

Chapter 1- Introducing Management

Management means sets great organizations apart today is that they offer creativity and inspiring leadership and supportive work environments that reward and respect people, allowing their talents to be fully utilized. The themes of the day are “respect”, “participation”, “empowerment”, “involvement,” “teamwork,” and “self-management.” All of this, and more, is what management^{3e} and your management course are about.

Working Today

Lynda Gratton describes the difficult times in which we live and work.

Talent: what they know, what they learn, and what they do with it are ultimate foundations of organizational performance.

Intellectual Capital is the collective brainpower or shared knowledge of workforce. (Intellectual Capital=competency x commitment.)

Today workplaces are dominated by knowledge workers. A person whose minds is critical asset to employers.

Diversity: the term workforce diversity describes the composition of a workforce in terms of differences among people according to gender, age, race, ethnicity, religion, sexual orientation, and able-bodiedness.

Although our society is diverse, diversity issues in employment are not always handled very well. Prejudice, or the holding of negative, irrational opinions and attitudes regarding members of diverse populations, sets the stage for diversity bias. Prejudice becomes active discrimination when visible minority members are unfairly treated and denied the full benefits of organizational membership. A person who thinks that way is known as a glass ceiling effect where an invisible barrier limits career advancement of women and minorities.

Globalization: the worldwide interdependence of resource flows, product markets, and business competition. 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.

Technology: Technology continually tests our talents. Technology also added great flexibility to work arrangement, allowing people to telecommute work from home, and maintain mobile offices while working in non-traditional ways and free from the constraints of the normal 9 - to - 5.

Ethics: A code of moral principles that set standards of what is “good” and “right” as opposed to “bad” and “wrong” in the conduct of a person or group.

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

The Shamrock Organization:

1. Independent contractors
2. Full-Time Core Workers
3. Part-Time Temporaries.

According to the Shamrock's three leaves for Handy it means being a portfolio worker, someone who always has the skills needed to readily shift jobs and even careers.

Organizations

1.1 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?

An organization is a collection of people working together to achieve a common purpose. Organizations provide useful goods and/or services that return value to society and satisfy customer needs. An organization share a broad purpose to provide goods or services of value to customers and clients.

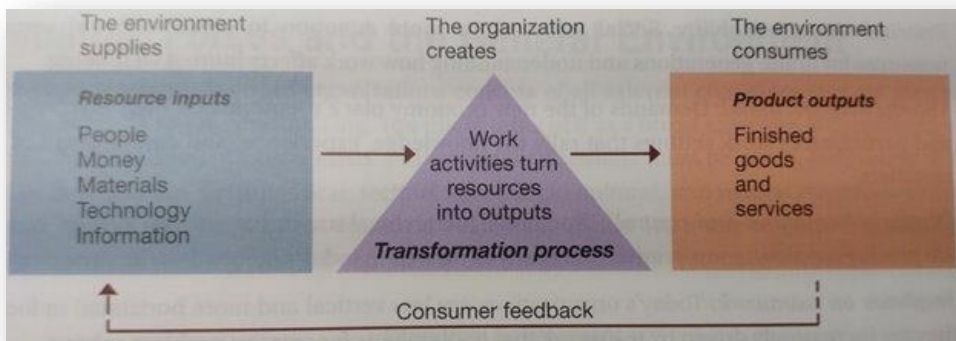
Organizations as systems

Are open systems that interact with their environments in the continual process of obtaining resource inputs and the transforming them into outputs in the form of finished goods and services for their customers. Composed of interrelated parts that function together to achieve a common purpose.

Workplace changes that provide a context for studying management

- Priorities on sustainability, Valuing human capital, Demise of "command-and-control", Emphasis on teamwork, Preeminence of technology importance of networking, New workforce expectations, Focus on speed.

Check Figure 1.2 (Page 13)



Organizational Performance

If operations add value to the original cost of resource input;

1. A business organization can earn a profit that sell a product for more than the cost of making it
2. A non-profit organization can add wealth to society that provide a public service that is worth more than its cost.

An organization performing well overall is call productivity which is the quantity and quality of work performance, with resource utilization considered.

Figure 1.3 (page 13)

Demonstrate productivity involves 2 common performance measures such as Effectiveness and Efficiency.

Performance Effectiveness is an output measure of task or goal accomplishment.

Performance Efficiency is an input measure of the resource coast associated with goal accomplishment.

Changing Nature of Organizations

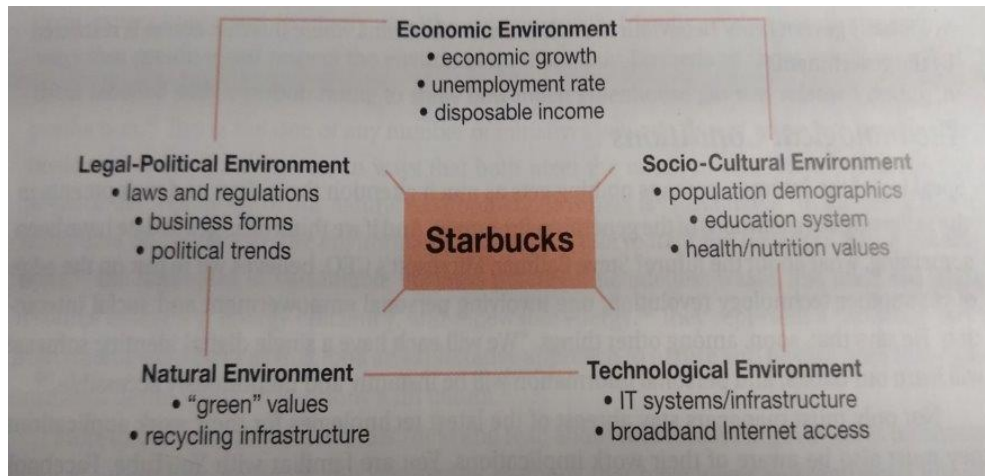
- Priorities on sustainability
- Valuing human Capital
- Demise of “command-and-control”
- Emphasis on teamwork
- Pre-eminence of technology
- Important of networking
- New workforce expectations
- Focus on speed

Organizational Environment

Dynamic Forces and the General Environment

The general environment is composed of economic, legal-political, technological, socio-cultural, and natural environment conditions.

Figure 1.4 (page 15) - Sample genral environment conditions faced by firms like Starbucks.



Economic Conditions

Managers must be concerned about economic conditions in the general environment, particularly those that influence customer spending, resource supplies, and investment capital.

Legal- Political Conditions

Managers must stay abreast of developments in legal-political conditions as represented by existing and proposed laws and regulations, government policies, and the philosophy and objectives of political parties.

Issues of the Internet censorship is the deliberate blockage and denial of public access to information posted on the internet.

Technological Conditions

Not only must managers stay abreast of the latest technologies for their work applications, they must also be aware of their work implications.

Socio-Cultural Conditions

The socio-cultural conditions of a society or region take meaning as norms, customs, and social values on such matters as ethics, human rights, gender roles, and lifestyles. Include environmental trends in education and related social institutions, as well as demographic patterns.

Natural Environment Conditions

“green” is certainly an issue in our communities.

Sustainable business both meets the needs of customers and protects the well-being of our natural environment.

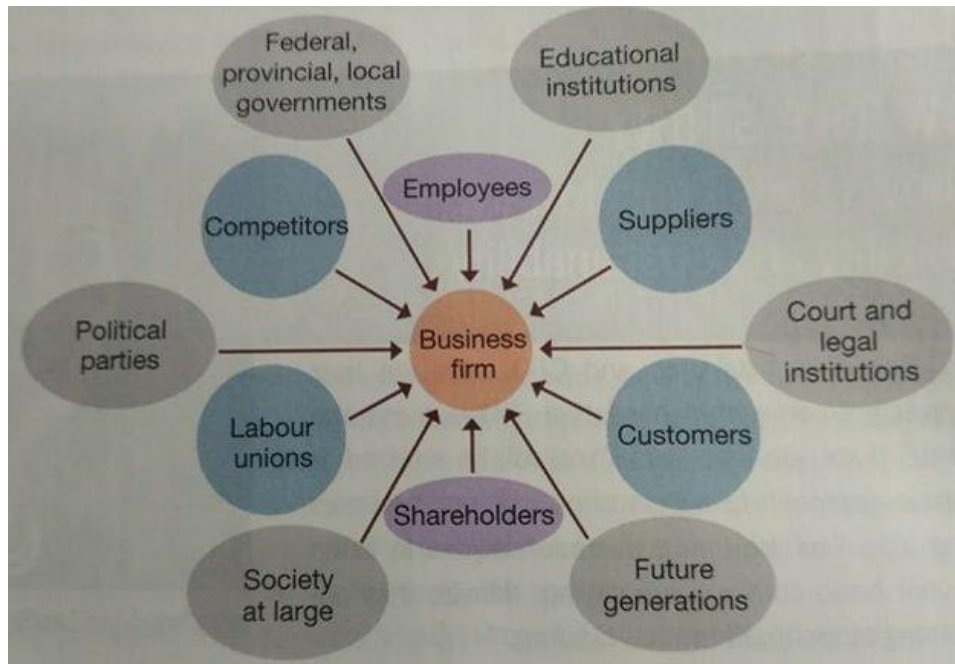
Sustainable innovation creates new products and production methods that have reduced environmental impact. Found in areas like energy use, water use, packaging, waste management, and transportation practices, as well as in product development.

Stakeholders and the Specific Environment

The specific environment, or task environment, includes the people and groups with whom an organization interacts.

Members of the specific environment are often described as stakeholders are the persons, groups, and institutions directly affected by an organization.

Figure 1.5 (page 18) - Multiple shareholders in the specific or task environment of a typical business firm.



Stakeholder analysis focuses on value creation which is a creation of value for and satisfy needs of stakeholders.

Competitive Advantage

Competitive advantage allows an organization to deal with market and environmental forces better than its competitors.

Core Competency is strength from which a company derives its competitive advantage. Without which a company would not be able to compete.

Strategic positioning occur when an organization does different things or the same things in different ways from its major competitors.

Categories in which it falls into:

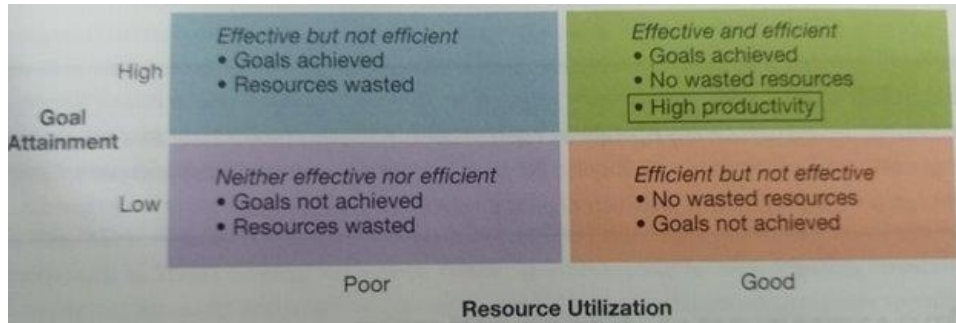
1. Competitive advantage can be achieved through **cost** – finding ways to operate with lower costs than one’s competitors and thus earn profits with prices that competitors have difficulty matching.
2. Competitive advantage can be achieved through **quality** – finding ways to create products and services that are demonstrably and consistently higher quality for customers than what is offered by one’s competitors.
3. Competitive advantage can be achieved 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 way that are difficult for one’s competitors to match.

Environmental Uncertainty

As managers pursue competitive advantage in dealing with opportunities and threats in the external environment, decision-making is often complicated by uncertainty. **Environmental uncertainty** means that there is a lack of complete information regarding what exists and what development may occur.

Figure 1.6 - Dimension of uncertainty in the external environments of organizations



Because of uncertainty, organization must be able to respond quickly as new circumstances arise and new information becomes available.

Organizational Effectiveness

Organizational effectiveness is sustainable high performance in using resources to accomplish a mission.

Figure 1.7 - Approaches to organizational effectiveness



Performance Effectiveness: an output measure of task or goal accomplishment

Ex: daily production tangent in terms of quantity and quality

Performance Efficiency: an input measure of resource cost associated with goal accomplishment

Ex: minimum cost in materials and labour

System resources approach: looks at the input side and defines organizational effectiveness in terms of success in acquiring needed resources from the organization's environment

Internal process approach: looks at the transformation process and defines an organizational effectiveness in terms of how efficiently resources are utilized to produce goods and services

Goal approach: looks at the output side and defines organizational effectiveness in terms of how to measure achievement of key operating objectives

Strategic constituencies approach: looks at the external environment and defines organizational effectiveness in terms of the organizations' impact on key stakeholders and their interests

Managers in The New Workplace

This chapter opened with an emphasis on people, along with their talents and intellectual capital, as key foundations of organizational success.

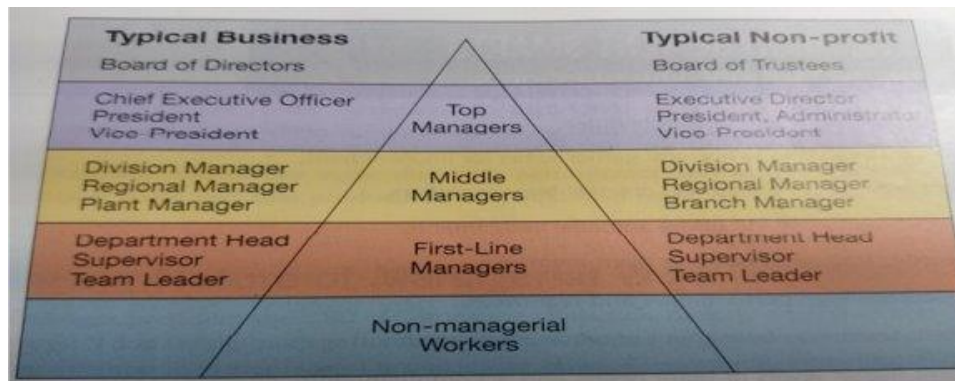
What Is a Manager?

Found in all organizations. Peter Drucker described their job as "to make work productive and workers effective call managers known as a person who supports, activates, and is responsible for the work of others.

Levels of Managers

Top managers are responsible for the performance of an organization as a whole or for one of its larger parts. They also create and communicate long-term vision and ensure that strategies and objectives are consistent with the organization's purpose and mission. A top manager should be future-oriented, strategic thinkers capable of making decisions under competitive and uncertain conditions.

Figure 1.8 - Management levels in typical business and non-profit organizations.



Middle managers oversee the work of large departments or divisions. They work with top managers and coordinate with peers to develop and implement action plans to accomplish organization objectives.

Team leaders report to middle managers and supervise non-managerial workers. People serving in team leader positions create the building blocks for organizational performance.

Types of Managers

1. Line managers directly contribute to producing the organization's goods or services.

Ex. The president, retail manager, and department supervisors of a local department store all have line responsibilities.

2. Staff managers use special technical expertise to advise and support line workers.
3. Functional managers are responsible for one area, such as finance, marketing, production, personal, accounting, or sales.
4. General managers are responsible for complex, multifunctional units
5. An administrator is a manager in a public or non-profit organization.

Managerial performance

Accountability is the requirement to show performance results to a supervisor.

- An **effective manager** helps others achieve high performance and satisfaction at work.
- **Quality of work life** is the overall quality of human experiences in the workplace.
- Managers are held accountable for their workers
- A high QWL = fair pay, safe working conditions, room to grow, progress.. Etc.

Changing Nature of Managerial Work

The concept of the upside-down pyramid fits well with Cindy Zollinger's description of her job as a manager and in general reflects the changing nature of managerial work today.

Figure 1.9 - The organization viewed as an upside-down pyramid.

The upside- down pyramid view leaves no doubt that the whole organization is devoted to serving the customer, and the job of managers is to support the workers.

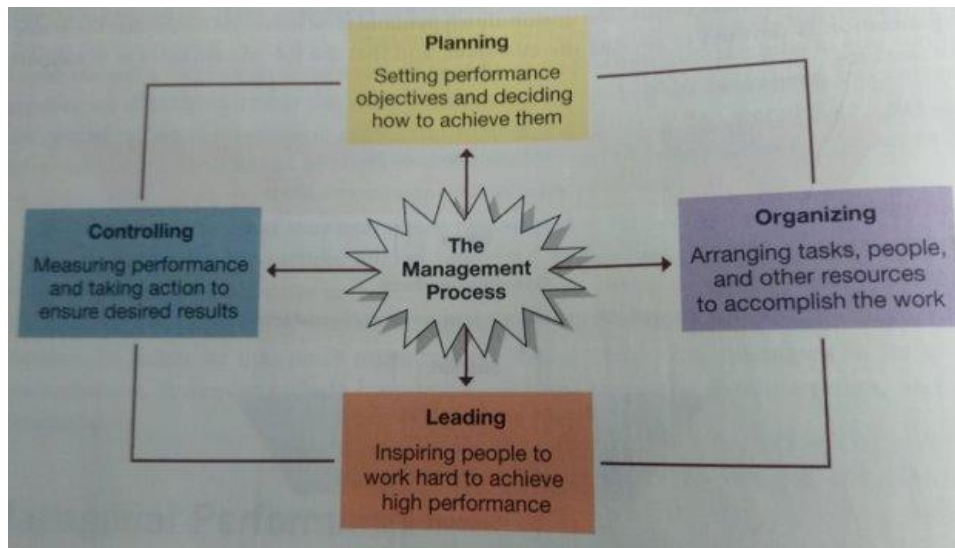
The Management Progress

A manager is a person who supports, activates, and is responsible for the work of others. Every manager's job is to help an organization achieve high performance by best utilizing its human and material resources.

Functions of Management

The process of management involves planning, organizing, leading, and controlling the use of resources to accomplish performance goals.

Figure 1.10 - Four functions of management



- Planning is the process of setting objectives and determining what should be done to accomplish them.
- Organizing is the process of assigning tasks, allocating resources, and coordinating work activities.
- Leading is the process of arousing enthusiasm and inspiring efforts to achieve goals.
- Controlling is the process of measuring performance and taking action to ensure desired results.

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.

Managerial roles

The roles fall into three categories: informational, interpersonal, and decisional roles.

- Manager's information roles involve the giving, receiving, and analyzing of information.
- Interpersonal roles involve interactions with people inside and outside the work unit.
- Decisional roles involve using information to make decision to solve problems or address opportunities.

Figure 1.11 - Mintzberg's 10 managerial roles

Informational roles	Interpersonal roles	Decisional roles
How a manager exchanges and processes information <ul style="list-style-type: none"> • Monitor • Disseminator • Spokesperson 	How a manager interacts with other people <ul style="list-style-type: none"> • Figurehead • Leader • Liaison 	How a manager uses information in decision-making <ul style="list-style-type: none"> • Negotiator • Disturbance handler • Resource allocator • Entrepreneur

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.

Without any doubt, managerial work is busy, demanding and stressful for all levels of responsibility in any work setting. They are also intellectually challenging and personally and financially rewarding.

- Managers work long hours
- Managers work at an intense pace
- Managers work at fragmented and varied tasks
- Managers work with many communication media
- Managers accomplish their work largely through interpersonal relationships

Managerial Agendas and Networks

Agenda setting develops action priorities for accomplishing goals and plans. It's usually incomplete and loosely connected in the beginning, but they become more specific as the manager utilizes information continually gleaned from many different sources.

Networking is the process of creating positive relationships with people who can help advance agendas. It creates social capital which is a capacity to get things done with support and help of others.

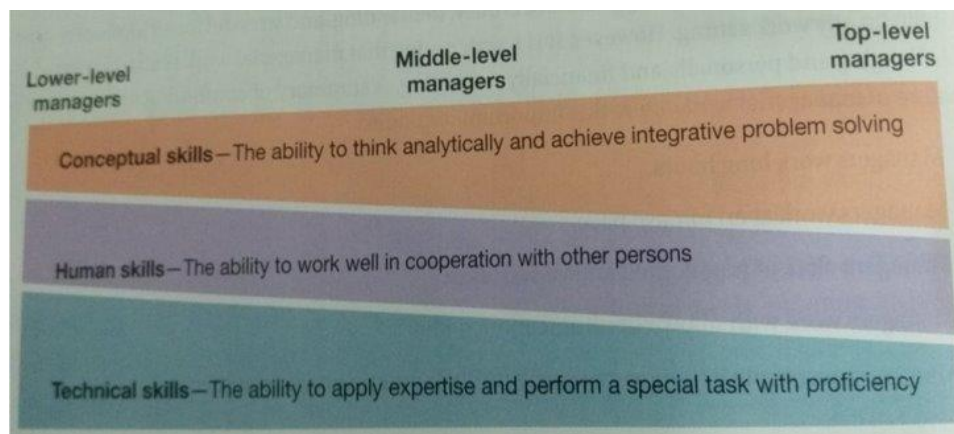
Essential Managerial Skills

Learning is a change in behavior that results from experience. The learning focus is on developing skills and competencies to deal with the complexities of human behavior and problem solving in organizations.

Lifelong learning is continuous learning from daily experiences.

A skill is the ability to translate knowledge into action that results in desired performance. Robert L. Katz has classified the essential, or baseline, skills of managers into three useful categories: technical, human, and conceptual.

Figure 1.12 - Katz's essential managerial skills



Technical Skills

Technical skills are the ability to use a special proficiency or expertise to perform a task.

Ex. Accountants, engineers, market researchers, financial planners, and systems analysts

Human and interpersonal skills

The ability to work well in cooperation with other persons is human skill or interpersonal skills. Human skills are consistently important across all the managerial levels.

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. This relates to emotional intelligence which means to have the ability to manage ourselves and our relationships effectively.

Conceptual and Analytical Skills

A conceptual skill is the ability to think analytically to diagnose and solve complex problems.

Developing Managerial Competencies

- Emotional Intelligence: the ability to manage ourselves and our relationships effectively
- As stated before, you need “high touch” and “high concept” to be a manager
- Managerial competency: a skill-based capability for high performance in a management job
- High touch and High concept competencies:
- 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

Management Learning Model

The model initiates learning with the all-important commitment to experience and self-assessment engaging experience and coming to terms with where you presently stand in respect to skills, personal characteristics, and understanding.

Inquiry and reflection are the process of discovering, thinking about, and understanding the knowledge base of management.

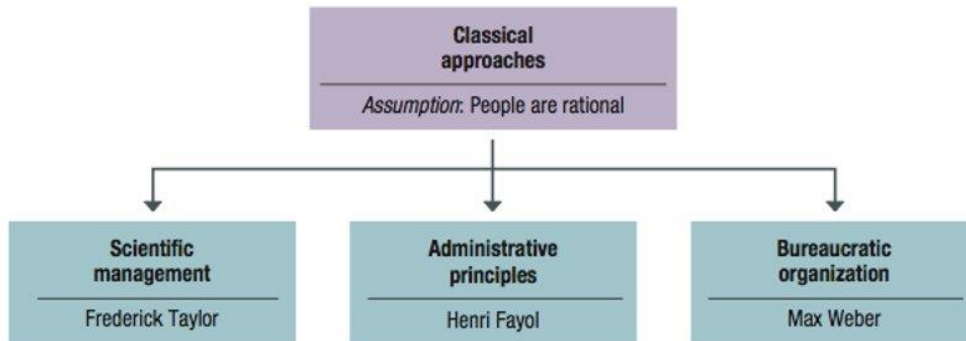
Chapter 2 – Management Learning: Past to Present

Classical Management Approaches

1. Scientific management

2. Administrative principles
3. Bureaucratic Organization

Figure 2.1 - Major branches in the classical approach to management



Classical approaches share a common assumption: people at work act in a rational manner that is primarily driven by economic concerns.

Scientific Management

Frederick W. Taylor made a statement: “The principal object of management should be to secure maximum prosperity for the employer, coupled with the maximum prosperity for the employee.”

Scientific management emphasizes careful selection and training of workers and supervisory support.

1. Develop for every job a “science” that includes rules of motion, standardized work implements, and proper working conditions.
2. Carefully select workers with the right abilities for the job.
3. Carefully train workers to do the job and give them the proper incentives to cooperate with job “science.”
4. Support workers by carefully planning their work by smoothing the way they go about their jobs.

Motion study is the science of reducing a task to its basic physical motions. This is very important as the people who came after Taylor used this with management tools to simplify and create more production in numerous cases

Lessons learnt from Scientific Management:

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

Administrative Principles

Henry Fayol identified 14 principles of management of organizations and of the people within them.

1. Division of Labour
2. Authority
3. Discipline
4. **Unity of Command** - each person should receive orders from only one boss.
5. **Unity of Direction** - one person should be in charge of all activities with the same performance objective.
6. Subordination of Individual Interests
7. Remuneration
8. Centralization
9. **Scalar Chain** - there should be a clear and unbroken line of communication from the top to the bottom of the organization.
10. Order
11. Equity
12. Personnel Tenure
13. Initiative
14. Esprit de corps

Fayol identified the following five rules or duties of management

1. Foresight
2. Organization
3. Command
4. Coordination
5. Control

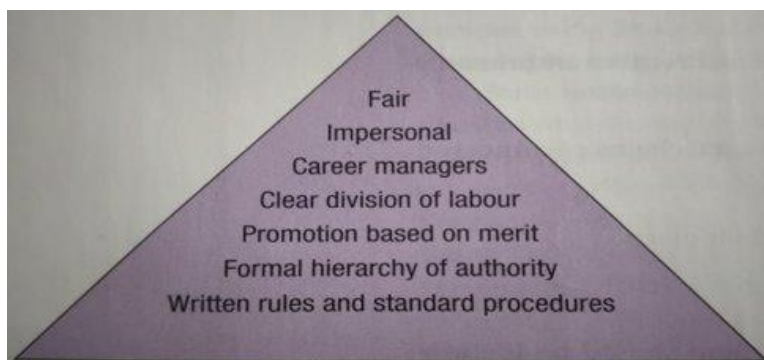
Bureaucratic Organization

Max Weber focus on bureaucracy a rational and efficient form of organization found on logic, order, and legitimate authority.

The defining characteristics of Weber's bureaucratic organization are as follows:

- Clear division of labour
- Clear hierarchy of authority
- Formal rules and procedures
- Impersonality
- Careers based on merit

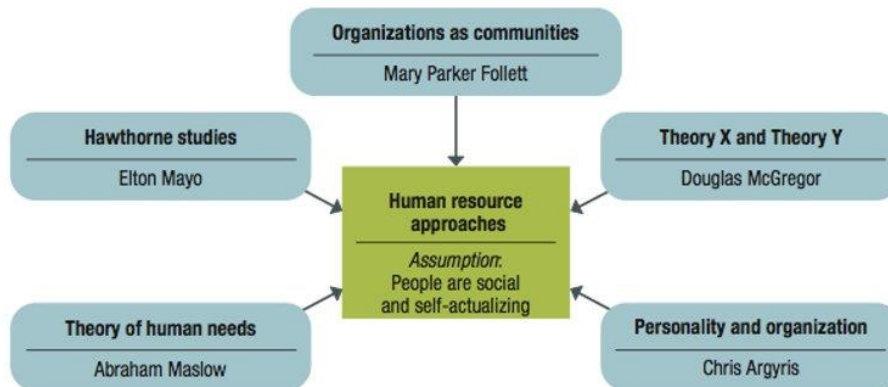
Figure 2.2 - The Classic Bureaucracy



Behavioral Management Approaches

The human side of the workplace began to influence management thinking.

Figure 2.3 - Foundations in behavioral or human resource approaches to management



Follett's Organizations as Communities

Mary Parker Follett was part of an important transition from classical thinking into behavioral management.

Follett views organizations as “communities” in which managers and workers should labour in harmony without one party dominating the other, and with the freedom to talk over and truly reconcile conflicts and differences.

Follett’s emphasis on groups and her commitment to human cooperation are still highly relevant themes today. They are address as the same issues under such labels as “employee ownership,” “profit sharing,” and “gain sharing plans.”

Groups and human cooperation:

- Groups are mechanisms through which individuals can combine their talents for a greater good.
- Organizations are cooperating “communities” of managers and workers.
- Manager’s job is to help people in the organization cooperate and achieve an integration of interests.

The Hawthorne Studies

Research program to study individual productivity at the Hawthorne Works of the firm’s Chicago plant. An initial focus was on the level of illumination in the manufacturing facilities; it seemed reasonable to expect that better lighting would improve performance.

Relay Assembly Test- Room Studies

Harvard's Elton Mayo set out to examine the effect of worker fatigue on output. Mayo and his colleagues concluded that the new “social setting” created for workers in the test room accounted for the increased productivity.

- 1) Pleasant social atmosphere
- 2) Everyone was given more information and made to feel important

Employee Attitudes, Interpersonal Relations, and Group Processes

Final Hawthorne study found that people would restrict their output in order to avoid the displeasure of the group, even if it meant sacrificing pay that could otherwise be earned by increasing output.

Lessons of the Hawthorne Studies

The Hawthorne studies are criticized for poor research design, weak empirical support for the conclusions drawn, and the tendency of researchers to overgeneralize their findings. The studies helped shift managers and researchers away from the technical and structural concerns of the classical approach and toward social and human concern as key to productivity.

Elton Mayo found that people actually produce less input if it will affect how the group sees them, group influence is a big factor. Hawthorn’s studies helped shift managers thoughts less from surrounding and more towards human behaviour, relationships, groups...etc.

The Hawthorne effect is the tendency of person singled out for special attention to perform as expected.

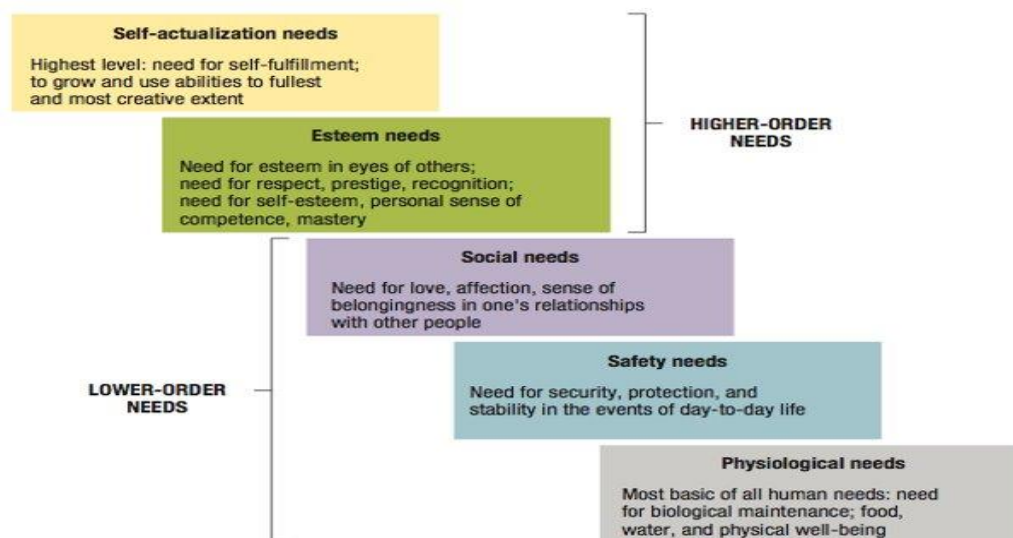
The Human relations movement suggested that managers using good human relations will achieve productivity.

Organizational behaviour is the study of individuals and group in organizations.

Maslow’s Theory of Human Needs

Abraham Maslow in the area of human “needs” has had a major impact on management. A need is a physiological or psychological deficiency that a person wants to satisfy.

Figure 2.4 - Maslow’s hierarchy of human needs



Two principles:

1. Deficit principle is a satisfied need is not a motivator of behaviour.

2. Progression principle are the five needs exist in a hierarchy of “prepotency” meaning a need of any level is only activated once previous level has been accomplished.

McGregor's Theory X and Theory Y

McGregor talks about managers to shift their view of human nature away from a set of assumptions he called “Theory X” and toward ones he called “Theory Y.”

Managers holding Theory X assumption approach their jobs believes that those who work for them generally dislike work, lack ambition, are irresponsible, are resistant to change, and prefer to be led rather than to lead. (Inappropriate thinking)

Theory Y assumptions in which the manager believes people are willing to work, capable of self-control, willing to accept responsibility, imaginative and creative, and capable of self-direction.

Managers who holds either set of assumptions can create self-fulfilling prophecies occurs when a person acts in ways that confirm another’s expectations.

Argyris's Theory of Adult Personality

Chris Argyris reflect the belief in human nature advanced by Maslow and McGregor. Argyris contrasts the management practices found in traditional and hierarchical organizations with the needs and capabilities of mature adults.

Those influenced by the classical management approaches, are inconsistent with the mature adult personality.

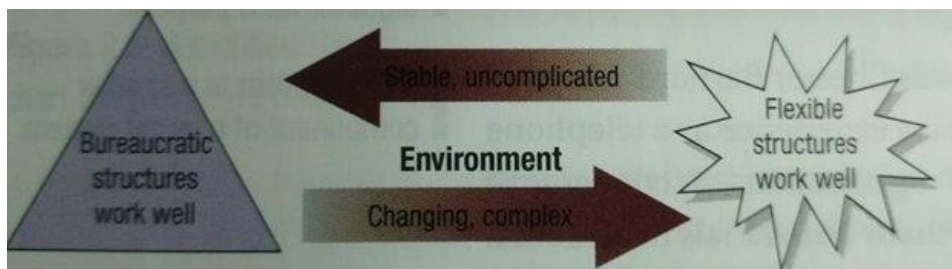
Management practices should accommodate the mature personality by;

1. Increasing task responsibility
2. Increasing task variety
3. Using participative decision making

Contingency Thinking

Contingency thinking tries to match management practices with situational demands.

Figure 2.7 - Contingency thinking – environment and structure



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 situation.

- Tries to match managerial responses with problems and opportunities unique to different situations.

- Especially individual or environmental differences.
- No “one best way” to manage.
- Appropriate way to manage depends on the situation.

Quality Management

Managers and workers in progressive organizations are quality conscious.

- Quality and competitive advantage are linked.

Total quality management (TQM)

- Comprehensive approach to continuous quality improvement for a total organization.
- Creates context for the value chain

Total quality management (TQM) is managing with an organization-wide commitment to continuous improvement, product quality, and customer needs. **Most total quality management 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 the distribution of finished goods and services and ultimately to customer relationship management.

Evidence-Based Management

High-Performance organization consistently achieves excellence while creating a high-quality work environment.

Common characteristics of high-performance organizations include:

- People oriented – value people as human assets
- Team oriented – achieve synergy through teamwork
- Information oriented – mobilizes the latest information technology
- Achievement oriented – focuses on the needs of customers and stakeholders
- Learning oriented – operates with internal culture that respects and facilitates learning

21st Century Manager

Managers have to excel as never before to meet the expectations held of them and of the organization they lead.

Attributes of a 21st Century Manager

- Global strategist – understanding the interconnections among nations, cultures and economies
- Master of technology – comfortable with information technology
- Inspiring leader – attracting and motivating workers to achieve high-performance culture
- Model of ethical behaviour – acting ethically in all ways

Chapter 3 – Global Dimensions of Management

Management and Globalization

In the global economy, resources, markets, and competition are worldwide in scope. It is influence by the force of globalization that is the process of growing interdependence among elements of the global economy. Some see the effects as a “borderless world” where economic integration becomes so extreme that nation states hardly matter anymore.

Global Management

Global management involves managing operations in more than one country. The global manager is culturally aware and informed on international affairs.

Why Companies Go Global

- Profits – Global operations offer greater profit potential.
- Customers – Global operations offer new markets to sell products.
- Suppliers – Global operations offer access to needed products and services.
- Capital – Global operations offer access to financial resources.
- Labour- Global operations offer access to lower labour costs.
- Risk—Spread assets among multiple countries

How Companies Go Global

A global business conducts commercial transactions across national boundaries.

When a business is just getting started internationally, global sourcing, exporting/importing, and licensing and franchising are the usual ways to being. It called market-entry strategies involve the sale of goods or services to foreign markets without expensive investments.

A common first step into international business:

Global sourcing - the process of purchasing materials, manufacturing components, or locating business services around the world. It is an international division of labour in which activities are performed in countries where they can be done well at the lowest cost.

Exporting - selling locally made products in foreign markets.

The flip side of exporting is **Importing** - buying foreign-made products and selling them in domestic markets. Because the growth of export industries creates local jobs, governments often offer special advice and assistance to businesses that are trying to develop or expand their export markets.

Licensing agreement - whereby foreign firms pay a fee for rights to make or sell another company's products in a specified region. The license typically grants access to a unique manufacturing technology, special patent, or trademark.

Franchising - is a form of licensing in which the foreign firm buys the rights to use another's name and operating methods in its home country.

For many countries, the ability to attract foreign business investors has been a key to succeeding in the global economy. The term Insourcing is often used to describe local job creation that results from foreign direct investment.

Joint venture - his is a co-ownership arrangement in which the foreign and local partners agree to pool resources, share risks, and jointly operate the new business.

Strategic Alliance - is a partnership in which foreign and domestic firms share resources and knowledge for mutual gains.

Global Business Environments

Global managers must deal successfully with a variety. of forces in the general environment that can pose unique challenges. Among those forces are differences in legal and political systems, complexities in trade agreements and barriers, and the roles of regional economic alliances.

Legal and Political Systems

Risk in international business, some of the biggest complications come from differences in legal and political systems.

Political risk is the potential loss in value of a foreign investment due to instability and political changes in the host country.

Political-risk analysis tries to forecast political disruptions that can threaten the value of a foreign investment.

Global managers must also be prepared to deal with differences between home-country and host-country laws and politics. In addition, they have to deal with a variety of special laws regarding occupational health and safety, employment equity, sexual harassment, and other matters, all of which, again, may be different from the legal environments they are used to at home.

Trade Agreements and Trade Barriers

When international businesses believe they are being mistreated in foreign countries, or when local companies believe foreign competitors are disadvantaging them, their respective governments might take the cases to the World Trade Organization.

World Trade Organization member nations agree to negotiate and resolve dispute about tariffs and trade restrictions (NAFTA, EU regional). WTO members are supposed to give one another most favored nation status gives a trading partner most favorable treatment for imports and exports. They include **tariffs** that are taxes governments levy on imports from abroad, and other forms of **protectionism** that give favorable treatment to domestic businesses.

The goal of most tariffs and protectionism is to protect local firms from foreign competition and save jobs for local workers.

Global Businesses

A global corporation, or multinational corporations is a multinational business with extensive operations in more than one foreign country. Also important on the world scene are multinational organizations with non-profit missions.

Types of Global Businesses

Many global firms are acting more like transnational corporations which is an MNC that operates worldwide on a borderless basis.

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.

Pros and Cons of Global Corporations

Host-Country Issues

Global corporations and the countries that “host” their foreign operations should ideally both benefit. The potential host-country benefits of MNCs include larger tax bases, increased employment opportunities, technology transfers, introduction of new industries, and development of local resources.

Home-country Issues

Global corporation can also get into trouble at home in the countries where they were founded and where their headquarters are located. 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 decision-makers are likely to be called upon by government and community leaders to reconsider and give priority to domestic social responsibilities.

Ethics Challenges of Global Managers

While 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.

Corruption

Illegal practices to further one's business interests. It's a source of continuing controversy in any setting and often makes headline news in the international business context.

Child Labour and Sweatshops

An issue in the cultural relativism-ethical absolutism debate is child labour. **Child labour** is the full-time employment of children for work otherwise done by adults.

Another issue is **Sweatshop**, business operations that employ workers at low wages for long hours and in poor working conditions, are another concern.

Sustainable development

Concerns for our natural environment and its resources are embodied in the notion of sustainable development, a popular guideline advanced by activist groups and one increasingly accepted as a social responsibility goal by global corporations.

Sustainable development meets the needs of the present without hurting future generations.

Culture and Global Diversity

"Culture" matters, as we often say, and here are its basic terms and considerations. **Culture** is a shared set of beliefs, values, and patterns of behaviour common to a group of people.

Culture shock is confusion and discomfort a person experiences when in an unfamiliar culture.

Ethnocentrism is the tendency to consider one's culture superior to others.

Cultural Intelligence

Cultural intelligence is the ability to accept and adapt to new cultures. People with 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 behaviors to act with sensitivity to another culture's ways.

Silent Languages of Culture

Anthropologist Edward T. Hall calls the "silent" languages of culture. He believes that they are found in a culture's approach to context, time, and space.

Values and National Cultures

Geert Hofstede identified four cultural dimensions: Power, distance, uncertainty avoidance, individualism-collectivism, and masculinity-femininity. Later studies added a fifth called time orientation.

Figure 3.9 - How countries compare on Hofstede's dimensions of national culture.



Hofstede's dimensions offer only a ballpark look: his model is best considered a starting point for developing cross-cultural awareness. In fact, Hofstede warns about the ecological fallacy that assumes a generalized cultural value applies equally well to all members of the culture.

Power Distance

Power Distance is the degree to which a society accepts or rejects the unequal distribution of power among people in organizations and the institutions of society.

Ex. High power distance cultures are found in Japan

Individualism- Collectivism

Individualism- collectivism is the degree to which a society emphasizes individual accomplishments and self-interests versus collective accomplishments and the interests of groups.

Uncertainty Avoidance

Uncertain Avoidance is the degree to which a society is uncomfortable with risk, change, and situational uncertainty, versus having tolerance for them.

- Low-uncertainty-avoidance cultures display openness to change and innovation
- High-uncertainty cultures expect to find a preference for structure, order, and predictability.

Masculinity-Femininity

Masculinity-femininity is the degree to which a society values assertiveness and materialism, versus feelings, relationships, and quality of life.

Time Orientation

Time orientation is the degree to which a society emphasize short-term or long-term goals and gratifications.

Global Management Learning

The management process – planning, organizing, leading, and controlling –is as relevant to international operation as to domestic ones. **A comparative management** studies how management practices differ among countries and cultures. They use the cultural models just described for Hall, Gelfand et al., and Hofstede, as well as those of others, in the search for meaningful insights on management around the globe.

Are Management Theories Universal?

Geert Hofstede, whose framework for understanding national cultures was just discussed, believes the answer is clearly “no.” He worries that many theories are ethnocentric and fail to take into account cultural differences.

- U.S. management theories may be ethnocentric.
- Participation and Individual performance are not emphasized as much in other cultures.
- Not all Japanese management practices can be applied successfully abroad.

Chapter 4 – Ethics and Sustainability

What Is Ethical Behaviour?

Ethics is defined as the code of moral principles that sets standards of good or bad, or right or wrong, in one's conduct. Ethics provides principles to guide behaviour and help people make moral choices among alternative courses of action.

In practice, ethical behaviour is “right” or “good” in the context of a governing moral code.

Laws, Values, and Ethical Behaviour

Most ethical problems in the workplace arise when people are asked to do, or find they are about to do, something that violates their personal beliefs. The ethical question extends to personal values are broad beliefs about what is appropriate behaviour.

Psychologist Milton Rokeach makes a distinction between “terminal” and “instrumental” values. Terminal values are preferences about desired end states. And Instrumental values are preferences regarding the means to desired ends.

Alternative Views of Ethics

Figure 4.1 - Four views of ethical behaviour

Utilitarian View delivers the greatest good to the greatest number of people, but not to all.

Individualism View of ethical behaviour is based on the belief that one’s primary commitment is long-term advancement of self-interests.

Moral rights view is which respects and protects the fundamental rights of people.

Justice View of moral behaviour is based on the belief that ethical decisions treat people impartially and fairly. This approach evaluates the ethical aspects of any decision on the basis of whether it is “equitable” for everyone affected.

Cultural Issues in Ethical Behaviour

Former Levi CEO Robert Haas once said that an ethical problem “becomes even more difficult when you overlay the complexities of different cultures and values systems that exist throughout the world.”

Those who believe that behaviour in foreign settings should be guided by the classic rule of “when in Rome, do as the Romans do” reflects an ethical position of cultural relativism.

***Cultural relativism** suggests there is no one right way to behave; ethical behaviour is determined by its cultural context. *

Universalism suggest ethical standards apply absolutely across all cultures.

Ex. American executive would not do business in a setting where child labour was used, since it is unacceptable at home.

Figure 4.3 - Cultural relativism and Universalism in international business ethics

Ethical Imperialism is an attempt to impose one’s ethical standards on other cultures.

How International Businesses Can Respect Core or Universal Values

Respect for human dignity

- Create a culture that values employees, customers, and suppliers.
- Maintain a safe workplace.
- Produce safe products and services.

Respect for basic rights

- Protect rights of employees, customers, and communities.
- Avoid anything that threatens safety, health, education, or living standards.

Be good citizens

- Support social institutions, including economic and educational systems.
- Work with local government and institutions to protect the environment.

Ethics in The Workplace

The real test of ethics occurs when you or anyone encounters a situation that challenges personal values and standards. Often ambiguous and unexpected, these ethical challenges are inevitable, and everyone has to be prepared to deal with them, even students.

Ethical Dilemmas

An ethical dilemma is a situation that requires a choice regarding a possible course of action that, although offering the potential for personal or organization benefits, or both, may be considered unethical.

Common ethical dilemmas that entrap managers include the following;

1. Discrimination
2. Sexual Harassment
3. Conflicts of Interest
4. Customer confidence
5. Organizational Resources

Many of the dilemmas involves conflicts with superiors, customers, and subordinates. The frequent issues involved dishonesty in advertising and communications with top management, clients, and government agencies.

Ethical Decision-Making

Management presents a seven-step checklist for dealing with an ethical dilemma.

Step 1. Recognize the ethical dilemma

Step 2. Get the facts

Step 3. Identify your options

Step 4. Test each option: Is it legal? Is it right? Is it beneficial?

Step 5. Decide which option to follow

Step 6. Double-check with the spotlight questions

Step 7. Take action

Increased awareness of the typical influences on ethical decision-making can help you better deal with future ethical pressures and dilemmas.

Situational Context and Ethics Intensity

Scholars use the concept of ethics intensity or issue intensity to describe the extent to which a situation is perceived to pose important ethics challenges.

A decision situation will elicit greater ethical attention when the potential harm is perceived as great, and imminent; the potential victims are visible and close by; and there is more social agreement on what is good or bad about what is taking place.

Personal Factors and Moral development

Managers who lack a strong and clear set of personal ethics will find that their decisions vary from situation. Those with solid ethical framework, ones that provide personal rules or strategies for ethical decision-making, will act more consistently and confidently.

Personal influences unethical decision-making comes together in the three levels of moral development described by Lawrence Kohlberg;

- Preconventional – Individual is self-centered
- Conventional – Individual is more social-centered
- Postconventional – Individual is strongly principle centered

Two stage in each level and Kohlberg believes that we move step by step through them as we grow in maturity and education

Internal Environment and Ethics Culture

Bosses can have a major impact on their subordinates' behaviours. The expectations and reinforcement provided by peers and group norms are likely to have a similar impact. Formal policy statements are written rules are also influential.

External Environment and Industry Norms

Wherever they operate, domestically or internationally, organizations are influenced by government laws and regulations as well as social norms and expectations. Laws interpret social values to define appropriate behaviours for organizations and their members; regulations help governments monitor these behaviours and keep them within acceptable standards.

Rationalizations for Unethical Behaviour

There are at least four common rationalizations that may be used to justify misconduct in these situations and others that pose ethical dilemma.

1. Convincing yourself that a behaviour is not really illegal
2. Convincing yourself that a behaviour is in everyone's best interests
3. Convincing yourself that nobody will ever find out what you've done
4. Convincing yourself that the organization will "protect" you

Maintaining High Ethical Standards

News from the corporate world is not always positive when it comes to ethics. We shouldn't forget that there is a lot of good news, too.

Whistleblower Protection

A **whistleblower** exposes the misdeeds of others in organizations.

Research by the Ethics Resource Center has found that some 44 percent of workers in the United States fail to report the wrongdoings they observe at work. The top reasons for not reporting are

1. The belief that no corrective action would be taken
2. The fear that reports would not be kept confidential

Whistleblowers are known to suffer impaired career progress and other forms of organizational retaliation, up to and including termination. Within an organization, typical barriers to whistleblowing include a strict chain of command that makes it hard to bypass the boss, strong work group identities that encourage loyalty and self-censorship, and ambiguous priorities that make it hard to distinguish right from wrong.

Ethics training

Ethics training seeks to help people understand the ethical aspects of decision-making and to incorporate high ethical stands into their daily behaviour.

Training is an ethics development aid; it isn't a guarantee of ethical behaviour. A banking executive once summed things up this way: "we aren't teaching people right from wrong- we assume they know that. We aren't giving people moral courage to do what is right- they should be able to do that anyhow. We focus on dilemmas."

Codes of Ethical Conduct

A **code of ethics** is a formal statement of values and ethical standards. Code are important anchor points in professions such as engineering, medicine, law, and public accounting. In organizations, they identify expected behaviours in such areas as general citizenship, the avoidance of illegal or improper acts in one's work, and good relationships with customers.

Ethics codes are also common in the complicated world of international business. Although code of ethical conduct are helpful, they cannot guarantee ethical behaviour either by members of an organization or by outsiders that the organization does business with.

Ethical Role Models

Top managers, in large and small enterprises, have the power to shape an organization's policies and set its moral tone by serving as ethical role models. The day-by-day behaviour of those at the top should be the epitome of high ethical conduct; their words and actions should be consistent in communicating ethics expectations throughout the organization.

Moral Management

Management scholar Archi Carroll makes a distinction between immoral, amoral, and moral managers.

- Immoral Manager chooses to behave unethically.
- Amoral manager fails to consider the ethics of her or his behaviour.
- Moral manager makes ethical behaviour a personal goal.

In Kohlberg's terms, this manager is operating at the postconventional or principled level of moral development.

Ethics mindfulness is enriched awareness that leads to consistent ethical behaviour.

Social Entrepreneurship

Social entrepreneurship has a mission to solve pressing social problems. They pursue innovations that help solve problems, or at least help make lives better for people who are disadvantaged.

Ex. 'The banker to the poor'

Social Responsibility, Governance, and Sustainability

The social entrepreneurship of Dr. Muhammad Yunus sets a high ethics standard. In management, we use the term corporate social responsibility or "CSR" to describe an organization's obligation to act in ways that serve both its own interests and the interests of society at large.

Some discuss this commitment to social responsibility in respect to *double bottom line* – Financial performance and social impact. Others go even further in referring to the *triple bottom line* – economic, social, and environmental performance.

Stakeholder Issues and Analysis

Organizational stakeholders are directly affected by the behaviour of the organization and hold a stake in its performance. From the perspective of a stakeholder model, any organization has a social responsibility

to serve the interests of its many stakeholders. In order to protect Walmart reputation with customers and other stakeholders, it had to respond vigorously by raising standards and tightening controls on foreign suppliers.

The importance of understanding stakeholder issues cannot be overstated. Consumers, activist groups, non-profit organizations, employees, and governments are often vocal and influential in pushing organizations towards socially responsible practices.

Perspectives on Corporate Social Responsibility

It may seem that corporate social responsibility, or CSR, is one of those concepts and goals that most everyone would agree upon. However, there are two contrasting views that stimulate debate in academic and public-policy circles. On one side the classical view takes a stand against making corporate social responsibility a top business priority, while on the other side the socio-economic view advocates for it.

Classical View

The classical view of CSR is that business should focus on profits. This classical view takes a very narrow stakeholder perspective and puts the focus on the single bottom line of financial performance. The arguments against corporate social responsibility include fears that its pursuit will reduce business profits, raise business costs, dilute business purpose, give business too much social power, and do so without business accountability to the public.

Milton Friedman and other proponents of the classical view believe that society's best interests are always served in the long run by executives who focus on profit maximization by their businesses.

Socio-Economic View

The socio-economic view of CSR holds that management of any organization must be concerned with the broader social welfare and not just with corporate profits. This view takes a broad stakeholder perspective and put the focus on an expanded bottom line that includes not just financial performance but also social and environmental performance.

There is little doubt today that the public at large wants businesses and other organizations to act with genuine social responsibility. Stakeholder expectations are increasingly well voiced and include demands that organizations integrate social responsibility into their core values and daily activities.

Research indicates that social responsibility can be associated with strong financial performance; at worse, it has no adverse financial impact. The argument that acting with a commitment to social responsibility will negatively affect the "bottom line" is hard to defend.

The virtuous circles occur when CSR improves financial performance, which leads to more CSR.

Evaluating Corporate Social Performance

A social responsibility audit assesses an organization's accomplishments in area of social responsibility.

Criteria for Evaluating Social Performance

The social performance of business firm varies along a continuum that ranges from *compliance* – acting to avoid adverse consequences, to *conviction* – acting to create positive impact.

An audit of corporate social performance might cover these four questions:

1. Is the organization's economic responsibility met – Is it profitable?
2. In the organization's legal responsibility met – Does it obey the law?
3. Is the organization's ethical responsibility met – Is it doing the 'right' things?
4. Is the organization's discretionary responsibility met – Does it contribute to the community?

Economic responsibility: when it earns a profit through the provision of goods and services desired by customers.

Legal responsibility: when an organization operates within the law and according to the requirements of various external regulations.

Ethical responsibility: when its actions voluntarily external regulations.

Discretionary responsibility: The organization moves beyond basic, economic, legal, and ethical expectations to provide leadership in advancing the well-being of individuals, communities, and society as a whole.

Social Responsibility Strategies

The decisions of people working at all levels in organization ultimately determine whether or not practices are socially responsible.

Description of four corporate social responsibility strategies;

1. Obstructionist strategy avoids social responsibility and reflects mainly economic priorities.
2. A defensive strategy seeks protection by doing the minimum legally required.
3. An accommodative strategy accepts social responsibility and tries to satisfy economic, legal, and ethical criteria.
4. A proactive strategy meets all the criteria of social responsibility, including discretionary performance.

Directions in Sustainability

Sustainability can be defined as defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Central to sustainability is finding a balance between present and future needs, focusing on social rights, environmental protection, and economic development.

Benefits of sustainability

1. Cost reduction
2. Resource preservation
3. Legislative compliance
4. Reputation
5. Right Initiative

Chapter 5 – Entrepreneurship and Small Business Management

The Nature of Entrepreneurship

Entrepreneurship is risk-taking behaviour that result new opportunities. An important part of being an entrepreneur is a gut instinct that allows you to believe in your heart that something will work even though everyone else says it will not.

Who are the Entrepreneurs?

An entrepreneur is willing to pursue opportunities in situations others view as problems or treats. Business entrepreneurs start new ventures that bring to life new products or service ideas. Their stories are rich with ideas for all of us to consider.

Characteristics of Entrepreneurs

Entrepreneurs and entrepreneurship are everywhere and there is no age prerequisite to join them. A common image of an entrepreneur is as the founder of a new business enterprise that achieves large-scale success, like the ones just mentioned. But entrepreneurs also operate on smaller and less public scale.

Research suggests that entrepreneurs tend to share certain [attitudes](#) and [personal characteristics](#). The general profile is of an individual who is very self-confident, determined, resilient, adoptable, and driven by excellence.

Typical personality traits and characteristics of entrepreneurs include;

1. Internal focus of control
2. High energy level
3. High need for achievement
4. Tolerance for ambiguity
5. Self-confidence
6. Passion and action orientation
7. Self-reliance and desire for independence
8. Flexibility

Background, Experiences, and Interests

Entrepreneurs have unique backgrounds and personal experiences. [Childhood experiences and family environment](#) seem to make a difference. Another issue is [career or work history](#).

Entrepreneurs tend to emerge during certain windows of [career opportunity](#). Most start their businesses between the ages of 22 and 45, an age spread that seems to allow for risk taking.

Entrepreneurs may have unique and [deeply embedded life interests](#). The article discusses strong interests in enterprise control; finding enjoyment from running things.

Undoubtedly, entrepreneurs seek independence and the sense of mastery that comes with success.

Diversity and Entrepreneurship

Necessity-based entrepreneurship takes place because other employment options don't exist.

Entrepreneurship offers women and member of visible minorities opportunities to strike out on their own and gain economic independence, providing a pathway for career success that may be blocked otherwise.

Common myths about entrepreneurs:

- Entrepreneurs are born, not bad.
- Entrepreneurs are gamblers.
- Money is the key to entrepreneurial success.
- You have to be young to be an entrepreneur
- You must have a degree in business to be an entrepreneur.

Social Entrepreneurship

[Social entrepreneurship](#) is unique form of ethical entrepreneurship that seeks novel ways to solve pressing social problems. Social entrepreneurs take risks and create [social enterprises](#) whose mission are to help make lives better for underserved populations.

Social entrepreneurs and their enterprises, both non-profit and for-profit, come up with new ways to meet needs that are not being sufficiently served through governments or the private sector.

Entrepreneurship and Small business

Small business as one with 100 or fewer employees, and almost 98 percent of Canada businesses fall into this category. Small businesses offer major economic advantages.

For example, they have 5 million workers or 48 percent of the workforce and account for 23 percent of Canada GDP.

Are established by:

- Starting a new business
- Buying an existing business
- Buying an running a franchise

How to Get Started

A study reports the following motivation:

- Want to be their own boss and control their future
- Going to work for a family-owned business
- Seek to fulfill a dream

A franchise is a form of business where one business owner sells to another the right to operate the same business in another location. In return, the franchise parent receives a share of income or a flat fee from the franchisee.

Family Businesses

Family businesses is owned and controlled by members of a family. Family businesses must solve the same problems as other small or large businesses – meeting the challenges of strategy, competitive advantage, and operational excellence.

This complaint introduces a problem that can all too often set the stage for failure in a family business: the family business feud. A family business feud occurs when family members have major disagreement over how the business should be run.

Another common problem faced by family business is the succession problem – transferring leadership from one generation to the next. The succession problem is the issue of who will run the business when the current head leaves.

Business advisor recommend a succession plan – a formal statement that describes how the leadership transition and related financial matters will be handled when the time for changeover arrives. A succession plan should include at least procedures for choosing or designating the firm's a new leadership, legal aspect of any ownership transfer, and financial and estate plans relating to the transfer.

Why Many Small Businesses Fail

1. Lack of experience
2. Lack of expertise
3. Lack of strategy and strategic leadership
4. Poor financial control
5. Growing too fast
6. Insufficient commitment
7. Ethical failure

Small Business Development

One way that start-up difficulties can be managed is through participation in business incubator. These are special facilities that offer space, shared administrative services, and management advice at reduced cost.

New Venture Creation

To pursue entrepreneurship and start a new business, you need good ideas and the courage to give them a chance. But you must also be prepared to meet and master the test of strategy and competitive advantage.

First-mover advantage comes from being first to exploit niche or enter a market.

Important Issues:

- Does the entrepreneur have good ideas and the courage to give them a chance?
- Is the entrepreneur prepared to meet and master the test of strategy and competitive advantage?
- Can the entrepreneur identify a market niche that is being missed by other established firms?
- Can the entrepreneur identify a new market that has not yet been discovered by existing firms?
- Can the entrepreneur generate first-mover advantage by exploiting a niche or entering a market before competitors?

Life Cycle of Entrepreneurial Firms

It shows the relatively predictable progression of small business.

1. Birth stage – where the entrepreneur struggle to get the new venture established and survive long enough to test the viability of the underlying business model in the marketplace.
2. Breakthrough stage – where the business model begins to work well, growth is experienced, and the complexity of managing the business operation expands significantly.
3. Maturity stage – where the entrepreneur experiences the advantage of market success and financial stability, while also facing the continuing management challenge of remaining competitive in a changing environment.

Writing the Business Plan

Business plan describes the direction for a new business and the financing needed to operate it. Old stated “if you fail to plan, you plan to fail”

Choosing the form of Ownership

Forms of legal ownership

- Sole proprietorship – form of business where an individual pursue a profit
- Partnership – form of business where two or more people agree to contribute resources to start and operate a business together.
- Corporation – legal entity that exist separately from its owners.
- Limited liability corporation – a hybrid business form combining advantages of the sole proprietorship, partnership, and corporation.

Registered VS Incorporated

Main differences are Liability, Tax Implications, and Cost

Liability: Registered companies and their owners are one and the same (if the registered company gets sued or goes bankrupt, the owners get sued/go bankrupt. Corporations are considered separate legal entities and are protected by the corporate veil, Corps have LIMITED Liability (the veil can be pierced).

Tax: All profits generated by a registered company will be taxed along the same personal income tax rules as the income of the owners.

For incorporated companies, the companies pay all expenses including owner’s salaries (which the owners must pay income taxes on). Any money left over can be retained by the company, which will pay

approximately 17.5%-22.5% corporate taxes (in Canada). Essentially, a corp can be used as a tax shelter whereas a registered company must distribute all profits to the owners immediately.

Overall cost: It is very easy to open up a registered company (simply pay \$50 with revenue Quebec). The accounting fees do not change a great deal probably will cost you about \$400 in accounting depending on the complexity and number of employees. It never hurts to have a lawyer when working out the partnership agreement in the case of a partnership*

For a corporation, the cost of incorporating is higher at about \$400, accounting fees will usually be \$3500 per year minimum, and you will likely also need a lawyer to help with the process, minutes, and contracts (approx: \$1000 minimum).

Financing the New Venture

Source of outside financing

- Debt financing – involves borrowing money that must be repaid over time, with interest
- Equity financial – involves exchanging ownership shares for outside investment monies

Equity Financial alternatives

- Venture capitalist – make large investments in new ventures in return for an equity stake in business.
- Initial Public offerings – an initial selling of shares of stock to the public at large
- Angel Investors – a wealthy individual willing to invest in a new venture in return for equity in a new venture.

A new form of equity investing is closely regulated by law and courts are debating whether or not it should be made more widely available. Called equity-based crowds funding, it involves new ventures going on-line to sell equity stakes in their businesses to crowds of small angel investors.