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Lecture Notes on Principles and Practice of Business Management

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who share jobs. As a manager, you'll need to recognize how these work arrangements affect the way you plan, organize, lead, and control. This whole issue of flexible work arrangements has become so prevalent and part of how work is done in organizations.

ASSESSING ENVIRONMENTAL UNCERTAINTY

Another constraint posed by external environments is the amount of uncertainty found in that environment, which can affect organizational outcomes. Environmental uncertainty refers to the degree of change and complexity in an organization's environment.

The first dimension of uncertainty is the degree of change. If the components in an organization's environment change frequently, it's a dynamic environment. If change is minimal, it's a stable one. A stable environment might be one with no new competitors, few technological breakthroughs by current competitors, little activity by pressure groups to influence the organization, and so forth. For instance, Zippo Manufacturing, best known for its Zippo lighters, faces a relatively stable environment, with few competitors and little technological change. The main external concern for the company is probably the declining numbers of tobacco smokers, although the company's lighters have other uses and global markets remain attractive.

The other dimension of uncertainty describes the degree of environmental complexity, which looks at the number of components in an organization's environment and the extent of the knowledge that the organization has about those components. An organization with fewer competitors, customers, suppliers, government agencies, and so forth faces a less complex and uncertain environment.

MANAGING STAKEHOLDER RELATIONSHIPS

Stakeholders are any constituencies in the organization's environment that are affected by an organization's decisions and actions. These groups have a stake in or are significantly influenced by what the organization does. In turn, these groups can influence the organization. For example, think of the groups that might be affected by the decisions and actions of Starbucks—coffee bean farmers, employees, specialty coffee competitors, local communities, and so forth. Some of these stakeholders also, in turn, may influence decisions and actions of Starbucks' managers. The idea that organizations have stakeholders is now widely accepted by both management academics and practicing managers.

Note that these stakeholders include internal and external groups. Why? Because both can affect what an organization does and how it operates.

Why should managers even care about managing stakeholder relationships? For one thing, it can lead to desirable organizational outcomes such as improved predictability of environmental changes, more successful innovations, greater degree of trust among stakeholders, and greater organizational flexibility to reduce the impact of change. But does it affect organizational performance? The answer is yes! Management researchers who have looked at this issue are finding that managers of high-performing companies tend to consider the interests of all major stakeholder groups as they make decisions.

Another reason for managing external stakeholder relationships is that it's the "right" thing to do.

Because an organization depends on these external groups as sources of inputs (resources) and as outlets for output.

ORGANISATIONAL CULTURE

In most organizations, these shared values and practices have evolved over time and determine, to a large extent, how "things are done around here."Our definition of culture implies three things. First, culture is a perception. It's not something that can be physically touched or seen, but employees perceive it on the basis of what they experience within the organization. Second, organizational culture is descriptive. It's concerned with how members perceive the culture and describe it, not with whether they like it. Finally, even though individuals may have different backgrounds or work at different organizational levels, they tend to describe the organization's culture in similar terms. That's the shared aspect of culture.

HOW EMPLOYEES LEARN CULTURE

Employees "learn" an organization's culture in a number of ways. The most common are stories, rituals, material symbols, and language.

STORIES Organizational "stories" typically contain a narrative of significant events or people including such things as the organization's founders, rule breaking, reactions to past mistakes, and so forth. Managers at Southwest Airlines tell stories celebrating employees who perform heroically for customers. Such stories help convey what's important and provide examples that people can learn from. At 3M Company, the product innovation stories are legendary. There's the story about the 3M scientist who spilled chemicals on her tennis shoe and came up with Scotchgard. Then, there's the story about Art Fry, a 3M researcher, who wanted a better way to mark the pages of his church hymnal and invented the Post-It Note. These stories reflect what made 3M great and what it will take to continue that success. To help employees learn the culture, organizational stories anchor the present in the past, provide explanations and legitimacy for current practices, exemplify what is important to the organization, and provide compelling pictures of an organization's goals.

RITUALS In the early days of Facebook, founder Mark Zuckerberg had an artist paint a mural at company headquarters showing children taking over the world with laptops. Also, he would end employee meetings by pumping his fist in the air and leading employees in a chant of "domination." Although the cheering ritual was intended to be something simply fun, other company executives suggested he drop it because it made him seem silly and they feared that competitors might cite it as evidence of monopolistic goals.That's the power that rituals can have in shaping what employees believe is important. Corporate rituals are repetitive sequences of activities that express and reinforce the important values and goals of the organization. One of the best-known corporate rituals is Mary Kay Cosmetics' annual awards ceremony for its sales representatives. Looking like a cross between a circus and a Miss America pageant, the ceremony takes place in a large auditorium, on a stage in front of a large, cheering audience, with all the participants dressed in glamorous evening clothes. Salespeople are rewarded for sales goal achievements with an array of expensive gifts including gold and diamond pins, furs, and pink Cadillacs. This "show" acts as a motivator by publicly acknowledging outstanding sales performance. In addition, the ritual aspect reinforces late founder Mary Kay's determination and optimism, which enabled her to overcome personal hardships, start her own company, and achieve material success. It conveys to her salespeople that reaching their sales goals is important and through hard work and encouragement, they too can achieve success. The contagious enthusiasm and excitement of Mary Kay sales representatives make it obvious that this annual "ritual" plays a significant role in establishing desired levels of motivation

ENCOURAGING ETHICAL BEHAVIOUR

EMPLOYEE SELECTION

The selection process (interviews, tests, background checks, and so forth) should be viewed as an opportunity to learn about an individual's level of moral development, personal values, ego strength, and locus of control. However, a carefully designed selection process isn't foolproof and, even under the best circumstances, individuals with questionable standards of right and wrong may be hired. Such an issue can be overcome if other ethics controls are in place.

CODES OF ETHICS AND DECISION RULES

George David, former CEO and chairman of Hartford, Connecticut-based United Technologies Corporation, believed in the power of a code of ethics. That's why UTC has always had one that was quite explicit and detailed. Employees know the behavioral expectations, especially when it comes to ethics. UBS AG, the Swiss bank, also has an explicit employee code crafted by CEO Oswald Grübel that bans staff from helping clients cheat on their taxes. However, not all organizations have such explicit ethical guidelines.

LEADERSHIP

In 2007, Peter Löscher was hired as CEO of German company Siemens to clean up a global bribery scandal that cost the company a record-setting $1.34 billion in fines. His approach: "Stick to your principles. Have a clear ethical north. Be trusted and be the role model of your company . . . true leaders have a set of core values they publicly commit to and live by in good times and bad." Doing business ethically requires a commitment from top managers. Why? Because they're the ones who uphold the shared values and set the cultural tone. They're role models in terms of both words and actions, though what they dois far more important than what they say. If top managers, for example, take company resources for their personal use, inflate their expense accounts, or give favored treatment to friends, they imply that such behavior is acceptable for all employees.

JOB GOALS AND PERFORMANCE APPRAISAL

Employees in three Internal Revenue Service offices were found in the bathrooms flushing tax returns and other related documents down the toilets. When questioned, they openly admitted doing it, but offered an interesting explanation for their behavior. The employees' supervisors had been pressuring them to complete more work in less time. If the piles of tax returns weren't processed and moved off their desks more quickly, they were told their performance reviews and salary raises would be adversely affected. Frustrated by few resources

ETHICS TRAINING

More organizations are setting up seminars, workshops, and similar ethics training programs to encourage ethical behavior. Such training programs aren't without controversy as the primary concern is whether ethics can be taught. Critics stress that the effort is pointless because people establish their individual value systems when they're young. Proponents note, however, several studies have shown that values can be learned after early childhood. In addition, they cite evidence that shows that teaching ethical problem solving can make an actual difference in ethical behaviors;64 that training has increased individuals' level of moral development and that, if nothing else, ethics training increases awareness of ethical issues in business. How can ethics be taught? Let's look at an example involving global defense contractor Lockheed Martin, one of the pioneers in

CHAPTER SIX

MANAGING CHANGE AND INNOVATION

Two Views of the Change Process Two very different metaphors can be used to describe the change process. One metaphor envisions the organization as a large ship crossing a calm sea. The ship's captain and crew know exactly where they're going because they've made the trip many times before. Change comes in the form of an occasional storm, a brief distraction in an otherwise calm and predictable trip.

THE CALM WATERS METAPHOR

At one time, the calm waters metaphor was fairly descriptive of the situation that managers faced. It's best discussed using Kurt Lewin's three-step change process. According to Lewin, successful change can be planned and requires unfreezing the status quo, changing to a new state, and refreezing to make the change permanent. The status quo is considered equilibrium. To move away from this equilibrium, unfreezing is necessary. Unfreezing can be thought of as preparing for the needed change. It can be done by increasing the driving forces, which are forces pushing for change; by decreasing the restraining forces, which are forces that resist change; or by combining the two approaches.

TYPES OF ORGANISATIONAL CHANGE

What Is Organizational Change? Most managers, at one point or another, will have to change some things in their workplace. We classify these changes as organizational change, which is any alteration of people, structure, or technology. Organizational changes often need someone to act as a catalyst and assume the responsibility for managing the change process—that is, a change agent. Change agents can be a manager within the organization, but could be a nonmanager—for example, a change specialist from the HR department or even an outside consultant. For major changes, an organization often hire outside consultants to provide advice and assistance.

TYPES OF CHANGE

CHANGING STRUCTURE. Changes in the external environment or in organizational strategies often lead to changes in the organizational structure. Because an organization's structure is defined by how work gets done and who does it, managers can alter one or both of these structural components. For instance, departmental responsibilities could be combined, organizational levels eliminated, or the number of persons a manager supervises could be increased. More rules and procedures could be implemented to increase standardization. Or employees could be empowered to make decisions so decision making could be faster

CHANGING TECHNOLOGY

Managers can also change the technology used to convert inputs into outputs. Most early management studies dealt with changing technology. For instance, scientific management techniques involved implementing changes that would increase production efficiency. Today, technological changes usually involve the introduction of new equipment, tools, or methods; automation; or computerization.

CHANGING PEOPLE

Changing people involves changing attitudes, expectations, perceptions, and behaviors, something

Types of Plans

The most popular ways to describe organizational plans are breadth (strategic versus operational), time frame (short term versus long term), specificity (directional versus specific), and frequency of use (single use versus standing). That is, strategic plans are usually long term, directional, and single use whereas operational plans are usually short term, specific, and standing.

Strategic planning:

Strategic planning are plans that apply to the entire organization and establish the organization's overall goals and seek to position the organization in terms of its environment. Strategic plan is broad

Operational Planning

Plan that encompass a particular operational area of the organization. It plans are narrow and tends to cover shorter time period.

Long-term Plan

We define long-term plans as those with a time frame beyond three years.

Short-term Plan

Plans cover one year or less. Any time period in between would be an intermediate plan. Although these time classifications are fairly common, an organization can use any planning time frame it wants.

Specific plans

It would be preferable to directional

and have clearly defined objective. A specific plan states its objectives in a way that eliminates ambiguity and problems with misunderstanding. For example, a manager who seeks to increase his or her unit's work output by 8 percent over a given 12-month period might establish specific procedures, budget allocations, and schedules of activities to reach that goal.

However, when uncertainty is high and managers must be flexible in order to respond to unexpected changes, directional plans are preferable.

Directional plans

These are flexible plans that set out general guidelines. They provide focus but don't lock managers into specific goals or courses of action. For example, Sylvia Rhone, president of Motown Records, said she has a simple goal—to "sign great artists."11 So instead of creating a specific plan to produce and market 10 albums from new artists this year, she might formulate a directional plan to use a network of people around the world to alert her to new and promising talent so she can increase the number of new artists she has under contract. Keep in mind, however, that the flexibility of directional plans must be weighed against the lack of clarity of specific plans.

Single plan

A single-use plan is a one-time plan specifically designed to meet the needs of a unique situation. In recommending a patient be discharged. Employee teams at Lockheed Martin's New York facility custom build complex products such as ground-based radar systems using continuous quality improvement techniques. The six people in the Skinny Improv group in Springfield, Missouri, perform their unique brand of comedy every weekend in a downtown venue. Each of these groups has a different type of task to accomplish. As the group performance/satisfaction model shows, the impact that group processes have on group performance and member satisfaction is modified by the task the group is doing. More specifically, it's the complexity and interdependence of tasks that influence a group's effectiveness.Tasks are either simple or complex. Simple tasks are routine and standardized. Complex tasks tend to be novel or nonroutine. It appears that the more complex the task, the more a group benefits from group discussion about alternative work methods. Group members don't need to discuss such alternatives for a simple task, but can rely on standard operating procedures. Similarly, a high degree of interdependence among the tasks that group members muconflict to be productive, it must be minimal. Otherwise, intense arguments over who should do what may become dysfunctional and can lead to uncertainty about task assignments, increase the time to complete tasks, and result in members working at crosspurposes. However, a low-to-moderate level of task conflict consistently has a positive effect on group performance because it stimulates discussion of ideas that help groups be perform means they'll need to interact more. Thus, effective communication and controlled conflict are most relevant to group performance when tasks are complex and interdependent.

What Is a Work Team?

work teams are groups whose members work intensely on a specific common goal using their positive synergy, individual and mutual accountability, and complementary skills.

Creating Effective Work Teams:

CLEAR GOALS: High-performance teams have a clear understanding of the goal to be achieved. Members are committed to the team's goals, know what they're expected to accomplish, and understand how they will work together to achieve these goals.

RELEVANT SKILLS: Effective teams are composed of competent individuals who have the necessary technical and interpersonal skills to achieve the desired goals while working well together. This last point is important because not everyone who is technically competent has the interpersonal skills to work well as a team member.

MUTUAL TRUST: Effective teams are characterized by high mutual trust among members. That is, members believe in each other's ability, character, and integrity. But as you probably know from personal relationships, trust is fragile. Maintaining this trust requires careful attention by managers.

UNIFIED COMMITMENT:Unified commitment is characterized by dedication to the team's goals and a willingness to expend extraordinary amounts of energy to achieve them. Members of an effective team exhibit intense loyalty and dedication to the team and are willing to do whatever it takes to help their team succeed.

GOOD COMMUNICATION: Not surprisingly, effective teams are characterized by good communication. Members convey messages, verbally and nonverbally, between each other in ways that are readily and clearly understood. Also, feedback helps guide team members and correct misunderstandings. Like a couple who has been together for many years, members of high-performing teams are able to quickly and efficiently share ideas and feelings.

NEGOTIATING SKILLS: Effective teams are continually making adjustments to whom does what. This flexibility requires team members to possess negotiating skills. Because problems and relationships regularly change within teams, members need to be able to confront and reconcile differences.

Managing Global Teams:

Two characteristics of today's organizations are obvious: They're global and work is increasingly done by teams. These two aspects mean that any manager is likely to have to manage a global team. What do we know about managing global teams? We know there are both drawbacks and benefits in using global teams . Using our group model as a framework, we can see some of the issues associated with managing global teams.

GROUP STRUCTURE:

Some of the structural areas where we see differences in managing global teams include conformity, status, social loafing, and cohesiveness. Are conformity findings generalizable across cultures? Research suggests that Asch's findings are culture-bound.For instance, as might be expected, conformity to social norms tends to be higher in collectivistic cultures than in individualistic cultures. Despite this tendency, however, groupthink tends to be less of a problem in global teams because members are less likely to feel pressured to conform to the ideas, conclusions, and decisions of the group.

GROUP PROCESSES:

The processes that global teams use to do their work can be particularly challenging for managers. For one thing, communication issues often arise because not all team members may be fluent in the team's working language. This can lead to inaccuracies, misunderstandings, and inefficiencies. However, research also has shown that a multicultural global team is better able to capitalize on the diversity of ideas represented if a wide range of information is used. Managing conflict in global teams isn't easy, especially when those teams are virtual teams. Conflict can interfere with how information is used by the team. However, research shows that in collectivistic cultures, a collaborative conflict management style can be most effective.

Understanding Social Networks :

We can't leave this chapter on managing teams without looking at the patterns of informal connections among individuals within groups—that is, at the social network structure.What actually happens within groups? How do group members relate to each other and how does work get done? Managers need to understand the social networks and social relationships of work groups. Why? Because a group's informal social relationships can help or hinder its effectiveness. For instance, research on social networks has shown that when people need help getting a job done, they'll choose a friendly colleague over someone who may be more capable. Another recent review of team studies showed that teams with high levels of interpersonal interconnectedness actually attained their goals better and were more committed to staying together. Organizations are recognizing the practical benefits of knowing the social networks within teams. For instance, when Ken Loughridge, an IT manager with MWH Global, was transferred from Cheshire, England, to New Zealand, he had a "map" of the informal relationships and connections among company IT employees. This map had been created a few months before using the results of a survey that asked employees who they "consulted most frequently, who they turned to for expertise, and who either boosted or drained their energy levels." Not only did this map help him.

- Double standards in terms of policies, procedures, and training opportunities for managers and employees.
- Unresolved grievances because the organization provides no mechanisms or only adversarial ones for resolving them; dysfunctional individuals may be protected or ignored because of long-standing rules, union contract provisions, or reluctance to take care of problems.
- Emotionally troubled employees and no attempt by managers to get help for these people.
- Faulty or unsafe equipment or deficient training, which keeps employees from being able to work efficiently or effectively.
- Hazardous work environment in terms of temperature, air quality, repetitive motions, overcrowded spaces, noise levels, excessive overtime, and so forth.

CORPORATE GOVERNANCE

Corporate governance, the system used to govern a corporation so that the interests of corporate owners are protected, failed abysmally at Enron, as it has at many companies caught in financial scandals. In the aftermath of these scandals, corporate governance has been reformed. Two areas where reform has taken place are the role of board of directors and financial reporting

THE ROLE OF BOARDS OF DIRECTORS:

The original purpose of a board of directors was to have a group, independent from management, looking out for the interests of shareholders who were not involved in the day-to-day management of the organization. However, it didn't always work that way. Board members often enjoyed a cozy relationship with managers in which each took care of the other. This type of "quid pro quo" arrangement has changed.

FINANCIAL REPORTING AND THE AUDIT COMMITTEE:

In fulfilling their financial reporting responsibilities, managers might want to follow the principles also developed by the researchers at the Corporate Governance Center

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CHAPTER NINETEEN

MANAGING OPERATIONS

What is operations management?

The term refers to the transformation process that converts resources into finished goods and services. The system takes in inputs—people, technology, capital, equipment, materials, and information—and transforms them through various processes, procedures, work activities, and so forth into finished goods and services. Because every unit in an organization produces something, managers need to be familiar with operations management concepts in order to achieve goals efficiently and effectively. Operations management is important to organizations and managers for three reasons: (1) It encompasses both services and manufacturing; (2) it's important in effectively and efficiently managing productivity; and (3) it plays a strategic role in an organization's competitive success.

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What Is Value Chain Management?

Every organization needs customers if it's going to survive and prosper. Even a not-for profit organization must have "customers" who use its services or purchase its products. Customers want some type of value from the goods and services they purchase or use, and these customers decide what has value. Organizations must provide that value to attract and keep customers. Value is defined as the performance characteristics, features, and attributes, and any other aspects of goods and services for which customers are willing to give up resources.

Goal of Value Chain Management :

Who has the power in the value chain? Is it the suppliers providing needed resources and materials? After all, they have the ability to dictate prices and quality. Is it the manufacturer who assembles those resources into a valuable product or service? Their contribution in creating a product or service is quite obvious. Is it the distributor that makes sure the product or service is available where and when the customer needs it? Actually, it's none of these! In value chain management, ultimately customers are the ones with power. They're the ones who define what value is and how it's created and provided. Using value chain management, managers hope to find that unique combination that offers customers solutions to truly meet their unique needs incredibly fast and at a price that can't be matched by competitors.

Benefits of Value Chain Management:

Collaborating with external and internal partners in creating and managing a successful value chain strategy requires significant investments in time, energy, and other resources, and a serious commitment by all chain partners. Given these demands, why would managers ever choose to implement value chain management? A survey of manufacturers noted four primary benefits of

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