

COMM 210 **Contemporary Business Thinking**

Dickson Jay
Department of Management

Lecture 2 – Building Successful Organizations

Objectives for Today

- Marshmallow Challenge
- Differentiate between contestable and unproblematic claims
- Identify Chandler's claims & discuss their validity
- Identify Chandler's numerous concepts of his article on industrial success
- Understand and practice the uses of concept maps
- Consider the Samsung case
- Start preparation for the team project

Recommended Learning Approach

- BEFORE THE CLASS:
 - Read the fundamental business theory article. Identify the objective(s) of the article, and make notes of the main concepts.
 - Read the “Dyer” chapter and make notes of the main points. Practice with the textbook exercises.
 - Read the business article(s) and highlight what applies to the theory/concepts of the theory and to the Dyer’s readings

Sharpen Your Analytical Skills

- Critical thinking = Analyzing the validity of arguments presented in a text
 - *Identify the author’s major conclusions*
 - Describe & evaluate supporting evidence
 - Uncover assumptions & values
 - Determine soundness of causal logic
 - Deconstruct use of persuasive language

CLAIMS

Identify The Author's Claims

- A claim is the major conclusion of a piece of writing that the author is trying to persuade you to accept
- Explicitly or implicitly stated
- Likely locations
- Cue words: therefore, thus, in summary, I believe that, clearly, in short (...)

Identify The Author's Claims

- Unproblematic claims
 - Consistent with our own experiences and observations
 - Facts independent of interpretation
 - Agreement among experts or strongly supported general claims that are common sense
 - Technical or mathematical claims

Identify The Author's Claims

- Contestable claims
 - Not commonly accepted knowledge
 - Often introduce new ideas that awaken curiosity
 - Sometimes presented as if it were a fact
 - Cannot stand on their own

Identify The Author's Claims

A once-uncontested claim can be re-examined in later years!

Samsung: The next big bet

- Review the first paragraph on page 2 of the Samsung article (“The handsome payoffs....”)
 - Summarize the information in a claim
 - Is this a debatable claim?

Identify The Author's Claims

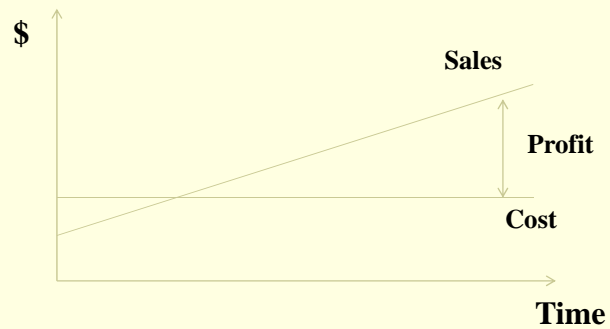
- Presenting claims
 - Intelligible and fair summary
 - Concept lists & concept maps
- Claim: "If sales increase with time, while cost is constant, then profits increase."
- Can you make a concept map for this claim?

Identify The Author's Claims

- What are Concept Maps?
 - "Concept maps are a compact way of summarizing complex material." (Dyer, 2011)
 - "A picture, the say goes, is worth a thousand words." (Dyer, 2011)
 - Concept maps may be simple boxes-and-arrows figures that highlight the main issues and show relationships. They may look like tree diagrams, geographical maps, or other creative images that summarize the author's main point." (Dyer, 2011)

Identify The Author's Claims

- Claim: "If sales increase with time, while cost is constant, then profits increase."
- Potential Concept map:



Identify The Author's Claims

- Writing effectively
 - Present main ideas with clarity and emphasis
 - Claim near the beginning or end
 - Cue words
 - Make your titles work for you
 - Make claim memorable for your readers



Alfred Chandler (1918-2007)
Credited with creating the field of business history
According to one of his students,
Dr Chandler could "explain the sea to the fish who swim in it."

Two Key Concepts

- Economies of scale:
Large plants can produce products at a much lower cost than small ones because the cost per unit drops as the volume of output rises
- Economies of scope:
Large plants can use many of the same raw and semi-finished materials and intermediate production processes to make a variety of different products

Size is not all that matters !!!
Flow of materials must be kept constant

Chandler's Major Claims

But for firms to benefit from these economies:

- Flow of materials must be kept constant
- National (and international) marketing and distribution functions must be created
- Teams of lower and middle managers need to be recruited

First movers need to invest in Innovation and Strategy (R&D)

Chandler's Secondary Claims

- Once a firm loses the opportunity to be a first mover, it is difficult to regain competitive advantage
- Entrepreneurial companies that do not make investments to create organizational capabilities cannot achieve long-term success

Chandler's Secondary Claims

- Growth through unrelated diversification is a poor corporate strategy
- Business ownership patterns have diminished the likelihood of many firms' long-term success

Chandler: Concept List

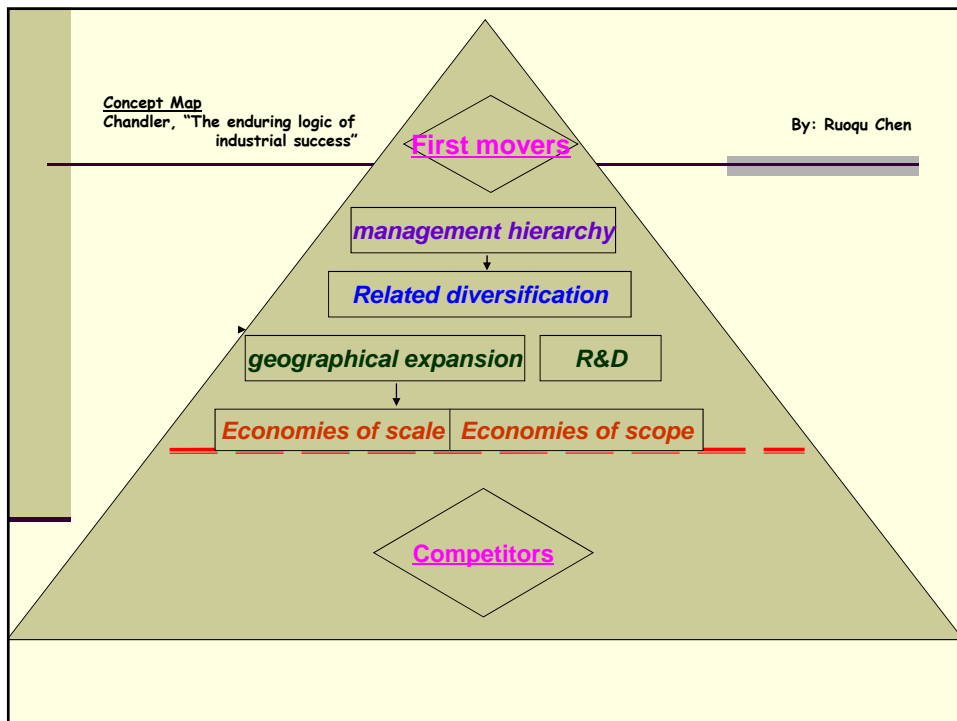
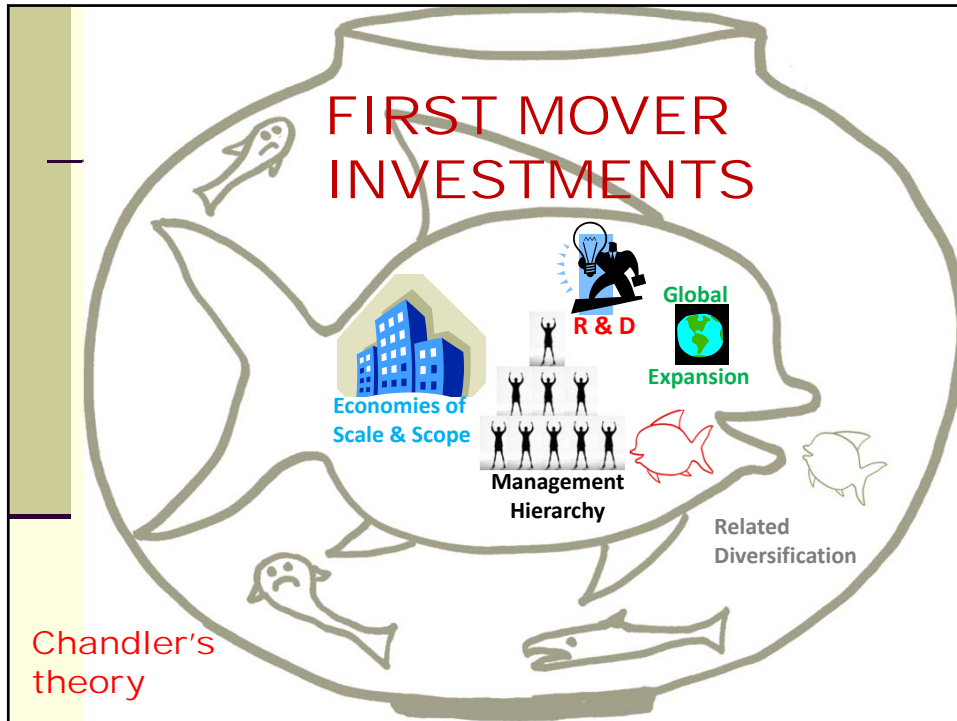
- Economies of scale & economies of scope
- Functional divisions, management hierarchy & geographical expansion
- First movers & challengers
- Research & development (innovation)
- Related & unrelated diversification
- Separation of top and middle managers (in the case of unrelated diversification)
- Entrepreneurial enterprise (staying small)
- Stock market pressure (due to ownership pattern)
- Short-term thinking (due to market pressure)

Samsung: The next big bet

- Is the Samsung case consistent with Chandler's ideas?
 - First movers
 - Related diversification
 - Economies of scale
 - R&D
- Make a claim about what Samsung should do to overcome the challenges ahead

Group Exercise

Complete your concept map of Chandler's ideas



Team Project Overview

1. Select an issue from a list provided
2. Make a specific claim about the issue and find various sources of evidence for this claim (interviews, secondary data)
3. Draw on relevant fundamental business theories read this term (e.g. Chandler, Herzberg, Handy) to support your claim
4. First report of initial ideas due **Week 5**
5. Enhanced report due **Week 8**
6. Final report due **Week 12**
7. Peer evaluation of contribution to the team
8. Details will be posted on Moodle

Team Project Formation

- For the team project, form groups of 4-5 students
- Submit the names of the group members to your professor next class.
- Table format, including:
 - Full name as per student list
 - Student ID
 - Email address.
- If you do not have a team, send me an email and we will find you a team next week

Preparation for Week 3

- Submit the group names for team project
- Readings for next class
 - Textbook (Dyer), **Evidence** (chapter 3)
 - **Greiner: Evolution and revolution as organizations grow**
 - **Aarts: Built for Growth**
 - Team project guidelines posted on **Moodle**
 - Tips for working in teams posted on **Moodle**
- Don't forget to check your mailbox and our class folder on **Moodle**