in a global community → to participate actively we must take of our blinders that limit our vision to the culture in which we were raised
- Cross-cultural communication can be awkward but it shouldn’t hold us back

Our Global Community is Rich with Information

- Opportunities, controversies, and complications
- We now have access to new and products and services from anywhere around the world
 - o Via Internet and Social Media websites
- Many companies are now outsourcing parts of their products to other countries because it is cheaper and more efficient

Management and Globalization

- **Global Economy:** resources, markets, and competition are worldwide in scope
- **Globalization:** the process of growing interdependence among elements of the global economy
 - o “Borderless world” where economic integration becomes so extreme that nations, states, hardly matter anymore
- **World. 3.0:** a world where nations cooperate in the global economy while still respecting different national characters of interest
 - o They balance economic **gains** of global integrations with **local need and priorities**
 - o World. 3.0 is globalization in which national identities remain strong even as the opportunities of global economy are sought

Global Management

- **Global Management:** involves managing operations in more than one country
 - o **Example:** Procter & Gamble pursues a global strategy with a presence in more than 70 countries; majority of McDonald’s sales comes from outside of North America
- As leaders of these and other companies press forward with global initiatives, the management challenges and opportunities of working across national and cultural borders must be mastered
 - o **Example:** Honda and Haier → but have expanded beyond the nation in which they first began

- **Global Manager:** is culturally aware and informed on international affairs
 - o Informed about international developments, transnational in outlook, competent in working with people from different cultures, and always aware of regional developments in a changing world

Why do Companies go Global?

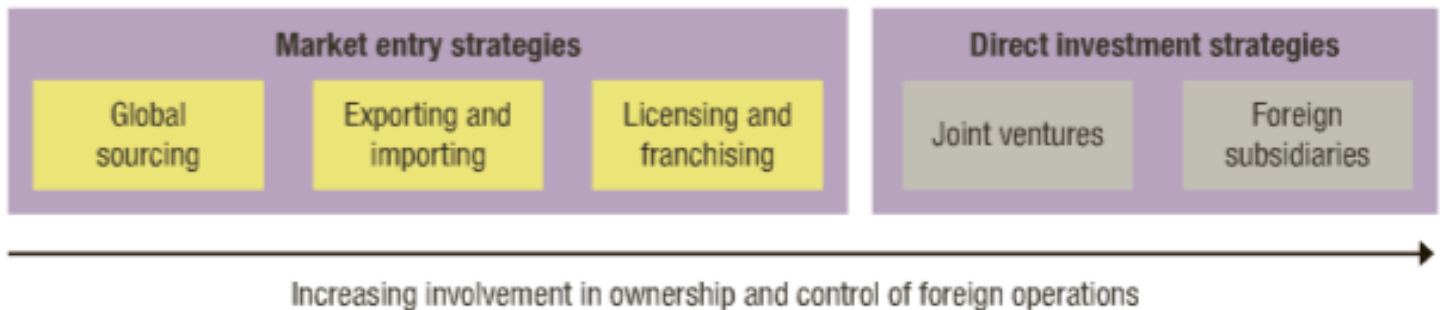
- Cisco and other firms like it are global businesses that conduct **for-profit transactions** of goods and services across national boundaries
- Global businesses are the **foundation** of world trade, helping to move raw materials, finished products, and specialized services from one country to another in the global economy
 - o **Example:** Nike → its swoosh is one of the world's most globally recognized logos → but Nike does no domestic manufacturing, all of its products come from sources abroad

Why Businesses Go International

1. **Profits** – global operations offer greater profit potential
2. **Customers** – global operations offer new markets to sell products
3. **Supplier** – global operations offer access to needed products and services
4. **Capital** – global operations offer access to financial resources
5. **Labour** – global operations offer access to lower labour costs

How Companies Go Global

- **Global Business:** conducts commercial transactions across national boundaries



- **Market-Entry Strategies** include:
 - o (I) Global Sourcing,
 - o (II) Exporting/Importing
 - o (III) Licensing and Franchising
- **Direct Investment Strategies** include:
 - o (IV) Joint Ventures
 - o (V) Foreign Subsidiaries

(I) Global Sourcing

- **Global Sourcing:** materials or services are purchased around the world for local use
 - o An international division of labour in which activities are performed in countries where they can be **done well** at the **lowest cost**
- Firms selling toys, shoes, electronics, furniture, and clothing are among those that most extensive use of global sourcing
- The goal is to take advantage of the international wage gaps by sourcing products in countries that can produce them at the lowest cost
 - o **Example:** China is a major outsourcing destination and in many areas of manufacturing has become the factory for the world

(II) Exporting and Importing

- **Exporting:** local products are sold abroad to foreign customers
 - o Is a significant pathway to business growth for both individual firms and economics
 - o The **goal** is to find new customers and expanded markets by selling one's products and services in other countries
 - o For governments concerned about economic growth, expanding exports helps keep local businesses strong at a time when the potential is high for job loss to lower-wage countries
- **Importing:** the selling in domestic markets of products acquired abroad

(III) Licensing and Franchising

- **Licensing Agreement:** a local firm pays a fee to a foreign firm for rights to make or sell its product
- The licence typically grants access to a unique manufacturing technology, special patent, or trademark
- In effect, the foreign firm provide the local firm with the technology and knowledge to offer its products or services for local sales → involves some risks
 - o **Example:** there is a potential that the supplier you granted the licence to may end up copying your designs
- **Franchising:** a fee is paid to a foreign business for rights to locally operate using its name, branding and methods
- The international version operates similarly to domestic franchising agreements
 - o **Example:** McDonald, Subway, Tim Horton

(IV) Joint Ventures and Strategic Alliances

- **Foreign Direct Investments:** building, buying all, or buying part ownership of a business in another country
 - o For many countries, the ability to attract foreign business investors has been a key to succeeding in the global economy
- **Insourcing:** job creation through foreign direct investment
 - o The effects can be very positive for the local economy
 - o **Example:** statistics show and \$39.5 billion in investments flowed into Canada in 2011, with insourced plants being more productive, more innovative, and more technology-intensive, and paying higher wages and using more skilled workers than domestic-controlled plants
- **Joint Venture:** operates in a foreign country through co-ownership by foreign and local parties
 - o This is a co-ownership arrangement in which the foreign and local partners agree to pool resources, share risks, and jointly operate the new business
 - o Sometimes, this is also formed when a foreign partner buys part ownership in an existing local firm
- **Global Strategic Alliances:** a partnership in which foreign and domestic firms share resources and knowledge for mutual gains
 - o Each partner hopes to gain through cooperation things they couldn't do or would have a hard time doing alone
 - o For the **local partner**, an alliance may bring access to technology and opportunities to learn new skills
 - o For an **outside partner**, an alliance may bring access to new markets and expert assistance of locals that understand them
- Joint ventures and strategic alliances were the business forms of choice for most of the world's large automakers when they decided to pursue major operations in China
- Recognizing the local complexities, they decided it was better to cooperate with local partners than try to enter the Chinese markets on their own

(V) Foreign Subsidiaries

- **Foreign Subsidiary:** a local operation completely owned by a foreign firm
 - o **Example:** Loblaw's buying out T&T

- **Greenfield Investment:** builds an entirely new operation in a foreign country
- Firms can also be established by acquisition, in which the outside firm purchases a local operation in its entirety
- Although a foreign subsidiary represents the highest level of involvement in international operations, it can make very good business sense

Global Business Environments

- Not only must global managers master the demands of operating with worldwide suppliers, distributors, customers, and competitors, they must deal successfully with a variety of forces in the general environment that can pose unique challenges
- Among those forces are differences in:
 - o (I) Legal and Political Systems
 - o (II) Complexities in Trade Agreements and Barriers
 - o (III) Roles of Regional Economic Alliances

(I) Legal and Political Systems

- Some of the biggest complications in international business comes from the differences in the legal and political systems
- **Political Risk:** the potential loss in value of a foreign investment due to instability and political changes in the host country
 - o **Example:** terrorism, civil wars, armed conflicts and military disruptions, shifting government systems through elections or forced takeovers
- **Political-Risk Analysis:** tries to forecast political disruptions that can threaten the value of a foreign investments
- Global managers must be prepared to deal with the **difference** between home-country and host-country laws and politics
 - o The **greater** the differences, the more difficult and complex it is for international businesses to operate successfully in the local context
- Global firms are expected to abide by local laws, some of which may be unfamiliar
 - o **Example:** in the U.S. and Canada, executives of foreign-owned companies must comply with antitrust laws that prevent competitors from regularly talking with one another, something that they may not be used to at home; must also deal with a variety of special laws regarding occupational health and safety employment equity, sexual harassment, and other matters
- **Common legal problems faced by international businesses involve incorporation practices and business ownerships; negotiating and implementing contracts with foreign parties; handling foreign exchange; and intellectual property right – patents, trademarks, and copyrights***

(II) Trade Agreements and Trade Barriers

- **World Trade Organization (WTO):** member nations agree to negotiate and resolve disputes about tariffs and trade restrictions
 - o Was established to promote free trade and open markets around the world
 - o **“Liberal trade policies – which allow the unrestricted flow of goods and services – sharpen competition, motive innovation, and breed success. They multiply the rewards that result from producing the best products, with the best design, at the best price.”**
- Although members agree to work together within the WTO framework to resolve international business problems, controversies still develop
- WTO member are supposed to give one another **most favoured nation status**
 - o **Most Favoured Nation Status:** gives a trading partner most favourable treatment for imports and exports
- Yet barriers limiting freedom of trade are still common
 - o **Tariffs:** taxes governments levy on imports from abroad

- **Protectionism:** a call for tariffs and favorable treatments to protect domestic firms from foreign competition
 - The goal of tariffs and protectionism is to protect local firms from foreign competition and save jobs for local workers
- **Government leaders face the often-conflicting goals of seeking freer international trade while still protecting domestic industries**
 - Such political dilemmas sometimes make it difficult to reach international agreements on trade matters, and they create **controversies** for the WTO in its role as a global arbiter of trade issues

(III) **Regional Economic Alliance**

- **NAFTA (North American Free Trade Agreement):** a trade linking Canada, America and Mexico in an economic alliance
 - This alliance creates a trade zone with minimal barriers, which frees the flow of goods and services, workers, and investments among three countries
- **European Union (EU):** a political and economic alliance of European Countries
 - It now links 27 countries that agree to support mutual economic growth by removing barriers that previously limited cross-border trade and business development
 - **Euro:** the common European currency
- **Asian Pacific Economic Cooperation (APEC):** established to promote free trade and investments in the Pacific region
 - It has 21 members including Canada, the United States, and Australia
- **Association of Southeast Asian Nations (ASEAN):** goal of promoting economic growth and progress
- **Southern Africa Development Community (SADC):** links 14 countries of southern Africa in trade and economic development efforts
 - Objectives include harmonizing and rationalizing strategies for substantial development among member countries
 - "... a future in a regional community that will ensure economic well-being, improvement of standards of living and quality of life, freedom and social justice, and peace and security for the people of Southern Africa"

Global Business

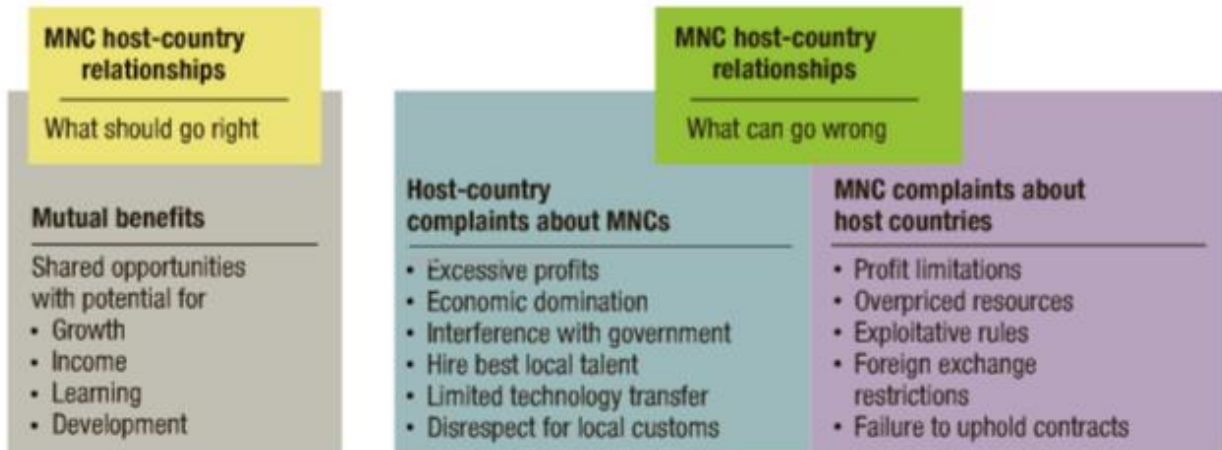
- **Global Corporation (MNC):** a multinational business with extensive operations in more than one foreign country
 - **Example:** Procter & Gamble's Crest toothpaste, McDonald's sandwich
- Multinational organizations with non-profit missions are also important
 - **Example:** the International Federation of Red Cross and Red Crescent Societies, the United Nations, and the World Bank

Types of Global Businesses

- MNCs operate in many countries but its founding history and corporate headquarters give it a strong national identification
 - **Example:** Hewlett-Packard and Dell are American firms, Sony and Honda are Japanese, and BMW and Daimler are German
- **Trans-National Operations:** an MNC that operates worldwide on a borderless basis
 - More global firms are trying to operate as "**borderless firms**" with worldwide presence, and without being identified with one national home
- Executives of transnationals view the entire world as their domain for acquiring resources, locating production facilities, marketing goods and services, and communicating brand image
- They seek total integration of global operations, try to operate across borders without home-based prejudices, make major decisions from a global perspective, distribute work among world-wide points of excellence, and employ senior executives from many different countries

Host-Country Issues

- **Benefits** → large tax bases, increased employment opportunities, technology transfers, introduction of new industries, and development of local resources
- **Costs** → complaints that MNCs extract excessive profits, dominates the local economy, interferes with the local government, do not respect local customs and laws, fail to help domestic firms develop, hire the most talented of local personnel, and fail to transfer their most advanced technologies



Home-Country Issues

- Even as many global firms try to operate as transnationals, home-country governments and citizens still tend to identify them with local and national interests
- They also expect the global firms to act as good domestic citizens
- Whenever a global business cuts back home-country jobs, or closes a domestic operation in order to shift work to lower-cost international destinations, the loss is controversial
- Corporate decisions-makers are likely to be called upon by government and community leaders to reconsider and give priority to domestic social responsibilities
- Other home-country criticisms of global firms include sending scarce investment capital abroad and engaging in corrupt practices in foreign settings

Ethics Challenges for Global Managers

- Canada is regarded as one of the least corrupt countries in the world, there are many places that are not as transparent nor as ethical

(I) Corruption

- **Corruption:** involves illegal practices to further one's business interests
 - A source of continuing controversy in any setting, international or domestic
- Bribery and other forms of corruption can pose significant challenges as global managers travel the world
- Canada and the United States have similar **anti-bribery laws** making it illegal for domestic firms and their managers to engage in corrupt practices with foreign officials
 - **Foreign Corrupt Practices Act** → U.S.

(II) Child Labour and Sweatshops

- **Child Labour:** the full-time employment of children for work otherwise done by adults
 - Remains one of the major ethics issues and challenges in international business
 - **Example:** a frequent target for activist groups is the use of child labour to manufacture handmade carpets in countries such as India and Pakistan → initiatives include the **Rugmark Foundation** to discourage purchases of carpets that do not carry its label → earned by a certification process to guarantee that a carpet manufacturer does not use illegal child labour

- **Sweatshops:** employ workers at very low wages for long hours and in poor conditions
 - o Networks of outsourcing contracts are now common as manufacturers follow the world's low-cost labour supplies

(III) Sustainable Innovation

- Consumers want products and economic development that comes from using environmental resources – everything from timber, to iron ore and minerals, to oil and water
- **How do we satisfy the needs of the present without sacrificing the welfare for future generation?**
- **Sustainable Development:** meeting the needs of the presents without hurting future generations
 - o For a firm to fulfill a commitment to sustainable development, its executives must lead in ways that demonstrate stewardships in protecting the natural environment and preserving its resources for the future
 - **Example:** DeBeers, Rio Tinto, Newmont

Culture and Global Diversity

- **Culture:** a shared set of beliefs, values, and patterns of behaviour common to a group of people
- **Culture Shock:** the confusions and discomfort a person experiences when in an unfamiliar culture

Culture Shock: Stagnant in Adjusting to a New Culture

1. **Confusion** – first contacts with the new culture leave you anxious, uncomfortable and in need to information and advice
2. **Small Victories** – continued interactions bring some “successes,” and your confidence grows in handling daily affair
3. **The Honeymoon** – a time of wonderment, cultural immersion, and even infatuation, with local way viewed positively
4. **Irritation and Anger** – a time when the “negatives” overwhelm the “positives” and the new culture becomes a target of you criticism
5. **Reality** – a time of rebalancing → you are able to enjoy the new culture while accommodating its less desirable elements

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

Cultural Intelligence

- **Cultural Intelligence:** the ability to accept and adapt to new cultures
- People with high cultural intelligence have high cultural self-awareness and are flexible in dealing with cultural differences
- In cross-cultural situations, they are willing to learn from what is unfamiliar; they modify their behaviours to act with sensitivity to another culture's ways
- Someone high in cultural intelligence views cultural differences not as **threats**, but as **learning opportunities**
- This personal quality is a good indicator of someone's capacity for success in international assignments and in relationships with persons of different cultures

Silent Languages of Culture

- The capacities to listen, observe, and learn are building blocks of cultural intelligence
- These skills and competencies can be developed by better understanding called the “silent” language of culture → Edward T. Hall

(I) Context

- **Low-Context Cultures:** emphasize communication via spoken or written words
 - o Common in the United States, Canada, and Germany

- **We say what we mean, and we mean what we say**
- **High-Context Cultures:** rely on nonverbal and situational cues as well as on spoken or written words in communication
 - **What is said or written may convey only part, and sometimes a very small part, of the real message**
 - The rest must be interpreted from nonverbal signals and the situation as a whole (including body language, the physical setting, and even past relationships among people involved)
 - **Example:** social gatherings in high-context cultures like Thailand and Malaysia are ways for potential business partners to get to know one another → only after the relationships are established and a context for communication exists is it possible to make business deals

(II) Time

- **Monochronic Culture:** people tend to do one thing at a time
 - **Example:** in the United States, most business people schedule a meeting for one person or group to focus on one issue for an allotted time → if someone arrives late or bring an extra guest, Americans tend not to like it
- **Polychronic Culture:** time is used to accomplish many things at once
 - They often try to work on many different things at once, perhaps not in any particular order
 - **Example:** a Canadian visitor (from a monochronic culture) to an Egyptian client (in a polychronic culture) may be frustrated by continued interruptions as the client greets and deals with people flowing in and out of his office

(III) Space

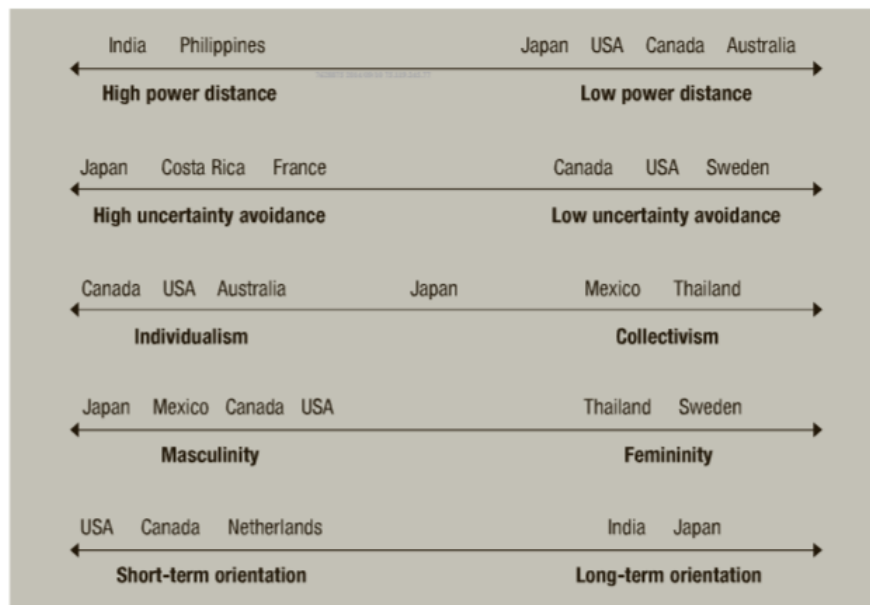
- **Proxemics:** how people use space to communicate
 - **Example:** in North America, people value their own space (as much space as we can get) → big homes, big offices, and big yards | in Japan, space is precious and is carefully planned and respected → small, tidy homes, offices, and shops are the norms → gardens are small but immaculate

Tight and Loose Cultures

- *The nail that sticks up will be hammered down* – Asian Proverb
- *The squeaking wheel gets the grease* – American Idiom
 - Two different says, two different cultures → what are their implications?
 - Picture young children listening to parents and elders as they offer these words of wisdom
 - One child grows up being careful not to speak out, stand out, or attract attention
 - The other grows up trying to speak up and stand out in order to get attention
- “The strength of social norms and degree of sanctioning within societies”
- Two things are at issue in the definition above:
 - (1) the strength of norms that govern social behaviour
 - (2) the tolerance that exists for any deviations from the norms
- In **tight cultures** (i.e., Korean, Japan, or Malaysia) social norms are strong and clear
 - People know the prevailing norms and let them guide their behaviour
 - They self-govern and try to conform
 - They also understand that any deviations are likely to be noticed, discouraged, and even sanctioned
 - The goal of tight cultures is to fit in with society’s expectations and not stand out
- In **loose cultures** (i.e., Australia, Canada, or United States) social norms are mixed and less clear cut
 - People may be more or less concerned with them
 - Conformity will vary a good deal

- Deviations from norms tend to be tolerated unless they take the form of criminal behaviour or reach toward the extremes of morality
- It is acceptable for individuals to loose cultures, to show unique identities and express themselves independent from the masses
- It can be challenging to go from a tight to a loose culture, or vice-versa, for travel or work
- This calls for lots of cultural awareness to understand differences and a similar amount of self-management to handle differences well
- A mix of cultural tightness and looseness on a cross-cultural team may result in soft or unstated conflict and missed performance opportunity
 - Members from tight cultures may be slow to volunteer, criticize, show emotion, or seek praise
 - They may look toward formal authority for direction while trying to always be on time and prepared
 - Members from loose cultures may be quick to voice opinions, criticize others, display emotions, and look for recognition
 - They may not show much respect for authority and punctuality may be a hit-or-miss proposition
- It take a lot of cultural awareness for a team leader and team member to spot these culturally derived behaviours
- And it take a lot of skill to create a team environment where everyone gets their chance to both contribute to team performance and take satisfaction from the experience

Values and National Cultures



- Geert Hofstede is often considered a benchmark for how cultural differences can influence management and organizational practices
- Hofstede identified five cultural dimensions:
 - **(I)** Power Distance
 - **(II)** Uncertainty Avoidance
 - **(III)** Individualism-Collectivism
 - **(IV)** Masculinity-Femininity
 - **(V)** Time-Orientation
- Hofstede's dimensions offer only a ball park look and he warns about **ecological fallacy**
- **Ecological Fallacy:** assumes that a generalized cultural value applies equally well to all members of the culture

(I) Power Distance

- **Power Distance:** the degree to which a society accepts unequal distribution of power
- In **high-power distance** cultures, such as Japan, there is a great respect for age, status, and titles
 - o People in these cultures tend to be tolerant of power; they are prone to follow orders and accept differences in rank

(II) Uncertainty Avoidance

- **Uncertainty Avoidance:** the degree to which a society tolerates risk and uncertainty
- **Low-uncertainty avoidance** cultures display openness to change and innovation
- **High-uncertainty avoidance** cultures, by contrast, have a preference for structure, order and predictability
 - o Persons in these cultures may have difficulties dealing with ambiguity, tend to follow rules, and prefer structure in their lives

(III) Individualism-Collectivism

- **Individualism-Collectivism:** the degree to which a society emphasizes the individuals and their self-interests
- United States and Canada are high in individualism
- Asia with Confucian cultures are more collective

(IV) Masculinity-Femininity

- **Masculinity-Femininity:** the degree to which a society values assertiveness and materialism → versus feelings, relationships, and quality of life
- High-masculinity countries such as Japan offer very limited career opportunities for women

(V) Time-Oriented

- **Time-Oriented:** the degree to which a society emphasizes short-term or long-term goals
- North American tendencies toward impatience and desire for quick, even instantaneous, gratifications, shown short-term thinking
- Asian cultures are the opposite, displaying more Confucian values or persistence, thrift, patience, and willingness to work for long-term success

Global Management Learning

- The management process (POLC) is as relevant to international operations as to domestic ones
- **Comparative Management:** studies how management practices differ among countries and cultures

Are Management Theories Universal?

- “Are management theories universal?” → NO!
 - o **Example:** Canadian and American place a great deal of emphasis on participation in leaderships → reflects the culture’s moderate stance on power distance; countries with low-power distance (Sweden and Israel) are characterized by even more “democratic” leadership initiatives | France and some Asian countries with higher-power distance scores are comfortable with hierarchy and less concerned with participatory leadership

Cultural Insights from Project GLOBE

- In an effort to integrate and extend insights on cultural influences on management, a team of international researchers led by Robert House convened to study leadership, organizational practices and diversity among world cultures
- They called the effort Project GLOBE → Global Leadership and Organizational Behaviour Effectiveness

- They report that societal culture practices tend to be more similar among countries within a cluster than across them

	Low-score clusters	Mid-score clusters	High-score clusters
Power distance	Nordic Europe	Sub-Saharan Africa	—
Uncertainty avoidance	Latin America	Southern Asia	Germanic Europe
Gender egalitarianism	Middle East	Anglo	Eastern Europe
Future orientation	Eastern Europe	Latin Europe	Nordic Europe
Institutional collectivism	Latin America	Anglo	Confucian Asia
In-group collectivism	Anglo	Latin Europe	Middle East
Assertiveness	Nordic Europe	Confucian Asia	Germanic Europe
Performance orientation	Eastern Europe	Southern Asia	Confucian Asia
Humane orientation	Germanic Europe	Middle East	Sub-Saharan Africa

Global Management Attitudes

- **Ethnocentric Attitudes:** believe the best approaches are found at home and tightly control foreign operations
 - o Ethnocentric managers often fail to respect other practices and people
 - o They are likely to keep tight control over foreign operations and find little to learn from their international counterparts
- **Polycentric Attitudes:** respect local knowledge and allow foreign operations to run with substantial freedom
 - o Yet, polycentric managers often fail to encourage transfers of knowledge and experience between local operations and parent companies, and from one foreign location to the next
- **Geocentric Attitudes:** managers are high in cultural intelligence and take a collaborative approach to global management practices
 - o They tend toward collaborative management approaches that **link** colleagues around the world in vast learning networks rich in ideas, information sharing, and performance opportunities
 - o Their management style is to find, respect, and support the best practices and the best people wherever the world they may be located
 - **Example:** McDonald

Intellectual Competencies

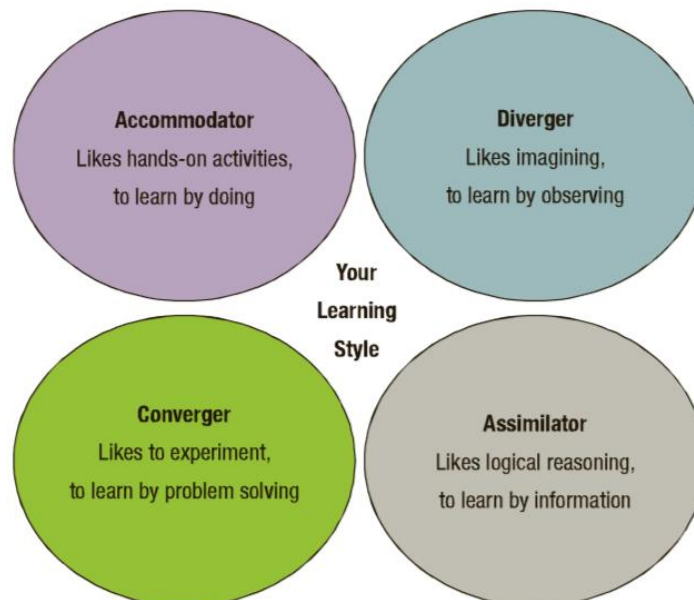
- **Intercultural Competencies:** skills and personal characteristics that help us be successful in cross-cultural situations
- It is a **must-have** for anyone seeking career success as a global managers
- They begin with but add specifics to the notion of cultural awareness
- Rather than just generalize openness to learning about other cultures and sensitivity to different cultural ways, the **focus** is on acting competent when working in another culture or in culturally mixed settings
- It is summarized in three pillars of intercultural competency:

- (1) Perception Management → person must be inquisitive and curious about cultural differences, and be flexible and non-judgemental when interpreting and dealing with situations in which differences are at play
- (2) Relationship Management → person must be genuinely interested in others, sensitive to their emotions and feelings, and be able to make personal adjustments while engaging in cross-cultural interactions
- (3) Self-Management → person must have a strong sense of personal identity, understand their own emotions and values, and be able to stay confident even in situations that call for personal adaptation because of cultural differences

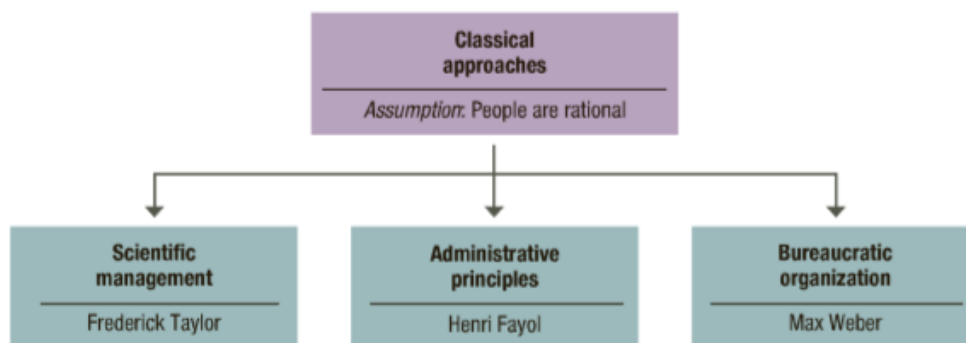
Chapter 2 – Management Learning: Past to Present

Learning Style

- Each of us tends to learn in slight different ways
 - **Example:** some students do well in lecture classes and some do not
- We should recognize and understand them
- Some people learn by watching as well



Classical Management Approaches



- Classical approaches to management all share a **common** assumption: *people at work act in a rational manner that is primarily driven by economic concerns*

- Workers are expected to rationally consider opportunities made available to them and to do whatever is necessary to achieve the greatest personal and monetary gain

(I) Scientific Manage by Frederick Taylor

- “The principal object of management should be to secure maximum prosperity for the employer, coupled with the maximum prosperity for the employee” – Frederick Taylor
- Frederick Taylor is known as the “father” of **scientific management**, which emphasizes careful selection and training of workers and supervisory support
- He advocated the following four principles of scientific management:
 - o 1) Develop for every job a “science” that includes rules of motion, standardized work implements, and proper working conditions
 - o 2) Carefully select workers with the right abilities for the job
 - o 3) Carefully train workers to do the job and give them the proper incentives to cooperate with the job “science”
 - o 4) Support workers by carefully planning their work and by smoothing the way as they go about their jobs
- **Motion Study:** the science of reducing a task to its basic physical motions

Practical Lessons from Scientific Management

1. Make results-based compensation a performance incentive
2. Carefully design jobs with efficient work methods
3. Carefully select workers with the ability to do these jobs
4. Train workers to perform jobs to the best of their abilities

(II) Administrative Principles by Henri Fayol

- Fayol was known to have introduced the “principles” of managerial guiding
- He derived these 14 principles from his own experiences:

Fayol’s Fourteen Principles

1. **Division of Labour** – specialization of work will result in continuous improvements in skills and methods
2. **Authority** – managers and workers need to understand that managers have the right to give orders
3. **Discipline** – behaviour needs to be grounded in obedience and derived from respect; there will be no lacking or bending of rules
4. **Unity of Command** – each employee should have one, and only one, manager
5. **Unity of Decision** – the leader generates a single plan, and all play their part in executing that plan
6. **Subordination of Individual Interests** – while at work, only work issues should be undertaken or considered
7. **Remuneration** – all should receive fair payment for their work; employees are valuable and not simply an expense
8. **Centralization** – while recognizing the difficulties in large organizations, decisions are primarily made from the top
9. **Scalar Chain (line of authority)** – organizations must have clear, formal chains of command running from the top to the bottom of the organization
10. **Order** – there is a place for everything, and all things should be in their place
11. **Equity** – managers should be kind and fair
12. **Personnel Tenure** – unnecessary turnover is to be avoided, and there should be lifetime employment for good workers
13. **Initiative** – undertake work with zeal and energy
14. **Esprit de Corps** – work to build harmony and cohesion among personnel

- Fayol identified the following five “rules” of management, which closely resembles POLC:

Fayol's Five Rules of Management

1. **Foresight** – to complete a plan of action for the future
2. **Organization** – to provide and mobilize 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 to ensure information is shared and problems solved
5. **Control** – to make sure things happen according to plan and to take necessary corrective action

(III) Bureaucratic Organization by Max Weber

- **Max Weber:** bureaucracy promotes efficiency and fairness
 - o Weber was concerned that people were in positions of authority not because of their job-related capabilities, but because of their social standing or “privileged” status
- **Bureaucracy:** is a rational and efficient form of organization founded on logic, order, and legitimate authority
- The defining characteristics of Weber’s bureaucratic organization are:

Weber's Five Characteristics

1. **Clear Division of Labor** – jobs are well defined, and workers become highly skilled at performing them
2. **Clear Hierarchy of Authority** – authority and responsibility are well defined for each position, and each position reports to a higher-level one
3. **Formal Rules and Procedures** – written guidelines direct behaviour and decisions in jobs, and written files are kept for historical record
4. **Impersonality** – rules and procedures are impartially and uniformly applied, with no one receiving preferential treatment
5. **Careers Based on Merit** – workers are selected and promoted on ability, competency, and performance, and managers are career employees of the organization

- **Disadvantages of bureaucracy:**
 - o Excessive paperwork or “red tape”
 - o Slowness in handling problems
 - o Rigidity in the face of shifting customer or client needs
 - o Resistance to change
 - o Employee apathy

Behavioural Management Approaches



- During the 1920s, an emphasis on the human side of the workplace began to influence management thinking
- Major branches in behavioural or human resource approaches to management appeared, they are:
 - o (I) Organization as Communities by Mary Follett
 - o (II) Hawthorn Studies by Elton Mayo
 - o (III) Hierarchy of Human Needs by Abraham Maslow
 - o (IV) Personality and Organization by Christ Argyris
 - o (V) Theory X and Theory Y by Douglas McGregor

(I) Organization as Communities by Mary Follett

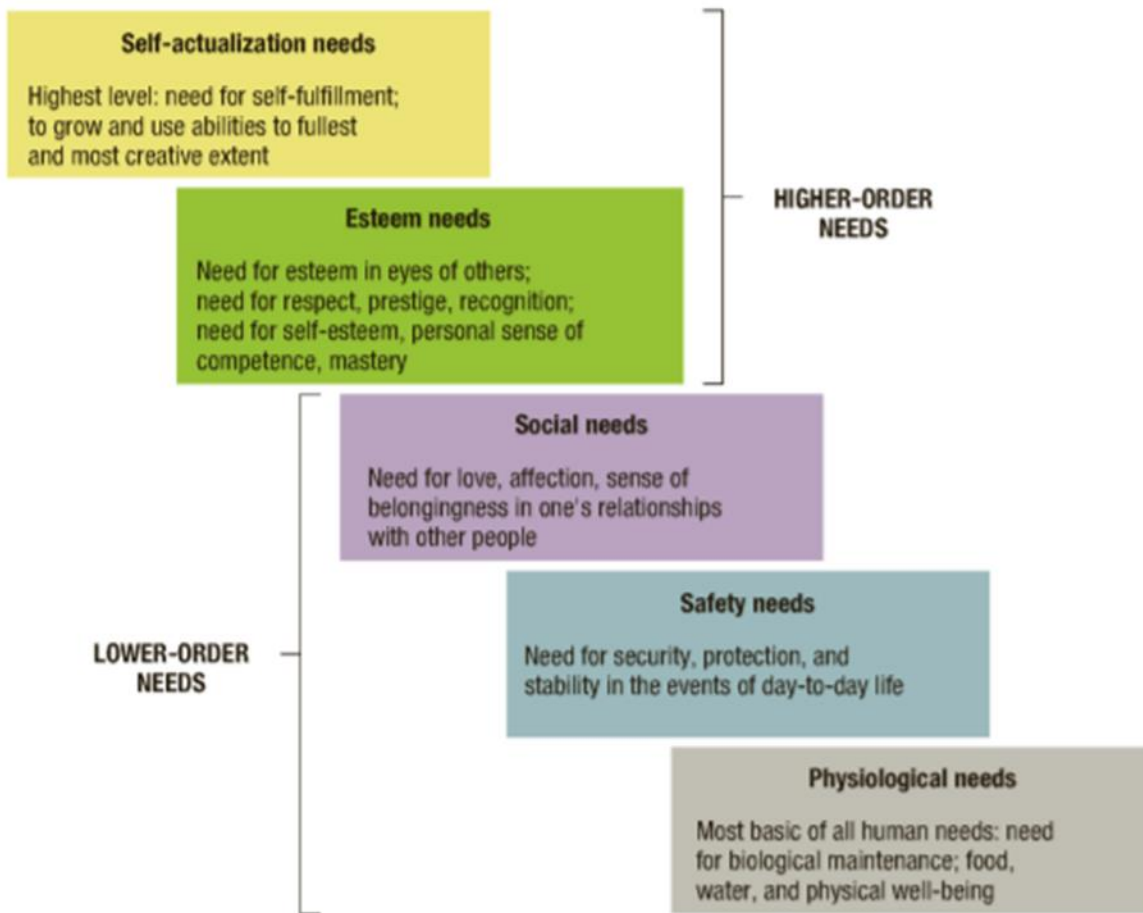
- The main ideas of this theory are:
 - o 1) To view organization as “communities” in which managers and workers should labour in **harmony** without conflicts and differences without one party dominating the other, and with the freedom to talk over and truly reconcile conflicts and differences
 - Groups are mechanisms through which diverse individuals could combine their talents for a greater good
 - o 2) It is the manager’s **responsibility** to help people in organization **cooperate** with one another and achieve an integration of interests
 - o 3) Believed that making every employee an owner in a business would create feelings of collective responsibility
- **Today, we address the same issues under such labels as “employee ownership,” “profit sharing,” and “gain sharing plans”**

(II) Hawthorne Studies by Elton Mayo

- In 1924, the Western Electric Company commissioned a research program to study individual productivity at the Hawthorn Works of the firm’s Chicago plant
- This study found that people’s feelings, attitudes, and relationships with co-workers influence their performance
- The **Hawthorn Effect**: is the tendency of persons singled out for special attention to perform as expected
- This study contributed to the emergence of the **human relations movement**, which influenced management thinking during the 1950s and 1960s
 - o **Human Relations Movement**: suggested that managers using good human relations will achieve productivity
 - This movement set the stage for what evolved into the field of **organizational behaviour**
- **Organizational Behaviour**: the study of individuals and groups in organizations

(III) The Hierarchy of Human Needs by Abraham Maslow

- Maslow’s theory is based on two underlying principles:
 - o 1) Deficit Principle – a satisfied need is not a motivator of behaviour
 - **People act to satisfy “deprived” needs, those for which a satisfaction “deficit exists”**
 - o 2) Progression Principle – the five needs exists in a hierarchy of “prepotency”
 - **A need at any level is activated only when the next-lower-level need is satisfied**



- According to Maslow, people try to satisfy the five need in sequence
- But this is NOT TRUE!!! This hierarchy may not apply to everyone
- **Maslow's theory implies that managers who understand and help people satisfy their important needs are work will achieve productivity**

(IV) Theory X and Theory Y by Douglas McGregor

- McGregor asserted that managers must shift their perspective from Theory X assumptions to Theory Y assumptions
- **Self-Fulfilling Prophecy:** occurs when a person acts in ways that confirms another's expectations
- **Theory X** managers assume that subordinates:
 - o Dislike work
 - o Lack ambition
 - o Are irresponsible
 - o Resist change
 - o Prefer to be led rather than to lead
- **Self-Fulfilling Prophecy:** Theory X managers act in a very direct "command-and-control" → creates situations where workers become dependent and reluctant, only doing what they are told to do
- **Theory Y** managers assume that subordinates are:
 - o Willing to work

- Capable of self-control
- Willing to accept responsibility
- Imaginative and creative
- Capable of self-direction
- **Self-Fulfilling Prophecy:** Theory Y managers tend to act in “participative” ways that allows subordinates more job involvement, freedom, and responsibility → creates situations where workers respond with initiative and high performance

(V) **Theory of Adult Personality by Chris Argyris**

- Argyris’ Theory: **Treat your employees like babies and they will behave like babies**
- **Classical management principles are inconsistent with the mature adult personality:**
 - Some classical management principles such as task specialization, hierarchy of authority, and unity of direction inhibit worker maturation by **discouraging independence, initiative, and self-actualization**
 - Argyris’ advice is to **expand** job responsibilities, allow more task variety, and adjust supervisory styles to allow more participation and promote better human relations
 - He believes that the common problems of employee absenteeism, turnover, apathy, alienation, and low morale may be signs of a **mismatch between management practices and mature adult personalities**

Quality Analysis and Tools

- **Management Science (Operations Research):** use quantitative analysis and applied mathematics to solve problems
- **Operations Management:** the study of how organizations produce goods and services

Organizations as Systems

- **System:** a collection of interrelated parts working together for a purpose
- **Subsystem:** a smaller component of a larger system
- **Open Systems:** interacts with its environment and transforms resource inputs into outputs

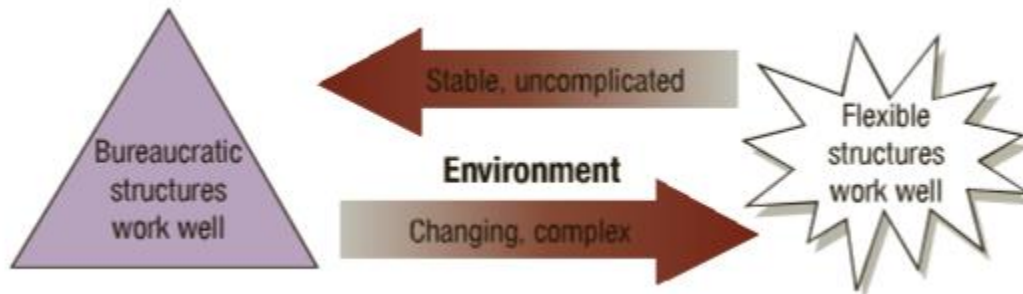


- Operations and service management subsystems centre the transformation process while integrating with other subsystems such as purchasing, accounting, sales, and information

- High performance by the organization occurs only when each subsystem both performs its tasks well and works well in cooperation with others

Contingency Thinking

- Modern management is situation in orientation; that is, it attempts to identify practices that are best fit with demands of unique situations
- **Contingency Thinking:** tries to match management practices with situational demands
- There is no expectation that one can or should find the “one best way” to manage in all circumstances
- Rather, contingency perspectives tries to help managers understand situational differences and respond to them in ways appropriate to their unique characteristics



- Its implications extend to all of the management functions – from planning and controlling for diverse environmental conditions, to organizing for different strategies, to leading in different performance situations

Quality Management

- **Total Quality Management (TQM):** is managing with an organization-wide commitment to continuous improvement, product quality, and customer needs
 - Most TQM approaches begin with an insistence that the total quality commitment applies to everyone and everything in an organization – from resource acquisition and supply chain management, through production and into distribution of finished goods and services, and ultimately to customer relationship management
- **Continuous Improvement:** always searching for new ways to improve work quality and performance
 - One can never be satisfied; something always can and should be improved upon
- **ISO Certification:** indicated conformity with a rigorous set of international quality standards
 - Businesses that want to compete as “world-class companies” are increasingly expected to have ISO certification at various levels

Knowledge Management and Organizational Learning

- “Knowledge is making itself obsolete” – warning from Peter Druckers
 - Meaning: neither organizations or people can afford to rest their laurels → future success will be earned only by those who continually build and use knowledge to the fullest extent possible
- **Knowledge Management:** the process of using intellectual capital for competitive advantage
 - Example of intellectual capital:
 - Patents
 - Intellectual property rights
 - Trade secrets
 - Special processes and methods
 - The accumulated knowledge and understanding of the entire workforce

- **Learning Organization:** continually changes and improves, using the lessons of experience
- According to Peter Senge, the core ingredients of a learning organization are the following:
 - o **Mental Models:** everyone sets aside old ways of thinking
 - o **Personal Mastery:** everyone becomes self-aware and open to others
 - o **Systems Thinking:** everyone learns how the whole organization works
 - o **Shared Vision:** everyone understands and agrees to a plan of action
 - o **Team Leading:** everyone works together to accomplish the plan

Evidence-Based Management

- **High-Performance Organizations:** consistently achieves excellence while creating a high-quality work environment
- They are usually:
 - o **People Oriented:** they value people, respect diversity, empowerment, high employee involvement
 - o **Team Oriented:** achieve synergy through teamwork, teams are self-directing
 - o **Information Oriented:** they mobilize the latest information technologies to link people and information for creative problem-solving
 - o **Achievement Oriented:** focused on customer and stakeholder needs; committed to quality operations and continuous improvement
 - o **Learning Oriented:** an internal culture that respects and facilitates learning, innovation, and constructive change
- **Evidence-Based Management (EBM):** involves making decisions based on about what really works

Twenty-First-Century Leadership

- The twenty-first-century manager displays these attributes:

<u>Attributes of the 21st Century Manager</u>
1. Global Strategist – understanding the interconnections among nations, cultures, and economies; planning and acting with due consideration of these interconnections
2. Master of Technology – comfortable with information technology, understanding technological trends and their implications, able to use technology to best advantage
3. Inspiring Leader – attracting highly motivated workers and inspiring them with a high-performance culture where individuals and teams can do their best work
4. Model of Ethical Behaviour – acting ethically in all ways, setting high ethical standards for others to follow, building a work culture that values ethics and social responsibility