

# ADM1300 EXAM NOTES

## Introduction to Management and Organizations

### **Managerial Levels:**

1. Top managers - responsible for making organization-wide decisions and establishing plans and goals affecting the entire organization
2. Middle managers - manage the work of first-line managers
3. First-line Managers - lowest level manage the work of non-managerial employees directly or indirectly involved with the production or creation of the organization's products

### **What is an Organization?**

- a deliberate arrangement of people to accomplish some specific purpose
- has a distinct purpose typically expressed through goals of the organization
- composed of people doing work to complete goals

### **Common Characteristics of Organizations:**

1. Distinct Purpose
2. Composed of People
3. Deliberate Structure

### **Efficiency and Effectiveness:**

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)

### **Managerial Concerns:**

1. Functions
2. Skills
3. Roles

### **Functions of Management:**

1. Planning
2. Leading
3. Organizing
4. Controlling

### **Management Roles:**

1. Interpersonal - figurehead, liaison, leader
2. Informational - monitor, spokesperson, disseminator
3. Decisional - entrepreneur, disturbance handler, negotiator and resource allocator

**Management Skills:**

1. Conceptual
2. Human
3. Technical

**Changes Facing Managers:**

1. Digitization
2. Greater emphasis on ethics
3. Changing security threats
4. Increased competitiveness

**Characteristics of Effective Organizations:**

1. Flexibility
2. Efficiency
3. Adaptability

**Decision Making and Foundations of Planning****8 Step Process:**

1. Identify the Problem
2. Identify the Decision Criteria
3. Allocate Weights to the Criteria
4. Develop Alternatives
5. Analyze the Alternatives
6. Selection of an Alternative
7. Implement the Alternative
8. Evaluation of the Decision Effectiveness

**Definitions:**

Structured Problems - Programmed Decision

Unstructured Problems - Non-Programmed Decision

Linear Thinking Style - characterized by a person's preference for using external data and facts and processing this information through rational, logical thinking

Nonlinear Thinking Style - characterized by a person's preference for internal sources of information and processing this information with internal insights, feelings, and hunches

## **Biases:**

Overconfidence bias - occurs when decision makers tend to think that they know more than they do or hold unrealistically positive views of themselves and their performance.

Selective perception bias - occurs when decision makers selectively organize and interpret events based on their biased perceptions.

Confirmation bias - occurs when decision makers seek out information that reaffirms their past choices and discounts information that is contradictory.

Sunk costs error - when decision makers forget that current choices can't correct the past.

Self-serving bias - is where decision makers are quick to take credit for their successes and blame failure on outside factors.

Hindsight bias - is the tendency for decision makers to falsely believe that they would have accurately predicted the outcome once the outcome is known.

The framing bias - occurs when decision makers select and highlight certain aspects of a situation while excluding others. By drawing attention to specific aspects of a situation and highlighting them, while at the same time downplaying or omitting other aspects, they distort what they see and create incorrect reference points.

The anchoring effect - describes how decision makers fixate on initial information as a starting point and then, once set, fail to adequately adjust for subsequent information.

The immediate gratification bias - describes decision makers who tend to want immediate rewards and to avoid immediate costs

The availability bias - happens when decisions makers tend to remember events that are the most recent and vivid in their memory. The result? It distorts their ability to recall events in an objective manner and results in distorted judgments and probability estimates.

Representation bias - when decision makers assess the likelihood of an event based on how closely it resembles other events or sets of events.

The randomness bias - describes the actions of decision makers who try to create meaning out of random events. They do this because most decision makers have difficulty dealing with chance even though random events happen to everyone, and there's nothing that can be done to predict them.

## Effective Decision Making:

Habits of highly reliable organizations (HROs)

- Are not tricked by their success
- Defer to the experts on the front line
- Let unexpected circumstances provide the solution
- Embrace complexity
- Anticipate, but also anticipate their limits

## Types of Goals:

- Stated goals official statements of what an organization says, and what it wants its stakeholders to believe its goals are.
- Real goals that an organization actually pursues, as defined by the actions of its members.

## Types of Breadth Plan:

<b>Strategic Plans</b> <ul style="list-style-type: none"><li>- Apply to the entire organization</li><li>- Establish the organization's overall goals</li><li>- Seek to position the organization in terms of its environment</li><li>- Cover extended periods of time</li></ul>	<b>Operational Plans</b> <ul style="list-style-type: none"><li>- Specify the details of how the overall goals are to be achieved</li><li>- Cover short time period</li></ul>
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## Types of Specificity Plan

<b>Specific Plans</b> <ul style="list-style-type: none"><li>- Clearly defined and leave no room for interpretation</li></ul>	<b>Directional Plans</b> <ul style="list-style-type: none"><li>- Plans that are flexible and set out general guidelines</li></ul>
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## Types of Frequency of Use Plan

<b>Single-use Plans</b> <ul style="list-style-type: none"><li>- A one-time plan specifically designed to meet the needs of a unique situation</li></ul>	<b>Standing Plans</b> <ul style="list-style-type: none"><li>- Ongoing plans that provide guidance for activities performed repeatedly</li></ul>
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## Management By Objectives (MBO)

A process of setting mutually agreed-upon goals and using those goals to evaluate employee performance. Rewards are allocated on the basis of progress toward the goals.

## **Contingency Factors Affecting Choice of Plan:**

1. Organizational level
  - Strategic plans at higher levels
  - Operational plans at lower levels
2. Degree of environmental uncertainty
  - Stable environment: specific plans
  - Dynamic environment: specific but flexible plans
3. Length of future commitments
  - Current plans affecting future commitments must be sufficiently long term to meet the commitments

## **Approaches to Planning:**

1. 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
2. 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

## **Managing Strategically**

### **What is Strategic Management?**

Plans for how an organization will do what it's in business to do, how it will compete successfully, and how it will attract and satisfy its customers in order to achieve its goals.

### **What is The 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:

1. whether customers will value what the company is providing
2. whether the company can make any money doing that

### **The Strategic Management Process**

Step 1: Identify the Organization's Current Mission, Goals, and Strategies

Step 2: Conduct an External Analysis

Step 3: Conduct an Internal Analysis

Step 4: Formulate Strategies

Step 5: Implement Strategies

Step 6: Evaluate Results

Steps two and three combined are called a SWOT analysis, for Strengths, Weaknesses, Opportunities and Threats.

### **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

### **Types of growth strategies are:**

- Concentration - increasing number of products offered or markets served
- Vertical integration - gain control of supply or distribution
- Horizontal integration - combining operations with competitors
- Diversification - combining with other industries (related or unrelated)

The stability strategy may be pursued for the following reasons:

1. The organization is in an industry experiencing a period of upheaval.
2. The industry is facing a no-growth situation.
3. Management feels the business is successful enough as it is.

There are two types of renewal strategies:

1. A retrenchment strategy reduces the company's activities or operations. Retrenchment strategies include: cost reductions, layoffs, closing underperforming units, closing entire product lines or services
2. A turnaround strategy is a renewal strategy for times when an organization's problems are more significant.

### **BCG Matrix:**

Classifies firms as...

1. Cash cows: low growth rate, high market share
2. Stars: high growth rate, high market share
3. Question marks: high growth rate, low market share
4. Dogs: low growth rate, low market share

Strategic Business Units (SBUs) - includes single businesses of an organization in several different businesses that are independent and formulate their own strategies.

### **Five Competitive Forces:**

Threat of New Entrants

Threat of Substitutes

Bargaining Power of Buyers

Bargaining Power of Suppliers

Current Rivalry

## Competitive Strategies:

A **cost leadership strategy** is the strategy an organization follows when it wants to be the lowest-cost producer in the industry.

The **differentiation strategy** is the strategy a firm follows when it wants to be unique in its industry along dimensions valued by buyers.

The **focus strategy** is the strategy a company follows when it pursues a cost or differentiation advantage in a narrow industry segment.

Porter proposed that a firm could not successfully pursue a combination of these competitive strategies and used the term **stuck in the middle** to describe organizations that cannot compete through cost leadership, differentiation, or focus strategies. However, a growing number of research studies have shown that a dual emphasis on low costs and differentiation can result in high performance. This approach isn't easy to implement, however

**Functional strategies** are the strategies used by an organization's various functional departments to support the business strategy

**Strategic Flexibility** is the ability to recognize major external environmental changes, to quickly commit resources, and to recognize when a strategic decision was a mistake.

**First Mover** - An organization that is first to bring a product innovation to the market or to use a new process innovation

## Designing Organizational Structure

Organizing - Arranging and structuring work to accomplish an organization's goals and objectives.

Organizational Structure - How job tasks are formally divided, grouped, and coordinated within an organization.

Organizational Chart - The visual representation of an organization's structure.

Organizational Design - The process of developing or changing an organization's structure.

## **Organizational Design:**

Work Specialization - The degree to which activities in an organization are subdivided into separate job tasks; also known as division of labour.

Departmentalization - The basis on which jobs are grouped together. The Five Common Forms of Departmentalization are functional, product, geographical, process departmentalization, customer departmentalization.

Chain Of Command - The continuous line of authority that extends from the top of the organization to the lowest level and clarifies who reports to whom.

Span Of Control - The number of employees who can be effectively and efficiently supervised by a manager.

Centralization - The degree to which decision making is concentrated at upper levels of the organization.

Formalization - The degree to which jobs within the organization are standardized and the extent to which employee behavior is guided by rules and procedures.

### **Types of Organizations:**

- A mechanistic organizational design that is rigid and tightly controlled
- An organic organization is highly flexible and adaptable structure.

### **Contingency Factors Affecting Structural Choice:**

1. Strategy and Structure: Organizational structure follows strategy
2. Size and Structure: Firms change from organic to mechanistic organizations as they grow in size
3. Technology and Structure: Firms adapt their structure to the technology they use (see next slides)
4. Environmental Uncertainty and Structure: Dynamic environments require organic structures; mechanistic structures need stable environments (see next slides)

### **Contemporary Organizational Designs:**

1. Team Structure: A structure in which the entire organization is made up of work groups or teams.
2. Matrix-Project: Specialists from different functional areas are assigned to work on projects and then return to their areas when the project is completed. In a project structure, employees continuously work on projects. As one project is completed, employees move on to the next project.
3. Boundaryless Structure: A structure not defined by or limited to artificial horizontal, vertical, or external boundaries; includes virtual and network types of organizations.
4. Learning Structure: A structure in which employees continually acquire and share new knowledge and apply that knowledge.
5. Virtual Organization: An organization that consists of a small core of full-time employees and outside specialists temporarily hired as needed to work on projects.

6. Network Organization: An organization that uses its own employees to do some work activities and networks of outside suppliers to provide other needed product components or work processes.

### **Managers and Communication:**

#### **Types of Communication:**

1. Interpersonal Communication - between two or more people
2. Organizational Communication - all the patterns, network, and systems of communications within an organization
3. Formal Communication - follows the official chain of command or is part of the communication required to do one's job.
4. Informal Communication - not defined by the organization's hierarchy, permits employees to satisfy their need for social interaction.

#### **The Interpersonal Communication Process:**

The seven elements of the communication process:

1. the communication source (the sender)
2. the message
3. encoding
4. the channel
5. decoding
6. the receiver
7. feedback

Note that the entire process is susceptible to noise—any disturbances that interfere with the transmission, receipt, or feedback of a message.

#### **Evaluate Communication Methods:**

1. Feedback. How quickly can the receiver respond to the message?
2. Complexity capacity. Can the method effectively process complex messages?
3. Breadth potential. How many different messages can be transmitted using this method?
4. Confidentiality. Can communicators be reasonably sure their messages are received only by those for whom they're intended?
5. Encoding ease. Can the sender easily and quickly use this channel?
6. Decoding ease. Can the receiver easily and quickly decode messages?
7. Time-space constraint. Do senders and receivers need to communicate at the same time and in the same space?
8. Cost. How much does it cost to use this method?
9. Interpersonal warmth. How well does this method convey interpersonal warmth?
10. Formality. Does this method have the needed amount of formality?
11. Scan-ability. Does this method allow the message to be easily browsed or scanned for relevant information?

12. Time of consumption. Does the sender or receiver exercise the most control over when the message is dealt with?

**Other Communication Methods:**

Non Verbal - Communication transmitted without words

Body Language - Gestures, facial expressions, and other body movements that convey meaning.

Verbal Intonation (paralinguistic) - An emphasis given to words or phrases that conveys meaning.

**Four Conditions that Influence the Effectiveness of that Encoded Messages:**

1. Skills
2. Attitudes
3. Knowledge of the sender
4. The socio- cultural system

**Barriers to Effective Interpersonal Communication:**

1. Filtering - manipulation of information to make it appear more favorable to the receiver.
2. Information overload - when the information we have to work with exceeds our processing capacity
3. Defensiveness - when threatened, reacting in a way that reduces the ability to achieve mutual understanding.
4. Emotions - disregarding rational and objective thinking processes and substituting emotional judgments when interpreting messages.
5. Selective perception - individuals interpret "reality" based on their own needs, motivations, experience, background, and other personal characteristics.
6. Language - the different meanings of and specialized ways (jargon) in which senders use words can cause receivers to misinterpret their messages.
7. Jargon - specialized terminology or technical language that members of a group use to communicate among themselves.

**Overcoming Barriers to Communication:**

- Use Feedback
- Simplify Language
- Listen Actively
- Constrain Emotions
- Watch Nonverbal Cues

**Direction of Communication Flow:**

Downward - It flows downward from a manager to employees. It is used to inform, direct, coordinate, and evaluate employees.

Upward - It flows upward from employees to their manager. It can be used to keep managers aware of how employees feel about their jobs, their coworkers, and the organization in general.

Lateral - It takes place among any employees on the same organizational level.

Diagonal - It cuts across organizational levels (e.g. email). It has the potential to create problems if employees do not keep their managers informed about decisions they have made or action they have taken.

### **Communication Networks:**

Chain Network Communication - flows according to the formal chain of command, both upward and downward.

Wheel Network - flows in and out through the group leader (hub) to others in the group.

All-Channel Network - flows freely among all members of the work team.

### **Communication Issues in Modern Organizations:**

1. Managing Communication in an Internet World
2. Managing the Organization's Knowledge Resources
3. The Role of Communication in Customer Service
4. Getting Employee Input
5. Communicating Ethically

### **Managing Human Resources:**

#### **High Performance Work Practices:**

- Extensive Employee Involvement
- Decentralized Decision making
- Performance Based Compensation
- Self-managed teams
- Giving employees more control over decision making
- Flexible Job Assignments
- Increasing employee access to information
- Staffing based on person-organization and person-job fit
- Training programs to develop knowledge, skills, and abilities

### **External Factors that Affect HRM Process:**

The Economy

Labor Union

Collective Bargaining Agreement

Government Legislation

## **Identifying and Selecting Competent Employees:**

Job Analysis: An assessment that defines a job and the behaviors necessary to perform them.

Job Description: A written statement of what the jobholder does, how it is done, and why it is done.

Job Specification: A written statement of the minimum qualifications that a person must possess to perform a given job successfully.

Recruitment: The process of locating, identifying, and attracting capable applicants to an organization.

Decruitment: Techniques for reducing the organization's workforce.

## **Decruitment Options:**

Firing - Permanent involuntary termination

Layoffs - Temporary involuntary termination; may last only a few days or extend to years

Attrition - Not filling openings created by voluntary resignations or normal retirements

Transfers - Moving employees either laterally or downward; usually do not reduce costs but can reduce intra-organizational supply–demand imbalances

Reduced workweeks - Having employees work fewer hours per week, share jobs, or perform their jobs on a part-time basis

Early retirements - Providing incentives to older and more senior employees for retiring before their normal retirement dates

Job sharing - Having employees share one full-time position

## **Leadership and Managing Groups:**

### **Early Leadership Theories:**

Trait Theories (1920s–30s)

1. Drive - leaders exhibit a high effort level
2. Desire to Lead - leaders have a strong desire to influence and lead others

3. Honesty & Integrity - leaders build trusting relationships with followers by being truthful or non-deceitful and by showing high consistency between word and deed
4. Self confidence - leaders need to show self-confidence in order to convince followers of the rightness of their goals and decisions
5. Intelligence - leaders need to be intelligent enough to gather, synthesize, and interpret large amounts of information, and they need to be able to create visions, solve problems, and make correct decisions
6. Job-relevant knowledge - effective leaders have a high degree of knowledge about the company, industry, and technical matters
7. Extraversion - leaders are energetic, lively people, sociable, assertive, and rarely silent or withdrawn
8. Proneness to guilt - guilt proneness is positively related to leadership effectiveness because it produces a strong sense of responsibility for others

### **Behavioral Theories:**

Iowa Three leadership styles:

- Autocratic style: leader tends to centralize authority, dictate work methods, make unilateral decisions, and limit employee participation.
- Democratic style: leader tends to involve employees in decision making, delegate authority, encourage participation in deciding work methods and goals, and use feedback as an opportunity for coaching employees
- Laissez-faire style: leader tends to give the group complete freedom to make decisions and complete the work in whatever way it sees fit.

Ohio State Two Dimensions of Leader Behaviour:

- Initiating structure: leader defines his or her role and the roles of group members in attaining goals
- Consideration: leader has work relationships characterized by mutual trust and respect for group members' ideas and feelings

Michigan Two Dimensions of Leader Behaviour:

- Employee oriented: emphasizing personal relationships.
- Production oriented: emphasizing task accomplishment.

### **Contingency Theories Of Leadership:**

1. Fiedler Contingency Model

- A contingency theory proposing that effective group performance depended upon the proper match between a leader's style of interacting with his/her followers and the degree to which the situation allowed the leader to control and influence.
1. Leader-member relations described the degree of confidence, trust, and respect subordinates have in their leader.

2. Task structure described the degree to which job assignments were formalized and structured.
3. Position power described the degree of influence a leader had over power-based activities such as hiring, firing, discipline, promotions, and salary increases.

## 2. Hersey and Blanchard's Situational Leadership Theory (SLT)

- Hersey and Blanchard propose that successful leadership is achieved by selecting the right leadership style that matches the level of the followers' readiness

1. Delegating
2. Participating
3. Selling
4. Telling

## 3. Path-goal Theory

- Purports that it is the leader's job to assist his or her followers in attaining their goals and to provide the direction or support needed to ensure that their goals are compatible with the overall objectives of the organization
1. The directive leader lets subordinates know what is expected of them, schedules work to be done, and gives specific guidance on how to accomplish tasks.
  2. The supportive leader is friendly and shows concern for subordinates' needs.
  3. The participative leader consults with subordinates and uses their suggestions before making a decision.
  4. The achievement-oriented leader sets challenging goals and expects subordinates to perform at their highest level.

## **Contemporary Views On Leadership:**

### 1. Leader–Member Exchange (LMX) Theory

- Leaders create ingroups and out-groups and those in the in-group will have higher performance ratings, less turnover and greater job satisfaction

### 2. Transformational-Transactional Leadership

- Transactional Leaders: guide or motivate their followers in the direction of established goals by clarifying role and task requirements.
- Transformational Leaders: inspire followers to go beyond their own self-interests for the good of the organization.

## **How to be a Transformational Leader?**

- Individualized consideration: Pay attention to the needs of individual followers to help them reach their full potential.
- Intellectual stimulation: Provide "ways and reasons for followers to change the way they think about" things.
- Inspirational motivation: "Set an example of hard work, give 'pep' talks, [and] remain optimistic in times of crisis."

- Idealized influence: Show respect for others, building confidence and trust about the mission in followers.

### **Managing Power:**

- Legitimate power: is the power a person has as a result of his or her position in the formal organizational hierarchy (also called authority).
- Coercive power: is the power that rests on the application, or the threat of application, of physical sanctions such as the infliction of pain; the arousal of frustration through restriction of movement; or the controlling by force of basic physiological or safety needs.
- Reward power: is the power that produces positive benefits or rewards.
- Expert power: is the influence that results from expertise, special skills, or knowledge.
- Referent power: is the power that arises from identification with a person who has desirable resources or personal traits.

### **Five Dimensions of Trust:**

1. Integrity (honesty and truthfulness)
2. Competence (technical and interpersonal knowledge and skills)
3. Consistency (reliability, predictability, and good judgment in handling situations)
4. Loyalty (willingness to protect a person, physically and emotionally)
5. Openness (willingness to share ideas and information freely)

### **Group Development:**

- Group: Two or more interacting and interdependent individuals who come together to achieve particular goals.
- Formal Group: Work groups that have designated work assignments/tasks directed toward organizational goals.
- Informal Group: Groups that are independently formed to meet the social needs of their members.

### **Examples of Formal Groups:**

- Command Groups: Groups that are determined by the organizational chart and composed of individuals who report directly to a given manager.
- Task Groups: Groups composed of individuals brought together to complete a specific job task; their existence is often temporary because once the task is completed, the group disbands.
- Cross-Functional Teams: Groups that bring together the knowledge and skills of individuals from various work areas, or groups whose members have been trained to do one another's jobs.

- Self-Managed Teams: Groups that are essentially independent and, in addition to their own tasks, take on traditional managerial responsibilities such as hiring, planning and scheduling, and performance evaluations

### **Stages of Group Development:**

1. Forming - Members join and begin the process of defining the group's purpose, structure, and leadership.
2. Storming - Intragroup conflict occurs as individuals resist control by the group and disagree over leadership.
3. Norming - Close relationships develop as the group becomes cohesive and establishes its norms for acceptable behaviour.
4. Performing - A fully functional group structure allows the group to focus on performing the task at hand.
5. Adjourning - The group prepares to disband and is no longer concerned with high levels of performance

### **Group structure:**

- Roles
- Norms
- Conformity
- Status
- Group size
- Group Cohesiveness

### **Conflict Management:**

- Traditional view: conflict must be avoided
- Human relations view: conflict is a natural and inevitable outcome in any group
- Interactionist view: conflict can be a positive force and is absolutely necessary for effective group performance

Functional Conflicts: Conflicts that support a group's goals and improve its performance.

Non-Functional Conflicts: Conflicts that prevent a group from achieving its goals

### **Work Groups vs. Work Teams:**

- Work Groups: Interact primarily to share information and to make decisions to help each member do his or her job more efficiently and effectively.
- Work Teams: Work intensely on a specific, common goal using their positive synergy, individual and mutual accountability, and complementary skills.

### **Managerial Control**

#### **The Control Process:**

1. Measuring actual performance

2. Comparing actual performance against a standard
3. Taking action to correct deviations or inadequate standards

**Tools for Measuring Organizational Performance:**

1. Feedforward Control - Focuses on preventing anticipated problems, since it takes place before the actual activity
2. Concurrent Control - Takes place while an activity is in progress.
3. Feedback Control - Takes place after an action has occurred.
4. Financial Controls - Traditional financial control measures include ratio analysis and budget analysis.
5. Information Controls - Can be viewed as a tool to help managers control other organizational activities and also as an organizational area that managers need to control.
6. Balanced Scorecard - Uses goals set by managers in four areas to measure a company's performance (financial, customer, internal processes, people/innovation/growth assets).
  - Benchmarking is the search for the best practices among competitors or non-competitors that lead to their superior performance.

**Contemporary Issues in Control:**

- Controlling Customer Interactions
- Organizational Governance
- Adjusting Controls for Cross-Cultural Differences and Global Turmoil
- Emerging Workplace Concerns
- Customer Experience