

Business Management / Midterm Review

- 30 multiple choice - two marks each
 - Four short answer - forty marks
 - 60% multiple choice, 40% short answer
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What is Management?

- **To manage:** is to get people together to accomplish a desired objective, while using resources in an efficient and effective manner
 - Planning, organizing, staffing, leading or directing and controlling an organization
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Management Defined

- **Management is a social and technical process which utilizes resources, influences human action, and facilitates changes in order to accomplish organizational goals**
 - **Management 'is coordinating work activities with and through other people so that the activities are completed efficiently and effectively'** (pg. 6)
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Functions of Management

- **Planning:** Defining goals, establishing strategy, and developing sub-plans to coordinate activities
 - **Organizing:** Determining what needs to be done, how it will be done, and who is to do it
 - **Leading:** Directing and motivating all involved parties and resolving conflicts
 - **Controlling:** Monitoring activities to ensure that they are accomplished as planned
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Features of Management

- Goal oriented
- Human, physical and financial integration

- Continuous
- Pervasive
- Group specific

Manager Defined

- **A manager is 'someone who works with and through other people by coordinating their work activities in order to accomplish organizational goals'** (pg. 4)

Why Are Managers Important?

- **Organizations** need their organizational skills and abilities more than ever in uncertain, complex, and chaotic times
- They are crucial to getting things done

Types of Managers

- **First-line Managers:** Managers at the lowest level manage the work of non-managerial employees directly or indirectly involved with the production or creation of the organization's products
- **Middle Managers:** Managers between the first-line level and top level of the organization who manage the work of first-line managers
- **Top Managers:** Managers at or near the top level are responsible for making organization-wide decisions and establishing plans and goals affecting the entire organization

What is an Organization?

- "A deliberate arrangement of people who act together to accomplish some specific purpose."
- **Common Characteristics of Organizations:**
 - Distinct purpose
 - Composed of people

- Deliberate structure
 - **The Size of Organizations:**
 - Managers and employees work in a variety of different sized organizations
 - Large organizations represent only 2% of the organizations in Canada
 - Small business represent 98% of all Canadian companies
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What is Management and What Do Managers Do?

- **Managerial Concerns:**
 - The **Functions, Roles and Skills** of Managers
 - **Efficiency** - Getting the most output from the least amount of inputs
 - “Doing things right”
 - **Effectiveness** - Completing activities so that organizational goals are achieved
 - “Doing the right things”
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Management Functions

- Deal with complicated ethical and social responsibility issues as they plan, organize, lead and control
 - **According to the Functions Approach:**
 - Managers perform certain activities or duties as they efficiently and effectively coordinate the work of others
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What is Management and What Do Managers Do?

- **Henri Fayol first proposed that all managers perform five functions:**
 - Planning
 - Organizing
 - Commanding
 - Coordinating

- Controlling
- **Management Roles Approach** - Henry Mintzberg
- **Management Skills Approach** - Robert Katz
 - **Technical skills:** knowledge and proficiency in a specific field
 - **Human skills:** the ability to work well with other people
 - **Conceptual skills:** the ability to think and conceptualize about abstract and complex situations concerning the organization

Early Management

- **Division of labour (Adam Smith):** the breakdown of jobs into narrow and repetitive tasks
- **Industrial Revolution**

Classical Approach

- First studies of management, which emphasized rationality and making organizations and workers as efficient as possible
- **Fredrick Winslow Taylor** - the 'father' of scientific management
- **Scientific Management** - an approach that involves using the scientific method to find the 'one best way' for a job to be done
- **Taylor's Scientific Management Principles**
 - Develop a science for each element of an individual's work to replace the old rule-of-thumb method
 - Scientifically select and then train, teach, and develop the work
 - Heartily cooperate with the workers to ensure that all work is done in accordance with the principles of the science that has been developed
 - Divide work and responsibility almost equally between management and workers. Management does all work for which it is better suited than the workers
- **General administrative theory** - an approach to management that focuses on describing what managers do and what constitutes good management practice

- **Principles of Management** - fundamental rules of management that could be applied in all organizational situations and taught in schools
- **Fayol's 14 Principles of Management**
 1. **Division of work.**
 2. **Authority.**
 3. **Discipline.**
 4. **Unity of command.**
 5. **Unity of direction.**
 6. **Subordination of individual interests to the general interest.**
 7. **Remuneration.** Workers must be paid a fair wage for their services.
 8. **Centralization.** This term refers to the degree to which subordinates are involved in decision making.
 9. **Scalar chain.** The line of authority from top management to the lowest ranks is the scalar chain.
 10. **Order.**
 11. **Equity.** Managers should be kind and fair to their subordinates.
 12. **Stability of tenure of personnel.**
 13. **Initiative.**
 14. **Esprit de corps.** Promoting team spirit will build harmony and unity within the organization.

Characteristics of Weber's Bureaucracy

- 'A form of organization characterized by division of labour, a clearly defined hierarchy, detailed rules and regulations, and impersonal relationships.'

Behavioural Approach

- **Organizational behaviour** - the study of the actions of people at work

- Early OB Advocates
 - Robert Owen
 - Hugo Munsterberg
 - Mary Parker Follett
 - Chester Barnard
- **Hawthorne studies** - a series of studies during the 1920s and 1930s that provided new insights into individual and group behaviour.

Quantitative Approach

- The use of quantitative techniques to improve decision making
- **Total Quality Management** - a philosophy of management that is driven by continuous improvement and responsiveness to customer needs and expectations
 - **Intense focus on the customer.** The customer includes outsiders who buy the organization's products or services and internal customers who interact with and serve others in the organization.
 - **Concern for continual improvement.** Quality management is commitment to never being satisfied. 'Very good' is not good enough. Quality can always be improved.
 - **Process focused.** Quality management focuses on work processes as the quality of goods and services is continually improved.
 - **Improvement in the quality of everything the organization does.** This relates to the final product, how the organization handles deliveries, how rapidly it responds to complaints, how politely the phones are answered, and the like.
 - **Accurate measurement.** Quality management uses statistical techniques to measure every critical variable in the organization's operations. These are compared against standards to identify problems, trace them to their roots, and eliminate their causes.
 - **Empowerment of employees.** Quality management involves the people on the line in the improvement process. Teams are widely used in quality management programs as empowerment vehicles for finding and solving problems.

Contemporary Approaches

- System - 'a set of interrelated and interdependent parts arranged in a manner that produces a unified whole.'
- Popular Contingency Variables
 - **Organization Size.** As size increases, so do the problems of coordination. For instance, the type of organization structure appropriate for an organization of 50 000 employees is likely to be inefficient for an organization of 50 employees.
 - **Routineness of Task Technology.** To achieve its purpose, an organization uses technology. Routine technologies require organizational structures, leadership styles, and control systems that differ from those required by customized or non-routine technologies.
 - **Environmental Uncertainty.** The degree of uncertainty caused by environmental changes influences the management process. What works best in a stable and predictable environment may be totally inappropriate in a rapidly changing and unpredictable environment.
 - **Individual Differences.** Individuals differ in terms of their desire for growth, autonomy, tolerance of ambiguity, and expectations. These and other individual differences are particularly important when managers select motivation techniques, leadership styles, and job designs.

What is Globalization?

- The merging of national economies into an interdependent global economic system...
- Interconnectedness between societies...
- A globalized world is one in which political, economic, cultural, and social events become more and more interconnected
- Inclusion of a multitude of complex & unique stakeholder

What is a Stakeholder?

- Someone or a group or possibly something with a perceived 'stake' in the operation of the 'organization'

Advantages of Globalization

- Globalization is the most promising economic growth approach for developing countries and this will reduce poverty and reverse global inequality
- Globalization increases trade and capital flow, generates gains in productivity and creates jobs not only in advanced industrial countries, but also in emerging economies and low-income countries
- Globalization has raised the incomes of consumers and their quality of life

Disadvantages of Globalization

- Globalization is polarizing the world - creating 'haves' and 'have-nots': developed countries continue to prosper while least developed countries, with little representation and influence, become further poverty stricken
- For unskilled workers (typically found in developing countries) national frontiers have become rigid and higher - so globalization actually favours the more skilled worker (in developed countries)
- Continual expansion of world trade is causing a range of increasing environmental problems and social problems (exploiting labour, for example)
- Multilateral organizations, such as the WTO, the European Union and NAFTA is undermining national sovereignty as economic power is shifting from national governments to these multilateral organizations
- Globalization benefits advanced societies

What is Global Management?

- 'The process of developing strategies, designing and operating systems, and working with people around the world to ensure sustained competitive advantage'
- 'Multinational management is the formulation of strategies and the design of management systems that successfully take advantage of international opportunities and respond to international threats'

What's Your Global Perspective?

- Parochialism:

Monday, October 8, 2018

- Viewing the world solely through your own perspective, leading to an inability to recognize differences among people
- Ethnocentric Attitude:
 - The belief that the best work approaches and practices are those of the home country
 - Lack of skills, expertise and knowledge in foreign country
- Polycentric Attitude:
 - View that managers in the host country know the best approaches and practices for running their business
 - Understanding - limited
- Geocentric Attitude:
 - A world-oriented view that focuses on using the best approaches and people from around the globe
 - Draws on strengths in a global context

Three Global Attitudes

| Orientation | Ethnocentric Home Country | Polycentric Host Country | Geocentric World |
|-------------------|-------------------------------|--|---|
| Advantages | Simpler Structure | Extensive knowledge of foreign market and workplace | Extensive understanding of global issues |
| Blank | More tightly controlled | More support from host government | Balance between local and global objectives |
| Blank | Blank | Committed local managers with high morale | Best people and work approaches used regardless of origin |
| Drawbacks | More ineffective management | Duplication of work | Difficult to achieve |
| Blank | Inflexibility | Reduced efficiency | Managers must have both local and global knowledge |
| Blank | Social and political backlash | Difficult to maintain global objectives because of intense focus on local traditions | Blank |

Understanding the Global Environment

- **Regional Trading Alliance**
 - Canada vs. Mexico, France vs. Germany
- **The European Union (EU)**
 - A union of 27 European countries that forms an economic and political entity
- **North American Free Trade Agreement (NAFTA)**
 - An agreement among the Canadian, American, and Mexican governments in which barriers to free trade were reduced
- **Association of Southeast Asian Nations (ASEAN)**
 - Trading alliance of 10 Southeast Asian Countries
- **Four Important Global Trade Mechanisms**
 - The World Trade Organization

- International Monetary Fund
- World Bank Group
- Organization for Economic Cooperation and Development

The World Trade Organization

- Evolved from the *General Agreement on Tariffs and Trade* (GATT) in 1995.
- Functions as the only global organization dealing with rules of trade among nations
- Monitors and promotes world trade, mitigating unintended consequences.

International Monetary Fund

- Organization of 188 countries that promotes international monetary cooperation and provides member countries with policy advice, temporary loans, and technical assistance to establish and maintain financial stability and to strengthen economies.

World Bank Group

- A group of five closely associated institutions, all owned by its member countries, that provides vital financial and technical assistance to developing countries around the world.

Organization for Economic Co-operation and Development

- A Paris-based international economic organization whose mission is to help its 34 member countries achieve sustainable economic growth and employment
- Raise the standard of living in member countries while maintaining financial stability in order to contribute to the development of the world economy
- Mitigate small-scale bribery

Doing Business Globally

- **Types of International Organizations:**
 - Multinational Cooperation (MNC)
 - Multidomestic Corporations
 - Global Company

- Transnational or Borderless Organizations
- **Multinational Corporation (MNC):**
 - A first that maintains operations in multiple countries but manages from the home country
- **Multidomestic Corporation:**
 - An international company that decentralizes management and other decisions to the local country
 - Management is tailored to foreign country
 - Ability to adapt products to various needs
- **Global Company:**
 - An international company that centralizes management and other decisions in the home country
 - World market is an integrated whole with a focus on global efficiency and cost-savings
- **Transnational/Borderless Organization:**
 - A type of international company in which artificial geographical barriers are eliminated
 - For example: ***Born Globals*** are international companies that choose to go global from inception

Managing in a Global Environment

- **The Legal-Political Environment**
 - Stability or instability of legal and political systems
 - Differences in the laws of various nations
- **The Economic Environment**
 - Awareness of economic climate in countries
 - **Economic Systems**

A Global Mind-Set

- Intellectual capital: Knowledge of international business and the capacity to understand how business works on a global scale
- Psychological capital: Openness to new ideas and experiences
- Social capital: Ability to form connections and build trusting relationships with people who are different from you

Managing in a Global Environment

- What do managers need?
 - **Cultural intelligence**
 1. Knowledge of culture as a concept - how cultures vary and how they affect behaviour
 2. Mindfulness - the ability to pay attention to signals and reactions in different cross-cultural situations
 3. Behavioural skills - using one's knowledge and mindfulness to choose appropriate behaviours in those situations
 - **Global mind set**
 - Attributes that allow a leader to be effective in cross-cultural environments

The Context of Entrepreneurship

- **Entrepreneurship:** The process of starting new organizations, generally in response to *opportunities*
- **Social Enterprises/Ventures:** Organizations that are started in response to *needs* within the community
- Entrepreneurial Ventures Add Value
- **Creative Destruction** - Joseph Schumpeter
 - The entrepreneur creates an opportunity through innovation and then takes advantage of it. In the process of transform that accompanies a radical innovation, the way things were done before is 'destroyed.'

- **Entrepreneurially Alert** - Israel Kirzner
 - Entrepreneurs are able to perceive the opportunities for entrepreneurial profits by being sensitive to signals in the marketplace.
 - A **recognition strategy** works best when both supply and demand are known
 - Entrepreneur relies on his or her experience and actively employs sophisticated search techniques to discover the opportunity
 - When neither supply nor demand is known and the entrepreneur creates something new, or enacts an opportunity
 - **Entrepreneurial Ventures**
 - Organizations that are pursuing opportunities, are characterized by innovative practices, and have growth and financial viability as their main goals.
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Innovation

- A process of changing, experimenting, transforming, and revolutionizing, and it's a key aspect of entrepreneurial activity.
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Importance of Innovation

Open versus closed innovation

- Refer to diagram on powerpoint

Social innovation

- 'Social innovation is the process of developing and deploying effective solutions to challenging and often systemic social and environmental issues in support of social progress
 - Community engagement: a key to success

Adoption & Resistance

- Champions
- Education and training - shift perception
- Participation and engagement
- Apoptosis

Number of New Start-Ups

- All businesses - whether they fit the definition of entrepreneurial ventures or not - were new start-ups at one point in time, the most suitable measure we have of the important role of entrepreneurship is to look at the number of new firms over a period of time
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Job Creation

- Job creation is important to the overall long-term economic health of communities, regions, and nations
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Global Entrepreneurship

- Global Entrepreneurship Monitor (GEM) - studies the impact of entrepreneurial activity on economic growth in various countries
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What Do Entrepreneurs Do?

- Assess potential for venture
 - Researches the venture's feasibility
 - Proceeds to plan the venture
 - Organizing the venture
 - Launches the ventures
 - Switches into more of a managerial role
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The Timmons Model of the Entrepreneurial Process

- Refer to Exhibit 5-1
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Social Responsibility Facing Entrepreneurs

- The international Standards Organization has developed standards for sustainability and for social responsibility
- There are some entrepreneurs who take their social responsibilities seriously

- Entrepreneurs have pursued opportunities with products and services that protect the global environment

Ethical Issues Facing Entrepreneurs

- Entrepreneurs need to be aware of the ethical consequences of what they do
- In a survey of employees from different sizes of businesses who were asked whether they thought their organization was highly ethical, 20% of employees at companies with 99 or fewer employees disagreed

The Entrepreneurial Process

- Entrepreneurs must address four key steps as they start and manage their entrepreneurial ventures:
 - Exploring the entrepreneurial context
 - Identifying opportunities and possible competitive advantages
 - Starting the venture
 - Managing the venture
- Identify Opportunities
 - Idea generation
 - Screening:
 - Idea creates or adds value
 - Idea provides a sustainable competitive advantage
 - Idea is marketable and financially viable
 - Idea has low exit costs
 - Develop the opportunity
- Access the necessary resources
- Refer to Exhibit 5-2

Start-Up and Planning Issues for An Entrepreneurial Venture

- A Model for Company Building
 - The Steps:
 4. Customer discovery
 5. Customer validation
 6. Customer creation
 7. Company-building
-

The Elements of a Business Model

- What is a business model?
 - How a company creates value for itself while delivering products or services for customers
 - 9 components
 - Value Propositions
 - Customer Segments
 - Channels
 - Customer Relationships
 - Revenue Streams
 - Key Resources
 - Key Partners
 - Key Activities
 - Cost Structure
-

Start-Up and Planning Issues for an Entrepreneurial Venture

- Embrace Failure as Learning
 - A natural part of the start-up process in the search to establish a business model

- Once a business model (it knows its market, customers, product/service, channel, pricing, etc.) is found, the organization moves from search to execution
- Researching a Venture's Feasibility
 - Generating Ideas - Where do ideas come from?
 - Working in the industry
 - Personal interests or hobbies
 - Familiar and unfamiliar products and services
 - Opportunities in external environmental sectors
- Evaluating Ideas
 - Feasibility Study:
 - An analysis of the various aspects of a proposed entrepreneurial venture that is designed to determine the feasibility of the venture

Evaluating Potential Ideas

| Personal Consideration | Marketplace Consideration |
|---|---|
| Do you have the capabilities to do what you've selected? | Have you educated yourself about financing issues? |
| Are you ready to be an entrepreneur? | Are you willing and prepared to do continual financial and other types of analyses? |
| Are you prepared emotionally to deal with the stresses and challenges of being an entrepreneur? | Who are the potential customers for your idea: who, where, how many? |
| Are you prepared to deal with rejection and failure? | What similar or unique product features does your proposed idea have compared to what's currently on the market? |
| Are you ready to work hard? | How and where will potential customers purchase your product? |
| Do you have a realistic picture of the venture's potential? | Have you considered pricing issues and whether the price you'll be able to charge will allow your venture to survive and prosper? Have you considered how you will need to promote and advertise your proposed entrepreneurial venture? |

Researching a Venture's Feasibility: Researching Competitors

- Value Proposition:
 - An analysis of the benefits, costs, and value that an organization can deliver to customers and other groups within and outside of the organization
-

Evaluating Potential Competitors

- What types of products or services are competitors offering?
 - What are the major characteristics of these products or services?
 - What are the strengths and weaknesses of competitors' products?
 - How do competitors handle marketing, pricing, and distributing?
 - What do competitors attempt to do differently from other companies?
 - Do they appear to be successful at it? Why or why not?
 - What are they good at?
 - What competitive advantage (s) do they appear to have?
 - What are they not so good at?
 - What competitive disadvantage (s) do they appear to have?
 - How large and profitable are these competitors?
-

Researching Financing

- Getting financing isn't always easy
 - Early in a venture
 - Peers 'friends, fools, and family'
 - Crowdfunding
 - Maturity
 - Investors
 - Professional venture capital firms
 - Accelerator programs

Planning a Venture: Developing a Business Plan

- Business Plan:
 - Written document that summarizes a business opportunity and defines and articulates how the identified opportunity is to be seized and exploited
-

Issues in Organizing an Entrepreneurial Venture

- There are four organizing issues an entrepreneur must address:
 - Organizational design and structure
 - Human resource management
 - How to stimulate and make changes
 - The continuing importance of innovation
 - Finding Opportunity with Creativity
 - Basadur Applied Creativity - Min Basadur is professor of innovation at McMaster University
 - Basadur's Simplex method combine three elements - process, skills, and profile - to find innovative solutions to fuzzy situations
 - The process includes eight steps, from formulating the problem through coming up with the solution, and finally implementing the solution
 - The three skills applied in each of the eight steps of the process ask participants to:
 - Use divergent thinking and brainstorming to come up with as many alternatives as possible
 - Defer judgement while brainstorming alternatives to allow the group to build on wild and crazy ideas, as well as the more practical ones
 - Uses convergent and evaluative thinking to choose that alternative that fits best
 - Creativity - Innovation - Entrepreneurial Venture
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Global Innovation 1000 Study:

- The 10 Most Innovative firms

| 2016 | 2015 | Company | Industry | R&D Spend* |
|------|------|---------------------|-------------------------|------------|
| 1 | | 1 Apple | Computing & electronics | 8.1 |
| 2 | | 2 Alphabet (Google) | Software & Internet | 12.3 |
| 3 | | 6 3M | Industrials | 1.8 |
| 4 | | 3 Tesla Motors | Automotive | 0.7 |
| 5 | | 5 Amazon | Software & Internet | 12.5 |
| 6 | | 4 Samsung | Computing & electronics | 12.7 |
| 7 | NA | Facebook | Software & Internet | 4.8 |
| 8 | | 8 Microsoft | Software & Internet | 12 |
| 9 | | 7 General Electric | Industrials | 4.2 |
| 10 | | 9 IBM | Computing & electronics | 5.2 |

Issues in Leading and Controlling Entrepreneurial Venture

- The Entrepreneur as Leader
- Managing Growth
- Managing Downturns
- Exiting the Venture

Steps to Social Innovation

- Identify a need
- Design a solution

Line illustrates that it is difficult to go from identify and designing to implementation because it requires financial and human resources

- Implementation

- Evaluation
- Post-evaluation

SWOT Analysis

- Strengths
- Weaknesses
- Opportunities
- Threats
- Used to do a quick analysis of your business to identify areas of focus for business decisions
- First step in developing your strategy

SWOT Analysis is broken into Internal and External assessment:

- Internal (controllable by management)
 - Strengths
 - Weaknesses
- External (not controllable by management)
 - Opportunities
 - Threats
- Strengths and Weaknesses focus on areas inside the business
- Opportunities and Threats focus on trends and changes outside the business
- Refer to SWOT ANALYSIS - EXAMPLE

The Decision-Making Process

- Decision: making a choice from two or more alternatives
- **Identifying** a problem, decision criteria & allocating weights to the criteria - subjective
- **Developing**, analyzing, & selecting an alternative that can resolve the problem

- **Implementing** the selected alternative
- **Evaluating** the decision's effectiveness
- Refer to Exhibit 8-1
- Step 1: Identification of a Problem
 - Problem:
 - A discrepancy between an existing and desired state of affairs
 - Characteristics of Problems:
 - A problem is recognized by awareness
 - There is pressure to solve the problem
 - The manager must have the authority, information, or resources needed to solve the problem
- Step 2: Identification of Decision Criteria
 - Criteria that define what is relevant in making a decision:
 - Costs that will be incurred (investments required)
 - Risks likely to be encountered (chance of failure)
 - Outcomes that are desired (growth of the firm)
- Step 3: Allocation of Weights to Criteria
 - Decision criteria are not of equal importance:
 - Assigning a weight to each item places the items in the correct priority order of their importance in the decision-making process

Criteria and Weights for Laptop Replacement Decision

| Criteria | Weight |
|-----------------------------|--------|
| Memory and storage capacity | 10 |
| Battery Life | 8 |
| Carrying weight | 6 |
| Warranty | 4 |
| Display quality | 3 |

The Decision-Making Process

- Step 4: Development of Alternatives
 - Identifying viable alternatives:
 - Alternatives are listed (without evaluation) that can resolve the problem
- Step 5: Analyze Alternatives
 - Appraising each alternative's strengths and weaknesses:
 - An alternative's appraisal is based on its ability to resolve the issues identified in steps 2 and 3.

Possible Alternatives

| Blank | Memory and Storage | Battery Life | Carrying Weight | Warranty | Display Quality |
|-------------------|--------------------|--------------|-----------------|----------|-----------------|
| HP ProBook | 10 | 3 | 10 | 8 | 5 |
| Sony VAIO | 8 | 7 | 7 | 8 | 7 |
| Lenovo IdeaPad | 8 | 5 | 7 | 10 | 10 |
| Apple MacBook | 8 | 7 | 7 | 8 | 7 |
| Toshiba Satellite | 7 | 8 | 7 | 8 | 7 |
| Sony NW | 8 | 3 | 6 | 10 | 8 |
| Dell Inspiron | 10 | 7 | 8 | 6 | 7 |

| Blank | Memory and Storage | Battery Life | Carrying Weight | Warranty | Display Quality |
|-------------|--------------------|--------------|-----------------|----------|-----------------|
| HP Pavilion | 4 | 10 | 4 | 8 | 10 |

The Decision-Making Process

- Step 6: Select an Alternative
 - Choosing the best alternative:
 - Typically the alternative with highest total weight is chosen
 - If the individual finds that the 'best alternative' does not seem like the right alternative, the decision maker needs to decide if a review of the criteria is necessary before implementing the alternative

Evaluation of Laptop Alternatives Against Weighted Criteria

| Blank | Memory and Storage | Battery Life | Carrying Weight | Warranty | Display Quality | Total |
|-------------------|--------------------|--------------|-----------------|----------|-----------------|-------|
| HP ProBook | 100 | 24 | 60 | 32 | 15 | 231 |
| Sony VAIO | 80 | 56 | 42 | 32 | 21 | 231 |
| Lenovo IdeaPad | 80 | 40 | 42 | 40 | 30 | 232 |
| Apple MacBook | 80 | 56 | 42 | 32 | 21 | 231 |
| Toshiba Satellite | 70 | 64 | 42 | 32 | 21 | 229 |
| Sony NW | 80 | 24 | 36 | 40 | 24 | 204 |
| Dell Inspiron | 100 | 56 | 48 | 24 | 21 | 249 |
| HP Pavilion | 40 | 80 | 24 | 32 | 30 | 206 |

The Decision-Making Process

- Step 7: Implement the Alternative
 - Putting the chosen alternative into action:
 - Conveying the decision to those affected by it and gaining their commitment to it

- Step 8: Evaluation of Decision
 - Effectiveness - The soundness of the decision is judged by its outcomes:
 - How effective was the problem resolved by outcomes resulting from the chosen alternatives?
 - If the problem was not resolved, when went wrong?
-

Decisions in the Management Functions

Planning

- What are the organization's long-term objectives?
- What strategies will best achieve those objectives?
- What should the organization's short-term objectives be?
- How difficult should individual goals be?

Organizing

- How many employees should I have report directly to me?
- How much centralization should there be in the organization?
- How should jobs be designed?
- When should the organization implement a different structure?

Leading

- How do I handle employees who appear to be low in motivation?
- What is the most effective leadership style in a given situation?
- How will a specific change affect worker productivity?
- When is the right time to stimulate conflict?

Controlling

- What activities in the organization need to be controlled?
- How should those activities be controlled?
- When is performance deviation significant?

- What type of management information system should the organization have?
-

The Manager as Decision Maker

- Rational Decision Making:
 - Making decisions that are consistent and value-maximizing within specified constraints
 - Assumptions are that decision makers:
 - Are perfectly rational, objective & logical
 - Have defined the problem and identified alternatives
 - Have a clear and specific goal
 - Will select the alternative that maximizes the likelihood of achieving that goal
-

Assumptions of Rationality

- The problem is clear and unambiguous
 - A single, well-defined goal is to be achieved
 - All alternatives and consequences are known
 - Preferences are clear
 - Preferences are constant and stable
 - No time or cost constraints exist
 - Final choice will maximize payoff
 - LEADS TO RATIONAL DECISION MAKING
-

The Manager as Decision Maker

- Bounded Rationality:
 - Limitations on a person's ability to interpret, process, and act on information
 - Assumes decision makers:
 - Will not seek out or have knowledge of all alternatives

- Will satisfied (accept solutions that are 'good enough')
 - Can be influenced by escalation of commitment (increased commitment to a previous decision despite evidence that it might have been wrong)
 - Role of Intuition
 - Intuitive decision making
 - Making decisions on the basis of experience, feelings, and accumulated judgement
 - One-third of managers and other employees said they emphasized 'gut feeling' over cognitive problem solving
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What is Intuition

- Intuition
 - Experience-Based Decisions
 - Managers make decisions based on their past experiences
 - Affect-Initiated Decisions
 - Managers make decisions based on feelings or emotions
 - Cognitive-Based Decisions
 - Managers make decisions based on skills, knowledge and training
 - Values- or Ethics-Based Decisions
 - Managers make decisions based on ethical values or culture
 - Subconscious Mental Processing
 - Managers use data from subconscious mind to help them make decisions
-

The Manager as Decision Maker

- Making Decisions: The Role of Evidence-Based Management
 - Evidence-based management
 - The systematic use of the best available evidence to improve management practice

Types of Decisions and Decision-Making Conditions

- Structured Problems:
 - Problems that are straightforward, familiar, and easily defined
- Programmed Decision:
 - A repetitive decision that can be handled by a routine approach
- Unstructured Problems:
 - Problems are new or unusual; information is ambiguous or incomplete
- Non-programmed Decisions:
 - Decisions are unique and nonrecurring; they require custom-made solutions

Decision-Making Conditions

- Certainty:
 - Decision maker can make accurate decisions because the outcome of every alternative is known
- Risk:
 - Decision maker is able to estimate the likelihood of certain outcomes
- Uncertainty:
 - Decision maker is not certain about the outcome and cannot even make reasonable probability estimates

Decision-Making Styles

- Dimensions of Decision-Making Styles
 - Ways of thinking
 - Rational, orderly, and consistent
- versus**
- Intuitive, creative and unique
 - Tolerance for ambiguity

- Low tolerance: require consistency and order

versus

- High tolerance: multiple thought simultaneously
- Linear Thinking Style
 - Decision style characterized by a person's preference for using external data and facts and processing this information through rational, logical thinking
- Nonlinear Thinking Style
 - Decision style characterized by a person's preference for internal sources of information and processing this information with internal, feelings, and hunches

Group Activity

- Discuss your experiences making decisions
- What happened during the decision making process that led to you believing it was a good/bad decision?
- Are there any common characteristics or themes?
- Drawing on the course material, what suggestions might you give to someone?

Common Decision-Making Biases and Errors

- Overconfidence
- Immediate Gratification
- Anchoring Effect
- Selective Perception
- Confirmation
- Framing
- Availability
- Representation
- Randomness

- Sunk Costs
- Self-Serving
- Hindsight

Effective Decision Making for Today's World

- Design Thinking and Decision Making
 - Approaching management problems as designers approach design problems
 - Think outside the box
 - Collaborative thinking
 - Big Data (e.g. AI, modelling, simulation)
 - Make prediction
 - Inform decisions

What is Planning:

- Managerial function that involves:
 - Defining the organization's goals
 - Establishing an overall strategy - objectives - for achieving those goals
 - Developing a comprehensive set of plans to integrate and coordinate organizational work
- Planning and Performance:
 - Provides direction
 - Reduces uncertainty
 - Minimizes waste and redundancy
 - Sets the standards for controlling
- The Relationship Between Planning and Performance:
 - Formal planning is associated with:
 - Higher profits and returns on assets

- Other positive financial results
- The quality of planning and implementation affects performance more than how much planning is done
- The external environment as a barrier to performance
- Relationship between planning-performance and time

How do Managers Plan?

- Elements of Planning
 - Goals (also objectives)
 - Desired outcomes or targets
 - Provide direction and performance evaluation criteria
 - Plans
 - Documents that outline how goals will be met
 - Describe how resources are to be allocated and establish activity schedules

Types of Plans

- Breadth
 - Strategic
 - Operational
- Time Frame
 - Long term
 - Short term
- Specificity
 - Directional
 - Specific
- Frequency of use
 - Single use

- Standing

Planning Tools and Techniques

- Forecasting
 - Making assumptions about what will happen in the future
 - Qualitative forecasting uses expert opinions
 - Quantitative forecasting uses mathematical and statistical analysis
 - All forecasts rely on human judgement
 - Planning involves deciding on how to deal with the implications of a forecast

How Do Managers Plan?

- Traditional Goal Setting
 - Broad goals are set at the top of the organization
 - Goals are then broken into sub-goals for each organizational level
 - Goals are intended to direct, guide, and constrain from above
 - Goals lose clarity and focus as lower-level managers attempt to interpret and define the goals for their areas of responsibility

The Downside of Traditional Goal Setting

- Top Management's Objective
 - 'We need to improve the company's performance'
- Division Manager's Objective
 - 'I want to see a significant improvement this division's profits'
- Department Manager's Objective
 - 'Increase profits regardless of the means'
- Individual Employee's Objective
 - 'Don't worry about quality; just work fast'

How Do Managers Plan?

- Maintaining the Hierarchy of Goals:
 - Means-Ends Chain:
 - Interconnected network of goals in which the accomplishment of goals at one level serves as the means for achieving the goals, or ends, at the next level
 - Systems approach
 - Management By Objectives (MBO):
 - Alternative to traditional goal setting
 - A process of setting mutually agreed-upon goals and using those goals to evaluate employee performance
 - Potential Problems with MBO Programs:
 - Not as effective in dynamic environments that require constant resetting of goals
 - Overemphasis on individual accomplishment may create problems with teamwork
 - Allowing the MBO program to become an annual paperwork shuffle
- Characteristics of Well-Written Goals
 - Well-Written Goals are:
 - Written in terms of outcomes rather than actions
 - Measurable and quantifiable
 - Clear as to a time frame
 - Challenging yet attainable
 - Written down
 - Communicated to all necessary organizational members
- Steps in Goal Setting:
 - Review the organization's mission statement
 - Do goals reflect the mission?
 - Evaluate available resources

- Are resources sufficient to accomplish the mission?
- Determine goals individually or with input from others
 - Are goals specific, measurable, and timely?
- Write down the goals and communicate them
 - Is everybody on the same page?
- Review results and whether goals are being met
 - What changes are needed in mission, resources, or goals?
- Contingency Factors affecting choice of plan:
 - Organizational level
 - Degree of environmental uncertainty
 - Length of future commitments - associated consequences

How do Managers Plan?

- Approaches to Planning:
 - Establishing a formal planning department:
 - A group of planning specialists who help managers write organizational plans
 - Planning is a function of management; it should never become the sole responsibility of planners
 - Involving organizational members in the process:
 - Plans are developed by members of organizational units at various levels and then coordinated with other units across the organization

Current Issues in Planning

- Effective Planning in Dynamic Environments:
 - Develop plans that are specific but flexible
 - Understand that planning is an ongoing process
 - Change plans when conditions warrant

- Persistence in planning eventually pays off
- Flatten the organization hierarchy to foster the development of planning skills at all organizational levels
- How to analyze the external environment...
 - Environmental scanning
 - Competitor intelligence
 - Gathering information about competitors that allows managers to anticipate competitors' actions rather than merely react to them

Strategic Management

- Basic concepts of strategy
 - Strategy - a comprehensive action plan that identifies long-term direction for an organization and guides resource utilization to accomplish organizational goals with sustainable competitive advantage
 - Strategic intent - focusing all organizational energies on a unifying and compelling goal

The Importance of Strategic Management

- What is Strategic Management?
 - What managers do to develop the organization's strategies.
- Plans for the business
- Successfully compete
- Satisfy its customers
- ...to achieve its goals
- Business model:
 - A strategic design for how a company intends to profit from its strategies, work processes, and work activities
 - A company's business model focuses on two things:

- Whether customers will value what the company is providing
- Whether the company can make any money doing that
- Why is Strategic Management Important?
 - Higher organizational performance
 - Ability to cope with uncertain external environments
 - Involved in many of the decisions that managers make
- Shift - Not-for-Profits & Strategic Management (e.g. hospitals)

The Strategic Management Process

- Identify the organization's current mission, goals, and strategies
 - SWOT Analysis
 - Formulate strategies
 - Implement strategies
 - Evaluate results
- Step 1: Identify the Organization's Current Mission, Goals, and Strategies
 - Mission: the firm's reason for being
 - The scope of its products and services
 - Goals: the foundation for further planning
 - Measurable performance targets

Components of a Mission Statement

- **Customers:** Who are the firm's customers?
- **Markets:** Where does the firm compete geographically?
- **Concern for survival, growth, and profitability:** Is the firm committed to growth and financial stability?
- **Philosophy:** What are the firm's basic beliefs, values, and ethical priorities?

- **Concern for public image:** How responsive is the firm to societal and environmental concerns?
- **Products or services:** What are the firm's major products or services?
- **Technology:** Is the firm technologically current?
- **Self-concept:** What are the firm's major competitive advantage and core competencies?
- **Concern for employees:** Are employees a valuable asset of the firm?

The Strategic Management Process

- Step 2: Conduct an External Analysis
 - Assessing organizational resources, capabilities, activities, and core competencies:
 - **Opportunities:** Positive trends in external environmental factors
 - **Threats:** Negative trends in external environmental factors
- Step 3: Conduct an Internal Analysis
 - The environmental scanning of specific and general internal areas including:
 - Mission
 - Resources
 - Capabilities
 - Core competencies
 - Assessing organizational resources, capabilities, activities, and core competencies
 - Strengths (core competencies) create value for the customer and strength the competitive position of the firm
 - Weaknesses (things done poorly or not at all) can place the firm at a competitive disadvantage
- Step 4: Formulate Strategies
 - Develop and evaluate strategic alternatives
 - Select appropriate strategies that provide relative advantage over competitors

- Match organizational strengths to environmental opportunities
 - Correct weaknesses and guard against threats
 - Step 5: Implement Strategies
 - Implementation: effectively fitting organizational structure and activities to the environment
 - The environment dictates the chosen strategy
 - Step 6: Evaluate Results
 - How effective have strategies been?
 - What adjustments, if any, are necessary?
-

Types of Organizational Strategies

Types of Corporate Strategies

- Growth: expansion into new products and markets
- Stability: maintenance of the status quo
- Renewal: address organizational weaknesses that are leading to performance declines

Growth Strategy:

- Seeking to increase the organization's business by expanding the number of products offered or markets served, either through its current business(es) or through new business(es)
- Types:
 - Concentration
 - Vertical Integration
 - Horizontal Integration
 - Diversification

Stability Strategy:

- A strategy characterized by an absence of significant change in what the organization is currently doing

Renewal Strategy:

- A strategy designed to address organizational weaknesses that are leading to performance declines
 - Types:
 - Retrenchment
 - Turnaround
-

How are Corporate Strategies Managed?

Corporate Portfolio Analysis

- BCG Matrix
 - Developed by the Boston Consulting Group
 - Considers market share and industry growth rate
 - Classifies firms as:
 - Cash cows: low growth rate, high market share
 - Stars: high growth rate, high market share
 - Question marks: high growth rate, low market share
 - Dogs: low growth rate, low market share
-

Creating Strategic Competitive Advantage

Competitive Strategy:

- An organizational strategy that focuses on how the organization will compete in each of its businesses

Competitive Advantage:

- What sets an organization apart: its distinct edge

Quality as a *Competitive Advantage:*

- Differentiates the firm from its competitors
- Can create sustainable competitive advantage

- Represents the company's focus on quality management to achieve constant improvement and meet customers' demand for quality and reliability

Design Thinking as a *Competitive Advantage*:

- Design thinking has been describe as 'approaching management problems as designers approach design problems.'
- Creative innovative solutions

Big data can be an effective counterpart to the information exchange generated through social media

Social Media as a *Competitive Advantage*:

- Successful social media strategies should
 - Help people - inside and outside the organization
 - Connect and reduce costs of increase revenue possibilities or both

Sustaining *Competitive Advantage*:

- Every organization has resources (assets) and capabilities (how work gets done)
- The trick is to effectively use these elements to create a ***sustainable competitive advantage***

Michael Porter: Five Competitive Forces

- 1. Threat of New Entrants
 - The ease or difficult with which new competitors can enter an industry
- 2. Threat of Substitutes:
 - The extent to which switching costs and brand loyalty affect the likelihood of customers adopting substitute products and services
- 3. Bargaining Power of Buyers
 - The degree to which buyers have the market strength to hold sway over and influence competitors in an industry
- 4. Bargaining Power of Suppliers
 - Degree of supplier concentration and availability of substitute inputs determine the amount of power that suppliers have over firms in the industry

- 5. Current Rivalry
 - Intensity among rivals increases when industry growth rates slow, demand falls, and product prices descend

Competitive Strategies

Cost Leadership Strategy

- The organization sets out to be the lowest-cost producer in its industry

Differentiation Strategy

- A company seeks to offer unique products that are widely valued by customers

Focus Strategy

- A company pursues a cost or differentiation advantage in a narrow industry segment

Stuck in the Middle

- An organization is unable to develop a competitive advantage through cost or differentiation

Functional strategy:

- A strategy used by a functional department to support the business strategy of the organization

Current Strategic Competitive Advantages

New Direction in Organization Strategies:

- E-Business Strategies
 - Online activities: bidding, order processing, inventory control, recruitment, and hiring

Customer Service Strategies

- Giving the customers what they want
- Communicating effectively with them
- Providing employees with customer service training

Innovation Strategies

- Application of existing technology to new uses
- Strategic decisions
- Scientific research
- Product development
- Innovation as a process

First Mover:

- An organization that is first to bring a product innovation to the market or to use a new process innovation
 - Advantages
 - Reputation for being innovative and industry leader
 - Cost and learning benefits
 - Control over scarce resources and keeping competitors from having access to them
 - Opportunity to begin building customer relationships and customer loyalty
 - Disadvantages
 - Uncertainty over exact direction technology and market will go
 - Risk of competitors' imitating innovations
 - Financial and strategic risks
 - High development costs

Sample Test Questions

Lecture 2

Technical skills include _____. **Job specific knowledge needed to proficiently perform work tasks**

All three of Mintzberg's interpersonal roles are part of the leading function. **True or false**

Lecture 3

McCain Foods of New Brunswick, Canada, is the world's largest producer of frozen French fries. They have manufacturing operations on six continents and employ more than 20, 000 people worldwide. **They hire the best people from around the globe and have a world-oriented business philosophy. McCain's global descriptive is best described as GEOCENTRIC.**

Hofstede's Framework for assessing cultures states in power distance that power is distributed equally. **FALSE.**

Lecture 4

In the course of transformation that must happen from following through with a radical innovation and taking advantage of it, the venture goes through a process called **creative destruction.**

By definition, a small business is necessary entrepreneurial. **False.**

Lecture 6

Changing costs and buyer loyalty are example of strategic forces that determine the **threat of substitutes.**

The purpose of Cathy's Clowns is 'to provide healthy entertainment that makes young children laugh.' This statement describe Cathy's **mission statement.**