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The Four Functions of Management - An essential guide to Management Principles

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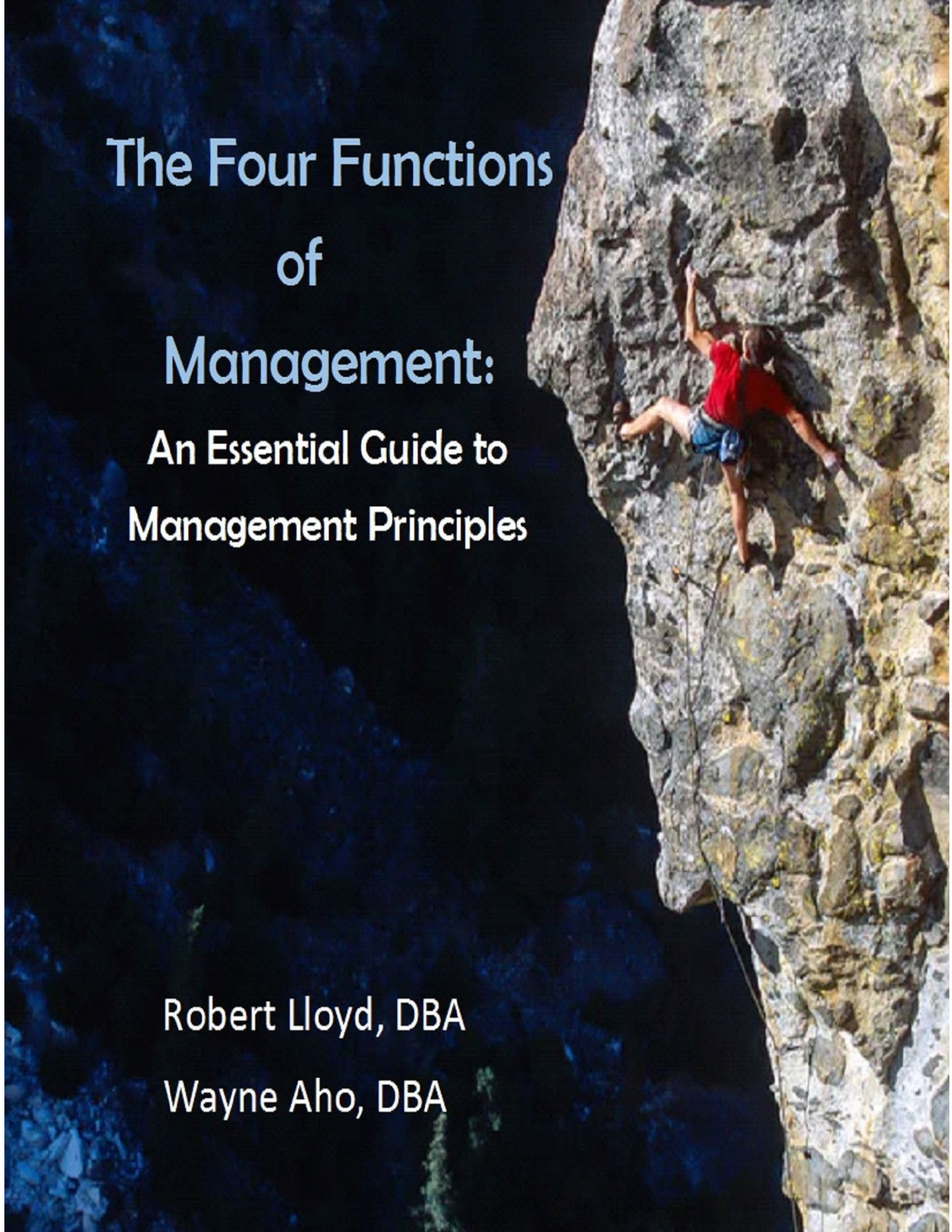

The Four Functions of Management:

An Essential Guide to Management Principles

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An Essential Guide to Management Principles

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PART I

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Introduction to Management

Learning Objectives

The purpose of this chapter is to:

1) Give you a basic understanding of management and its importance

2) Provide a foundation of the managerial functions of planning, organizing, leading, and controlling

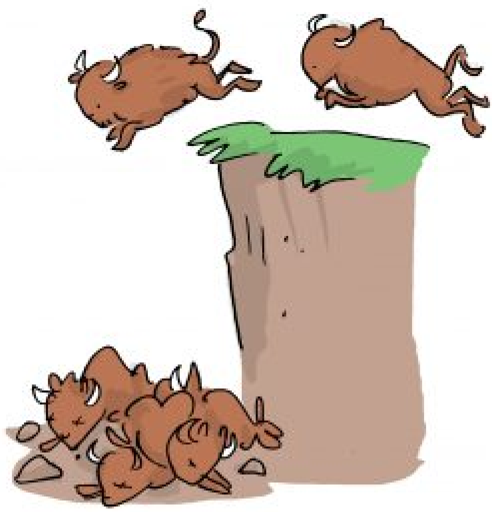
Introduction to Management

Management is not a hard science. Unlike chemistry or algebra where a right answer (often) exists, management is fluid, and subjective, and there are divergent perspectives on how to employ its principles. But what exactly is management? Most scholars have variations of the same definition that include a utilization of resources to achieve a goal. Lussier (2021) defines a manager as "the individual responsible for achieving organizational objectives through efficient and effective utilization of resources" (p. 3). The problem with this definition is that it implies that a manager has to be both efficient and effective, which eliminates the possibility of having a bad manager. Each of us can probably contradict this definition by providing an example from our personal past. However, this definition contains the basic elements of using resources to pursue goals.

An early management scholar, Mary P. Follett characterized management as "the art of getting things done through the efforts of other people" (Graham, 1995). This definition implies both pursuing goals (getting things done) and utilizing resources (predominantly through people). However, this too is missing an element, that of the organizational context. An important consideration for understanding management is that the term organization simply refers to "a collection of people working together to achieve a common purpose" (Shermerhorn, 2013, p. 11). This means an organization could be anything from your high school volleyball team to church or a corporation. Including the term "organization" in the definition leaves open the possibility that management can be practiced in each of these settings, and broadens our use of the term management. A comprehensive definition for **management** then, would be the pursuit of organizational goals through the use of organizational resources (Bateman & Snell, 2013). Pursuit implies a chance of failure and organizational gives us a context. This begs the question – how can we become effective at the pursuit of goals, or become more efficient in our use of organizational resources? Being good at management requires an immense focus on both of these ends, and we can achieve this through the process of the planning, organizing, leading, and controlling functions of management. These functions serve as the basis for the rest of the textbook because they are the essential tools we use to manage organizations. Most of the context and examples for this book focus on the corporate use of management. However, you should meet the concepts where you are in your professional or academic career – apply the principles to the context of your life, master the four functions for what you are doing now so that you can scale them to much bigger managerial endeavors later.

Management is not New

A broad understanding of management as resource utilization focused on a goal gives us a wide scope of situations and contexts in which to practice it. For example, the Crow Indians employed a complex strategy to harvest an entire herd of buffalo by driving them off a cliff. To funnel the herd to the lane leading up to the cliff they used a decoy (a hunter donned in a buffalo calf robe imitating a lost calf), incense to smoke them towards the lane, or rock piles to guide them to the lane (Nathan, 2018). If we apply the basic principles of management in this context we can see these hunters used resources (rocks, incense, knowledge and tradition) to pursue a goal (procurement of food, tools, and clothing the bison afforded them).



The Spanish Empire constructed the first global supply chain the world had ever seen once they discovered the surfeit of precious elements such as gold, silver, and mercury in North and South America (Aho & Lloyd,

2019). Mule trains transported these treasures across mountain passes and jungles wherein war galleons then filled their holds. These fleets returned to Spain traversing the natural elements (tempests and shoals) while defending against state enemies (pirates).

At its core, this imperial supply chain used the same approach to achieve success that a teenager might use in a playing video games. If he rallys his friends after school in a game of *Call of Duty* to defeat their online opponents, he might also be considered a manager. He uses his experience and knowledge of gameplay as well as weaponry within the game to pursue his goal of competitive domination.

These examples demonstrate that management is multifarious, and not at all a recent phenomenon. Yet, when we hear the term *management*, most of us probably conjure an image something like that of a corporate vice president implementing a marketing strategy to meet quarterly sales goals. The irony is that the corporate manager is utilizing the same tools as those of the native hunter, Spanish fleet admiral, and sophomore gamer. Management is both universal and ubiquitous in that we all use variations of its elements.

The Four Functions of Management

The management process by which we pursue goals includes planning, organizing, leading, and controlling. These are "*the how*" a manager pursues organizational goals, and are universally known as the four functions of management. They stem from the work of a French mining administrator, Henri Fayol, who first identified management as a practice that could be improved through the use of five functions – planning, organizing, commanding, coordinating, and controlling. Since he published his work in 1916, we have decided that leading people through motivation and incentivization works much better than telling them what to do (e.g. commanding and coordinating). We use the term leading instead of these practices. Chapter 2 on the history of management will provide some insights regarding this change. Nonetheless, he gave us a place from which to start.

Even if you have never stepped foot in a corporate office, or held the title of manager at your local Dairy Queen, you have no less used the functions of management in your personal pursuits. A relevant example would be the process by which you manage your personal budget.

Reflection: Are you already a manager?

Think about your personal or family budget for a moment, and answer the following questions:

1) Do you have your budget written down somewhere, or in an excel spreadsheet?

2) What are your financial goals?

3) How much do you put in savings, charity, and monthly expenses?

4) Where does your money come from (a job, your parents, a hobby, your spouse)?

5) If you have a budget shortfall during the month, what do you do?

6) How do you keep track of expenses to ensure your bank account remains in the black?

If you answered yes to question #1, then you are already engaged in the management function of planning. You know where your money is being spent. The same holds true for your financial goals. If you want to leave college debt free, save for a down payment on a house, or go on an unforgettable spring break trip, you have defined your organizational objective! Where you put your money is a function of how you manage your resources. This organizing function is presumably in line with your financial goals. For example, if you want to save for a down payment, you need to actually allocate your resources (income) to a savings account. Moreover, where your money comes from is also the source of your organizational resources. A budget shortfall might require you to employ the leading function of management. The essence of leading is motivating other people to align with your plan. What do you do if you need to pay bills, but don't have the money? Perhaps you ask your parents for a loan (need to sell this idea to them), or you might need to negotiate with a co-worker to let you take on extra shifts (show them what's in it for them in return), or it might be the reality that you need to sell something to make ends meet by selling something (in which case selling requires you to inspire someone else to see value in what you are selling). Leading might also entail convincing someone else in your circle to get on board with your gameplan (like a spouse, or sibling). Finally, keeping track of your expenses to ensure solvency and pace with your goals is the core of the controlling function. Do you keep receipts and check them against your online account expenses? Do you update your spreadsheet after your bill automatically debits from your account? Do you get an email notifying you have a low balance and are in risk of overdraft charges? Each of these methods are ways to monitor your progress and decide if you need to make a change (short term or long term).

If you reflect on this example of your personal budget, or you worked to achieve a personal or team goal, you will likely conclude that you are already a manager. This wide application of managerial thinking means that if you can master its principles on your personal scale, you can then amplify its use when you need to use it on a large scale. Get good at leading your class project, organizing your club fundraiser, or helping your team win a conference championship, and you will later be able to magnify the scale to lead a marketing department, or corporate merger, and even diplomatic negotiations as a prime minister.

Mastering the four functions will allow you to apply the function of planning on a more complex stage such as evaluating the internal and external environments of your organization. Using this analysis you can create an effective game plan to formulate a sustainable competitive advantage. Developing an organizing skillset will allow you to propose a structure for your team that incorporates cross functional members and ways of thinking. It will allow you to identify and recommend resources needed to pursue your plan. Honing your leading skillset will afford you the capability to motivate your organizational stakeholders to partake in your strategy, and force you to consider the ethical implications of your actions. Finally, implementing effective controlling allows you to check progress towards your goals and to recommend changes if you need to get on track.

Planning

Planning is the systematic process of making decisions about goals and activities the organization will pursue (Bateman & Snell, 2013). To make a decision about the direction of an organization, the planning phase must begin with analyzing the environment. Without a solid understanding of the context, the manager would have no basis to provide future direction. The context gives a manager a point of reference for improvement, opportunity, and learning from past mistakes. For this reason, the planning function should begin with analysis. This analysis should consider both the internal factors such as culture, values, and performance of team members as well as the external factors such as competitive environment, legal regulations, economy, technology, social values, and demographics.

The second component of planning is to use this analysis of the environment to build goals, activities, and objectives. For a major organization this might be the vision and mission statement of the organization. For a smaller organization this could be a year end, or season end goal. Some consider planning that point in your day or month that you step away from your desk, and think about the direction of your organization. This requires you to reflect on your organization's past, and determine how that impacts the direction going forward.

Organizing

Organizing is the process of assembling and assigning the human, financial, physical, informational, and other resources needed to achieve goals (Bateman & Snell, 2013). The core of the organizing function is leveraging the resources to align with the determined goals. Organizing human resources means first of all attracting a labor force that can help you pursue your goal. Within the organization, managing the human element means assigning tasks, delegating authority, determining a structure and hierarchy. Organizing the financial resources equates to making sure your capital is being utilized to meet goals. If an organization decides they want to have a best-in-class customer service team, they better being willing to spend the money to attract people with the disposition towards serving others, and spend money on training, or a retreat to teach the agents the skillsets they need. Marshalling physical resources focuses on the effectiveness of where you place and how you use physical assets. An executive chef might re-arrange a kitchen to improve process flow, food quality, or mitigate safety risks for example. Informational resources implies a leveraging and disseminating the organization's knowledge in meaningful ways to achieve goals. Connecting employees to how they contribute to the financial bottom line is a way of leveraging informational resources, as is using your company's proprietary algorithm to predict stock prices or develop new products.

Leading

Leading is stimulating high performance by members of the organization (Bateman and Snell, 2013). This function is getting members of the organization on board with your plan.

Normally, this means connecting with direct reports or teammates on a personal level. Understanding what drives individuals within the team allows a manager to design strategies around motivating, incentivizing, mobilizing, and arousing a desire to contribute.

Imagine for a minute, that you analyzed the conditions of the organization, you determined a game plan to pursue and even directed resources to step in that direction. You have successfully implemented the planning and organizing functions. In this scenario, however, you did not give consideration to how your team or organization would be involved. Do they agree with your direction? Did they have input in the process? Do they feel valued as a team member? Do they understand their role in a successful outcome? All of these questions are answered by the degree to which a manager is engaged in the leading function.

Having personal conversations, designing a bonus structure, or giving a rousing speech might all be considered leading the organization.

Controlling

Control is installing processes to guide the team towards goals and monitoring performance towards goals and making changes to the plan as needed (Batemen & Snell, 2013). Control does not always mean limited what the organization can do by having a hand in everything.

We might call this micro-managing, which is control in its extreme form. Healthy control processes involve putting systems in place to make sure your organization is on track to meet the goals you established in the planning process. Planning sets standards to compare against, and the control process is the dashboard that tells whether or not you are meeting the standard. For example, a grocery store might set a goal of reducing shrink (that's product lost to shoplifting, damage). They decide that they want to reduce their shrink loss by 50%. To achieve this plan, they will have to dedicate resources (more employees to monitor, rearrange loading dock). You already recognize that step as the organizing function. We then incentivize our employees by designing a bonus structure – i.e. if we collectively meet the goal, each employee shares in the savings. If we stop there, we would have no way of knowing if we met the goal. The control process solves this for us. The last step in the grocery store manager's managerial approach is to have each department head report their shrink loss at the end of the shift, and aggregate those in an excel spreadsheet. In this way, the manager can see if the rearrangement of the loading dock has reduced the number of damaged canned goods that was happening under the old arrangement. The manager can make changes if they see that shrink is not improving even after hiring a greeter at the entrance.

Monitoring performance is the first step in control. After see the progress towards goals, the next step is to make changes. In this way, the control process always leads a manager back to the planning phase of management. There are only two outcomes to the control process. You are making progress towards your goal, or you are digressing in your performance. If you reach your goal, you will need to set new goals, which is the planning function. If you are not progressing towards your goal, you need to analyze the environment and determine why not. In this way the management functions are related and highly dependent upon each other, especially control and planning.

To illustrate the application of the four functions of manager, consider the various contexts in Figure 1.1. Under the personal budget, an engaged couple has decided to save for a house after getting married. The softball coach must determine how to win a conference championship, and the corporate manager is working on a strategy to improve waning sales figures.

Figure 1.1 – The Functions of Management Applied

On the Importance of Studying Management

The purpose of this textbook is to provide you with firstly, a broad exploration of what management is – its elements and origins. Secondly, the purpose of this textbook is to provide you with a managerial framework you can utilize to practice management at any level of complexity. This framework emphasizes the four basic functions – planning, organizing, leading, and controlling. Most management textbooks include a wide variety of academic terms and concepts that take focus away from these four functions. Other textbooks will inundate the reader with descriptions of heuristics, focus on layers of management, or extraneous terms like the Shamrock organization that do not advance a practical understanding of management. We have designed this textbook with the four functions of management at the forefront because these elements are so critical to the foundation of everything you will do in the managerial context. This textbook provides a history of management and a chapter on ethics, but then focuses exclusively on the functions of management as the subject matter. At the completion of this textbook, you should be able to understand, recognize, and apply these four functions of management.

The four functions of management (plan, organize, lead, and control) serve as the foundation for everything else you will study in your business education. Mastering these tools at the most basic level, as well as the more sophisticated levels in classes you will take later, will best prepare you as a business professional (Dolechek et al, 2019).

Figure 1.2 – Management as the Foundation

Upon completion of a management principles course, you will progress towards the applications of the four functions of management in the upper level courses. For this reason, management principles serves as a pre-requisite for most other management courses. In marketing principles you will develop an understanding of how to analyze external conditions, and a course in information systems will help you design ways to collect more information to analyze. This is the core of the planning function. In human resources and organizational behavior, you will learn the dynamics of your ever-important resource of human labor, the organizing function. In business ethics and applied management skills you work on understanding what drives people, and by association how to lead them based on that understanding. Grasping business law and production operations will give you a deeper understanding of how to monitor progress (to meet legal compliance and to test production quality for example).

The entire discipline of accounting is a managerial function of control. Constructing financial statements is done for the sole purpose of determining the performance of you organization so that you can make future decisions. The capstone course of a business program is the business strategy class. In this course, students are given an opportunity to demonstrate mastery of the four functions by including all of the functional areas of business in their decision making.

A Whale of an Example

You are the city manager of a coastal Oregon city. On a quiet, rainy Tuesday, you walk into your office and put the coffee on. As you take your first sip, your administrative assistant forwards you a phone call from the parks and rec manager. "We've got a problem down here on the beach. The tide just left a dead humpback whale on our beach." What do you do? What. Do. You. Do?? Now, there are several options to dealing with the dead whale. Consider the following questions:

- 1) What is your strategy for dealing with this problem? (**Plan**)
- 2) What resources do you need to follow your strategy? (**Organize**)
- 3) What stakeholders do you need to get on-board? (**Lead**)
- 4) What steps can you take to make sure your plan is proceeding as you planned it? (**Control**)

There are a handful of strategies we might naturally gravitate towards. The feasibility of each strategy depends on how well you employ the functions of management.

Tow the whale back to sea – A crane, tug boat, and tow cable are needed. Who might you need to include in this gameplan? The coast guard might need to be involved to discuss any pertinent regulations. A marine captain that can tell you about tides so that you can time your extraction, and insights about currents to indicate how far out you need to haul the whale once its buoyant. Should you allow a marine biologist to provide advice on what sort of ecological impact this might have (like bring in unwanted sharks or seals). How can you be sure the tow cable has enough tinsel strength to haul a bloated whale on a high friction surface like wet sand? Does the crane have the capacity to move the carcass into position to be hauled? If the whale is decaying, will the tow cable just pull through the rotten flesh?

Cut the whale up, haul it to the dump – You will need a forklift, semi-truck, and chainsaw. The first consideration here would be the logistics of pursuing this strategy. You will need to find a truck with the towing capacity to haul large chunks of the carcass off the beach. Can you ensure the weight of a loaded semi would not sink into the wet sand? How much does a semi-loaded with a whale carcass weight? You may also need to contact the county roads manager to determine if there are any bridges between the beach and the dump that have weight restrictions. What sort of protective equipment would you need for the men slicing through the whale with chainsaws? There are a few control processes that need to be put in place for this strategy to work.

Celebrate the whale – The objective of the city manager is to "deal with" the dead whale. For most, this would mean remove it somehow. For others, this might be a chance to celebrate the occasion, and establishing the experience in the culture and history of the town. To celebrate the whale, the city manager can hold a competition like car dealers do to promote their cars – have contestants place their hand on the whale and the last person to withstand touching the grotesque, slimy, and malodorous creature, somehow wins a major prize. This would require a sponsor to donate a prize (a car, a vacation) and the town can celebrate the occasion annually. If the goal is to appease the community from the existence of the whale and its stench, celebration is one strategy to pursue that end. You would need to include a biologist to determine if leaving the whale to decay after the festival would attract scavengers, and a water chemist to determine if a decaying whale creates toxicity problems for beach goers.

Blow it up! – The kid in most of us choose this option. Definitely. You might need to check with state officials to see what the protocols are on this approach. The biggest question would be how much dynamite do you need to blow up a whale, or blow it into the ocean? In Oregon, one stakeholder group you might contact is a mining company or the Oregon national guard. Both of those groups have a lot of experience calculating explosive requirements. What are the safety protocols you need in place to make sure that no one is injured? Where will you be able to source enough explosives to achieve this goal?

Use of the four functions

Each of these scenarios contain some far-fetched elements. But asking the right questions is paramount to turning any of these into a feasible strategy. You first need to decide a path, then determine your resources before getting stakeholder groups on board. For a high-risk situation like most of these solutions call for, you need to put control mechanisms in place to mitigate your risks. If you type "Oregon's exploding whale" you can see what has become the most-watching news broadcast of all time. It shows you what happens when a city manager does not successfully navigate the situation using all four functions of management.

Critical Thinking Questions

How are the four functions of management related?

Which is the most important function of management?

Choose a historical event prior to the year 2000. Analyze the leader's use of the four functions of management during that event.

How to Answer the Critical Thinking Questions

For each of these answers you should provide three elements.

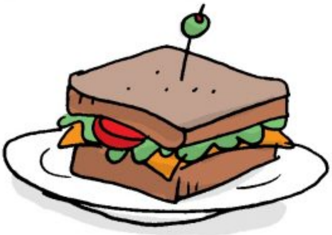
1. General Answer. Give a general response to what the question is asking, or make your argument to what the question is asking.
2. Outside Resource. Provide a quotation from a source outside of this textbook. This can be an academic article, news story, or popular press. This should be something that supports your argument. Use the sandwich technique explained below and cite your source in APA in text and then a list of full text citations at the end of the homework assignment of all three sources used.
3. Personal Story. Provide a personal story that

illustrates the point as well. This should be a personal experience you had, and not a hypothetical. Talk about a time from your personal, professional, family, or school life. Use the sandwich technique for this as well, which is explained below.

Use the sandwich technique:

For the outside resource and the personal story you should use the sandwich technique. Good writing is not just about how to include these materials, but about how to make them flow into what you are saying and really support your argument. The sandwich technique allows us to do that. It goes like this:

Step 1: Provide a sentence that sets up your outside resource by answering who, what, when, or where this source is referring to.



Step 2: Provide the quoted material or story.

Step 3: Tell the reader why this is relevant to the argument you are making.

EXAMPLE: Let me provide an example of homework expectations using the type of question you might see in a critical thinking question at the end of the chapter. Each of the answers you provide should be this thorough.

Question: Explain why it is important to study management.

Answer:

Management is important to study because it serves as the foundation for all other areas of business. The four functions can be used in other business areas such as accounting, marketing, operations management and human resources. All of the areas of business need people who know how to make a plan and allocate resources. All of the areas of business need people who know how to motivate others, and to make sure they are on track for their organization's goals. For this reason, improving our mastery of management will make us more effective at whichever role we are in. A good example of this foundation comes from research conducted on accounting firms in Romania. Wang and Huynh (2014) found that accounting managers who embraced both managerial best practices and had the technical skills needed for accounting improved the organizational outcomes of their firms. These findings suggest that business professionals need managerial skills to supplement the day-to-day roles they have.

As I reflect on management as a foundational discipline, I remember how my high school baseball coach approached our team after a losing season. We were not a good team because we did not have fundamentals of how to grip a baseball, how to stand in the batter's box, or how to field a ground ball. That next year, he taught us all of these fundamentals and we won a lot of games. It seems to me that learning fundamentals of management can have the same impact. Being able to execute the four functions of management allows us to get better at how we approach marketing a new product, or improving operations processes.

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2

The History of Management

Learning Objectives

The purpose of this chapter is to:

- 1) Give you an overview of the evolution of management thought and theory.
- 2) Provide an understanding of management in the context of the modern-day world in which we reside.

The History of Management

The concept of management has been around for thousands of years. According to Pindur, Rogers, and Kim (1995), elemental approaches to management go back at least 3000 years before the birth of Christ, a time in which records of business dealings were first recorded by Middle Eastern priests. Socrates, around 400 BC, stated that management was a competency distinctly separate from possessing technical skills and knowledge (Higgins, 1991). The Romans, famous for their legions of warriors led by Centurions, provided accountability through the hierarchy of authority. The Roman Catholic Church was organized along the lines of specific territories, a chain of command, and job descriptions. During the Middle Ages, a 1,000 year period roughly from 476 AD through 1450 AD, guilds, a collection of artisans and merchants provided goods, made by hand, ranging from bread to armor and swords for the Crusades. A hierarchy of control and power, similar to that of the Catholic Church, existed in which authority rested with the masters and trickled down to the journeymen and apprentices. These craftsmen were, in essence, small businesses producing products with varying degrees of quality, low rates of productivity, and little need for managerial control beyond that of the owner or master artisan.

The Industrial Revolution, a time from the late 1700s through the 1800s, was a period of great upheaval and massive change in the way people lived and worked. Before this time, most people made their living farming or working and resided in rural communities. With the invention of the steam engine, numerous innovations occurred, including the automated movement of coal from underground mines, powering factories that now mass-produced goods previously made by hand, and railroad locomotives that could move products and materials across nations in a timely and efficient manner. Factories needed workers who, in turn, required direction and organization. As these facilities became more substantial and productive, the need for managing and coordination became an essential factor. Think of Henry Ford, the man who developed a moving assembly line to produce his automobiles. In the early 1900s, cars were put together by craftsmen who would modify components to fit their product. With the advent of standardized parts in 1908, followed by Ford's revolutionary assembly line introduced in 1913, the time required to build a Model T fell from days to just a few hours (Klaess, 2020). From a managerial standpoint, skilled craftsmen were no longer necessary to build automobiles. The use of lower-cost labor and the increased production yielded by moving production lines called for the need to guide and manage these massive operations (Wilson, 2015). To take advantage of new technologies, a different approach to organizational structure and management was required.

The Scientific Era – Measuring Human Capital

With the emergence of new technologies came demands for increased productivity and efficiency. The desire to understand how to best conduct business centered on the idea of work processes. That is, managers wanted to study how the work was performed and the impact on productivity. The idea was to optimize the way the work was done. One of the chief architects of measuring human output was Frederick Taylor. Taylor felt that increasing efficiency and reducing costs were the primary objectives of management. Taylor's theories centered on a formula that calculated the number of units produced in a specific time frame (DiFranceso and Berman, 2000). Taylor conducted time studies to determine how many units could be produced by a worker in so many minutes. He used a stopwatch, weight measurement scale, and tape measure to compute how far materials moved and how many steps workers undertook in the completion of their tasks (Wren and Bedeian, 2009). Examine the image below – one can imagine Frederick Taylor standing nearby, measuring just how many steps were required by each worker to hoist a sheet of metal from the pile, walk it to the machine, perform the task, and repeat, countless times a day. Beyond Taylor, other management theorists including Frank and Lilian Gilbreth, Harrington Emerson, and others expanded the concept of management reasoning with the goal of efficiency and consistency, all in the name of optimizing output. It made little difference whether the organization manufactured automobiles, mined coal, or made steel, the most efficient use of labor to maximize productivity was the goal.

The necessity to manage not just worker output but to link the entire organization toward a common objective began to emerge. Management, out of necessity, had to organize multiple complex processes for increasingly large industries. Henri Fayol, a Frenchman, is credited with developing the management concepts of planning, organizing, coordination, command, and control (Fayol, 1949), which were the precursors of today's four basic management principles of planning, organizing, leading, and controlling.

Employees and the Organization

With the increased demand for production brought about by scientific measurement, conflict between labor and management was inevitable. The personnel department, forerunner of today's human resources department, emerged as a method to slow down the demand for unions, initiate training programs to reduce employee turnover, and to acknowledge workers' needs beyond the factory floor. The idea that to increase productivity, management should factor the needs of their employees by developing work that was interesting and rewarding burst on the scene (Nixon, 2003) and began to be part of management thinking. Numerous management theorists were starting to consider the human factor. Two giants credited with moving management thought in the direction of understanding worker needs were Douglas McGregor and Frederick Herzberg. McGregor's Theory X factor was management's assumption that workers disliked work, were lazy, lacked self-motivation, and therefore had to be persuaded by threats, punishment, or intimidation to exert the appropriate effort. His Theory Y factor was the opposite. McGregor felt that it was management's job to develop work that gave the employees a feeling of self-actualization and worth. He argued that with more enlightened management practices, including providing clear goals to the employees and giving them the freedom to achieve those goals, the organization's objectives and those of the employees could simultaneously be achieved (Koplelman, Prottas, & Davis, 2008).

Frederick Herzberg added considerably to management thinking on employee behavior with his theory of worker motivation. Herzberg contended that most management driven motivational efforts, including increased wages, better benefits, and more vacation time, ultimately failed because while they may reduce certain factors of job dissatisfaction (the things workers disliked about their jobs), they did not increase job satisfaction. Herzberg felt that these were two distinctly different management problems. Job satisfaction flowed from a sense of achievement, the work itself, a feeling of accomplishment, a chance for growth, and additional responsibility (Herzberg, 1968). One enduring outcome of Herzberg's work was the idea that management could have a positive influence on employee job satisfaction, which, in turn, helped to achieve the organization's goals and objectives.

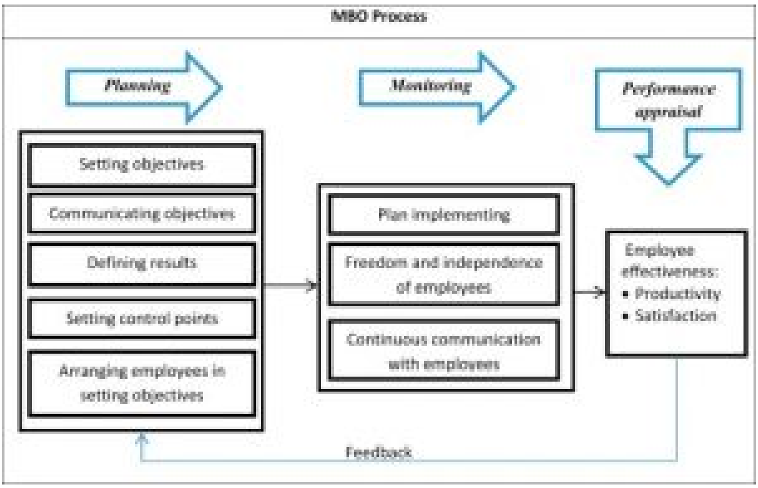
The concept behind McGregor, Herzberg, and a host of other management theorists was to achieve managerial effectiveness by utilizing people more effectively. Previous management theories regarding employee motivation (thought to be directly correlated to increased productivity) emphasized control, specialized jobs, and gave little thought to employees' intrinsic needs. Insights that considered the human factor by utilizing theories from psychology now became part of management thinking. Organizational changes suggested by management thinkers who saw a direct connection between improved work design, self-actualization, and challenging work began to take hold in more enlightened management theory.

The Modern Era

Koontz and O'Donnell (1955) defined management as "the function of getting things done through others (p. 3). One commanding figure stood above all others and is considered the father of modern management (Edersheim, (2007). That individual was Peter Drucker. Drucker, an author, educator, and management consultant is widely credited with developing the concept of Managing By Objective or MBO (Wren & Bedeian, 2009). Management by Objective is the process of defining specific objectives necessary to achieve the organization's goals. The beauty of the MBO concept was that it provided employees a clear view of their organization's objectives and defined their individual responsibilities. For example, let's examine a company's sales department. One of the firm's organizational goals might be to grow sales (sometimes referred to as revenue) by 5% the next fiscal year. The first step, in consultation with the appropriate people in the sales department, would be to determine if that 5% goal is realistic and attainable. If so, the 5% sales growth objective is shared with the entire sales department and individuals are assigned specific targets. Let's assume this is a regional firm that has seven sales representatives. Each sales rep is charged with a specific goal that, when combined with their colleagues, rolls up to the 5% sales increase. The role of management is now to support, monitor, and evaluate performance. Should a problem arise, it is management's responsibility to take corrective action. If the 5% sales objective is met or exceeded, rewards can be shared. This

MBO cycle applies to every department within an organization, large or small, and never-ending.

The MBO Process



Drucker's contributions to modern management thinking went far beyond the MBO concept. Throughout his long life, Drucker argued that the singular role of business was to create a customer and that marketing and innovation were its two essential functions. Consider the Apple iPhone. From that single innovation came thousands of jobs in manufacturing plants, iPhone sales in stores around the globe, and profits returned to Apple, enabling them to continue the innovation process. Another lasting Drucker observation was that too many businesses failed to ask the question "what business are we in?" (Drucker, 2008, p. 103). On more than one occasion, a company has faltered, even gone out of business, after failing to recognize that their industry was changing or trying to expand into new markets beyond their core competency.

Consider the fate of Blockbuster, Kodak, Blackberry, or Yahoo.

Management theories continued to evolve with additional concepts being put forth by other innovative thinkers. Henry Mintzberg is remembered for blowing holes in the idea that managers were iconic individuals lounging in their offices, sitting back and contemplating big-picture ideas. Mintzberg observed that management was hard work. Managers were on the move attending meetings, managing crises, and interacting with internal and external contacts. Further, depending on the exact nature of their role, managers fulfilled multiple duties including that of spokesperson, leader, resource allocator, and negotiator (Mintzberg, 1973). In the 1970s, Tom Peters and Robert Waterman traveled the globe exploring the current best management practices of the time. Their book, *In Search of Excellence,* spelled out what worked in terms of managing organizations. Perhaps the most relevant finding was their assertion that culture counts. They found that the best managed companies had a culture that promoted transparency, openly shared information, and effectively managed communication up and down the organizational hierarchy (Allison, 2014). The well managed companies Peterson and Waterman found were built in large part on the earlier managerial ideas of McGregor and Herzberg. Top-notch organizations succeeded by providing meaningful work and positive affirmation of their employees' worth.

Others made lasting contributions to modern management thinking. Steven Covey's *The Seven Habits of Highly Successful People*, Peter Senge's *The Fifth Discipline*, and Jim Collins and Jerry Porras's *Built to Last* are among a pantheon of bestselling books on management principles.

Among the iconic thinkers of this era was Michael Porter. Porter, a professor at the Harvard Business School, is widely credited with taking the concept of strategic reasoning to another level. Porter tackled the question of how organizations could effectively compete and achieve a long-term competitive advantage. He contended that there were just three ways a firm could gain such advantage: 1) a cost-based leadership – become the lowest cost producer, 2) valued-added leadership – offer a differentiated product or service for which a customer is willing to pay a premium price, and 3) focus – compete in a niche market with laser-like fixation (Dess & Davis, 1984). Name a company that fits these profiles: How about Walmart for low-cost leadership. For value-added leadership, many think of Apple. Focus leadership is a bit more challenging. What about Whole Foods before being acquired by Amazon? Porter's thinking on competition and competitive advantage has become timeless principles of strategic management still used today. Perhaps Porter's most significant contribution to modern management thinking is the connection between a firm's choice of strategy and its financial performance. Should an organization fail to select and properly execute one of the three basic strategies, it faces the grave danger of being stuck in the middle – its prices are too high to compete based on price or its products lack features unique enough to entice customers to pay a premium price. Consider the fate of Sears and Roebuck, J.C. Penny, K-Mart, and Radio Shack, organizations that failed to navigate the evolving nature of their businesses.

The 21st Century

Managers in the 21st century must confront challenges their counterparts of even a few years ago could hardly imagine. The ever-growing wave of technology, the impact of artificial intelligence, the evolving nature of globalization, and the push-pull tug of war between the firm's stakeholder and shareholder interests are chief among the demands today's managers will face.

Technology

Much has been written about the exponential growth of technology. It has been reported that today's iPhone has more than 100,000 times the computing power of the computer that helped land a man on the moon (Kendall, 2019). Management today has to grapple with the explosion of data now available to facilitate business decisions. Data analytics, the examination of data sets, provides information to help managers better understand customer behavior, customer wants and needs, personalize the delivery of marketing messages, and track visits to online web sites. Developing an understanding of how to use data analytics without getting bogged down will be a significant challenge for the 21st century manager. Collecting, organizing, utilizing data in a logical, timely, and cost-effective manner is creating an entirely new paradigm of managerial competence. In addition to data analytics, cybersecurity, drones, and virtual reality are new, exciting technologies and offer unprecedented change to the way business is conducted. Each of these opportunities requires a new degree of managerial competence which, in turn, creates opportunities for the modern-day manager.

Artificial Intelligence

Will robots replace workers? To be sure, this has already happened to some degree in many industries. However, while some jobs will be lost to AI, a host of others will emerge, requiring a new level of management expertise. AI has the ability to eliminate mundane tasks and free managers to focus on the crux of their job. Human skills such as empathy, teaching and coaching employees, focusing on people development and freeing time for creative thinking will become increasingly important as AI continues to develop as a critically important tool for today's manager.

Globalization

Globalization has been defined as the interdependence of the world's economies and has been on a steady march forward since the end of World War II. As markets mature, more countries are moving from the emerging ranks and fostering a growing middle class of consumers. This rising new class has the purchasing power to acquire goods and services previously unattainable, and companies around the globe have expanded outside their national borders to meet those demands. Managing in the era of globalization brought a new set of challenges. Adapting to new cultures, navigating the puzzle of different laws, tariffs, import/export regulations, human resource issues, logistics, marketing messages, supply chain management, currency, foreign investment, and government intervention are among the demands facing the 21st century global manager. Despite these enormous challenges, trade among the world's nations has grown at an unprecedented rate. World trade jumped from around 20% of world GDP in 1960 to almost 60% in 2017.

Trade as a Percent of Global GDP

Despite its stupendous growth, globalization has its share of critics. Chief among them is that globalization has heightened the disparity between the haves and the have-nots in society. Opponents of globalization argue that in many cases, jobs have been lost to developing nations with lower prevailing wage rates. Additionally, inequality has worsened with the wealthiest consuming a disproportionate percent of the world's resources (Collins, 2015). Proponents counter that on the macro level, globalization creates more jobs than are lost, more people are lifted out of poverty, and expansion globally enables companies to become more competitive on the world stage.

Since the election of Donald Trump as President of the United States in 2016 and Great Britain's decision to exit the European Union, the concept of nationalism has manifested in many nations around the globe. Traditional obstacles to expanding outside one's home country plus a host of new difficulties such as unplanned trade barriers, blocked acquisitions, and heightened scrutiny from regulators have added to the burdens of managing in the 21st century. The stage has been set for a new generation of managers with the skills to deal with this new, complex business environment. In the 20th century, the old command and control model of management may have worked. However, today, with technology, artificial intelligence, globalization, nationalism, and multiple other hurdles, organizations will continue the move toward a flatter, more agile organizational structure run by managers with the appropriate 21st century skills.

Stakeholder versus Shareholder

What is a stakeholder in a business, and what is a shareholder? The difference is important. Banton (2020) noted that shareholders, by owning even a single share of stock, has a stake in the company. The shareholder first view was put forth by the economist Milton Friedman (1962) who stated that "There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it engages in open and free competition, without deception or fraud" (p. 133). In other words, maximize profits so long as the pursuit of profit is done so legally and ethically. An alternate view is that a stakeholder has a clear interest in how the company performs, and this interest may stem from reasons other than the increase in the value of their share(s) of stock. Edward Freeman (1999), a philosopher and academic advanced his stakeholder theory contending that the idea was the success of an organization relied on its ability to manage a complex web of relationships with several different stakeholders. These stakeholders could be an employee, a customer, an investor, a supplier, the community in which the firm operates, and the government that collects taxes and stipulates the rules and regulations by which the company must operate. Which theory is correct? According to Emiliani (2001), businesses in the United States typically followed the shareholder model, while in other countries, firms tend to follow the stakeholder model. Events in the past decade have created a shift toward the shareholder model in the United States. The financial crisis of 2008/2009, global warming, the debate between globalization and nationalism, the push for green energy, a spate of natural disasters, and the world-wide impact of health crises such as AIDS, Ebola, the SARS virus and the Coronavirus have fostered a move toward a redefinition of the purpose of a corporation. In the coming decades, those companies that thrive and grow will be the ones that invest in their people, society, and the communities in which they operate. The managers of the 21st century must build on the work of those that proceeded them. Managers in the 21st century would do well if they heeded the words famously used by Isaac Newton who said "If I have seen a little further, it is because I stand on the shoulders of giants" (Harel, 2012).

Critical Thinking Questions

In what way has the role of manager changed in the past twenty years?

With the historical perspective of management in mind, reflect on changes you foresee in the manager's role in the next 20 years?

Reflect on some of the significant issues you have witnessed in the past few years. Among thoughts to consider are global warming, green energy, global health crisis, globalization, nationalism, national debt, or an issue of your choosing. What role do you see business and management playing in effectively dealing with that specific issue?

How to Answer the Critical Thinking Questions

For each of these answers you should provide three elements.

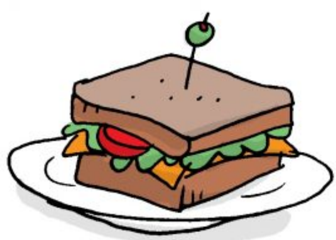
1. **General Answer.** Give a general response to what the question is asking, or make your argument to what the question is asking.
2. **Outside Resource.** Provide a quotation from a source outside of this textbook. This can be an academic article, news story, or popular press. This should be something that supports your argument. Use the sandwich technique explained below and cite your source in APA in text and then a list of full text citations at the end of the homework assignment of all three sources used.
3. **Personal Story.** Provide a personal story that illustrates the point as well. This should be a personal experience you had, and not a hypothetical. Talk about a time from your personal, professional, family,

or school life. Use the sandwich technique for this as well, which is explained below.

Use the sandwich technique:

For the outside resource and the personal story you should use the sandwich technique. Good writing is not just about how to include these materials, but about how to make them flow into what you are saying and really support your argument. The sandwich technique allows us to do that. It goes like this:

Step 1: Provide a sentence that sets up your outside resource by answering who, what, when, or where this source is referring to.



Step 2: Provide the quoted material or story.

Step 3: Tell the reader why this is relevant to the argument you are making.

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3

Ethical Decision Making

Learning Objectives

The purpose of this chapter is to:

- 1) Outline the decision making process
- 2) Explain the nature of ethical decision making
- 3) Provide ethical frameworks used in making decision making

Decision Making

This chapter introduces us to the concept of ethical decision making. To properly contextualize our understanding of ethical decision making, perhaps it would be prudent to separate the two elements – decision making in general, and then ethics. Managers make thousands of decisions every day. In most cases they intuit the decision making process and can come to the best solution within nanoseconds of hearing about a problem. These are the types of problems that are routine, and have low consequences. However, the big decisions that managers have to regularly make require more due diligence, forethought, and collaborative effort with colleagues. These problems portend serious consequences, and in many cases organization performance depends on good decision making. Hannaway (1989) found that managers are in a constant state of making decisions as "[they] switch frequently from task to task, changing their focus of attention to respond to issues as they arise, and engaging in a large volume of tasks of short duration" (p. 39).

Decision making is the action or process of thinking through possible options and selecting one (Bright et. al, 2019). A rudimentary framework for how managers engage in the decision making process contains four steps.

- 1) Identify the problem
- 2) Generate alternatives
- 3) Decide on a course of action
- 4) Implement

There are several ways that a manager can use this framework to make decisions – intuition, analysis, democratic process, etc. However, they all contain the same elements of problem identification and then evaluating alternatives before deciding on a course of action. The intuitive decision maker simply "knows" what the problem and alternatives are before acting. A manager using analytical tools might uncover new insights from trying to really figure out what the problem is. A democratic manager will rely on the use of the team to work through understanding the problem and figuring out alternative courses of action.

Identify the Problem

The first challenge in decision making is working to understand what the problem is. Ineffective managers focus on the symptoms without identifying the underlying issues. A child with a runny nose does not have a runny nose problem, she has an infectious disease causing a running nose. The implication here is simple; if we treat symptoms, the problem will re-create the symptoms if given enough time. For the child, let's say we stuff endless Kleenex up her nose. This won't address the virus creating this symptom and others (temperature, cough, etc.) In a similar way, a firm might have a turnover issue and put resources towards paying people more, improving conditions, or added benefits. However, without truly understanding the cause of the turnover, these resources are wasted. The turnover in this scenario is being caused by an unbearable manager that makes life miserable for employees. No amount of pay raise or work condition changes will keep someone around for very long when abuse like this is happening.

A college freshman turns his paper in to the professor during the first week of class. A week later the professor calls the student into her office and states simply "You got a D on the paper, but I have good news. You don't have a writing problem." The student is confounded, and asks the professor to explain. "You don't in fact have a writing problem, you have a reading problem. You write like you speak, which tells me that you do not read very much. I recommend that you read more. Anything you want, just read – Men's Health, your textbook, Dostoevsky, and this will make you a better writer. You will naturally imitate what you are seeing." A good manager tries to understand what is causing the symptoms. First step is to identify the real problem.

Generate Alternatives

Problems come in different scopes and magnitude. In some cases they are routine, like a manager putting together a shift schedule for the week. The problem identification is simply a matter of understanding that personal preferences and personal obligations will conflict as he tries to schedule shifts. This problem does not require the manager to generate a wide list of alternatives. It might include negotiation, allowing workers to swap shifts, or simply making a schedule and forcing employees to deal with it. However, there are bigger problems that require a manager to generate a long and comprehensive list of alternatives. When problems have intense consequences, or the context is an unknown one to the organization, a wide list of alternatives is necessary. The future is unknown, and the problem is unlike one you've ever seen. This is the time to brainstorm, get creative, and generate alternatives.

Consider a company dealing with the aftermath of a mass shooting incident. Consider a fast food restaurant trying to remain solvent during a national pandemic that requires consumers to remain at home. Consider a company in New Mexico who screens job applicants for drug use, and they are taking job applicants from Colorado where marijuana use is legal. Consider an airplane manufacturer who lost consecutive contract bids and has to cut expenses somewhere. Each of these problems are serious that require managers to generate a wide list of alternatives.

If we encounter a problem we have seen before, we don't need to stray too far to find viable alternatives. However, when we face a new problem in an unknown context, we need a wide range of alternatives. Here's a simple illustration. Consider the following three questions:

Provide a range of outcomes (low and high estimates) for the following questions:

How many US Presidents have resided in the White House?

What is the population of Reykjavik?

How many Sasquatches per square mile reside in the Pacific Northwest?

If you have any frame of references for these questions, your range of outcomes will probably be narrow. If you have no idea, you need to answer the question with a wide range. Most of us have a general idea that the number of total US Presidents is somewhere in the forties, and perhaps we can recall from a high school American History class that the British burned the White House during the War of 1812, which was probably four to five presidencies in, and the White House has existed at least since then. This means we can estimate that the range is 35-45 presidents have lived there (The first was John

Adams, making the correct answer 44). Reykjavik is in Iceland, and if you knew that you also know it has a small population, and the city probably does not crack the world's top 100 most-populated cities. It sort of feels like an Cheyenne, Wyoming or a Madison, Wisconsin – enough to be a capital city, but not enough to make headlines regularly. We might give this a wider range because we are not quite sure – 50,000 to 500,000 residents. The population of Reykjavik, Iceland is 125,000. Finally, those dang sasquatches. If you have a solid frame of reference, I would like to hear it, or maybe the government has already talked to you. . . . but alas most of us have only theories and speculation (like if there really were sasquatches, don't you think your Uncle Howard who lives in Western Oregon would have shot one by now?) We should give this question a VERY wide range of estimates. Let's use 0 to 1,000. This is an unknown, with no frame of reference.

These three questions get progressively farther from any frame of reference you have, which requires you to expand your range of outcomes. This exercise illustrates the point that if we have a frame of reference, we don't have to stray too far. If we are in unchartered waters, we need to widen our thinking. The same holds true for problems and generating alternatives. We need to take the time to think through all available options, and maybe even do something we never thought possible, or has ever been done before.

Decide and Implement

Once we have generated a list of alternatives, we need a way to decide which of the alternatives should be pursued. Again, managers can use intuition, analysis, or democracy to achieve this. However, a common approach is the employment of a **cost benefit analysis**. The cost-benefit analysis is a process by which managers evaluate a course of action based on the anticipated positive and negative effects an alternative will generate. In financial analysis the calculations can be quite complicated, but once you have an output the decision is easy – choose the project with the highest rate of return or net present value. However, when making decisions that are more difficult to quantify, a cost benefit analysis becomes more challenging. The costs can include any form of utility – capital expenditures, employee morale, loss of human life, a decrease in customer service, environmental pollution, violation of the law. The benefits are equally difficult to gauge and in many cases – revenues, company culture, respect to human dignity, customer rapport, environment stewardship, and avoidance of fines. Once the cost benefit analysis is conducted, the decision becomes clear, and this is the third step in the decision making process.

A example of this cost benefit analysis – Tara, the regional sales manager has to decide whether terminating her best salesman is in the best interest of the company. Braden is the top performer by far in the organization. However, he treats the accounting team with disdain, the logistics team hates him, and he sometimes engages in deliberately insubordinate behavior. Keeping him around would bolster sales figures for the foreseeable future, but the company will slowly leak some good talent away as Braden's coworkers find a place to work with better workplace culture. Firing Braden comes with the benefits of retained talent in support services, improved morale, and a clear precedent for future salesmen, that this behavior won't be allowed. The cost benefit analysis results in a decision to terminate, and to eat the costs of training a new hire, and working for a few months to get sales figures back up.

Once the alternatives are evaluated and one (or more) are selected, implementing the course of action requires the manager to put resources towards that choice. This could mean signing a check, empowering an employee to take on responsibility, or in the example above, calling William into the office to communicate a decision has been made.

Ethical Dilemmas

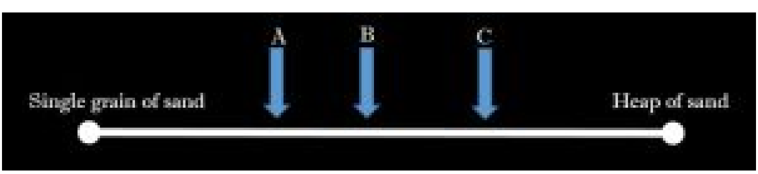
Most decisions that managers make during the day are routine and do not involve the need to reflect on the ethics of the situation. However, the steps in the decision making framework need to be followed especially stringently in the situations where ethical implications loom. This begs the question – which situations present ethical dilemmas to managers?

Before we answer that question, let's borrow some thinking from the Ancient Greeks. Socrates posed the question – "If we between us, have a heap of sand, consisting of millions of grains, and suppose I remove one grain, shall it no longer be a heap?" This question then follows, "supposing no, shall I remove two grains so that it no longer becomes a heap?" This logic follows until only one grain remains, at which point we would no longer consider the heap of sand a heap. However, is there a point between one and a million, that we can identify the heap as something other than a heap? Socrates termed this a "Sordite's Paradox." That is, a minor change in the condition of existence does not change the existence, but a series of consecutive minor changes would change its existence. How does this apply to ethical dilemmas?

Ethical dilemmas are situations that present various courses of moral action, none of which are clearly acceptable or preferable. This means that the ethical solution is not clear, yet a choice needs to be made. Under this definition we need to exclude decisions like cheating a customer, lying to the shareholders, polluting rivers, embezzling, money laundering, ignoring unsafe conditions, putting the public at risk, insurance fraud, extortion, bribery, copyright violations, and the long list of other white-collar crimes. These are not ethical dilemmas. These are ethical choices whereby we choose to do right or the wrong. The difference between these and ethical dilemmas is that the choice in a dilemma is not always clear. Let's go back to Socrates to explore this.

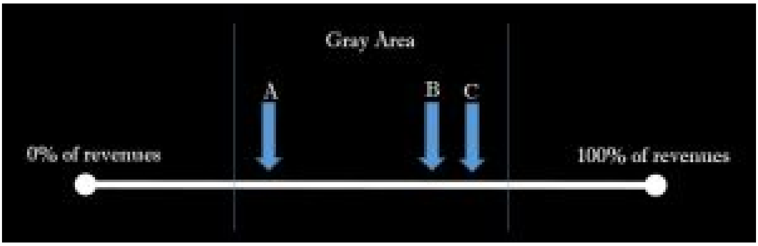
Socrates tells us that at one point the sand heap is a heap, and at some point the heap becomes something less than a heap. There exists a gray area within the change, a point that determines whether or not it's a heap, but that point is unclear. If you look at Figure 2.1, at which point (A, B, or C) does the sand no longer represent a heap.

Figure 3.1 – A Sordite's Paradox



Let's apply this to an ethical dilemma (remember, it's a decision with a gray area and the choice is not always clear). If a business has any sort of operational component – how much to spend on employee safety can be considered an ethical dilemma. There is a wide range of expenditure options here. The company generates revenue presumably and can spend anywhere from 0% of those revenues on safety (equipment, training, compliance expenditures) all the way to 100% of their corporate revenues. As we think about the craziness of either alternative, we have just entered into the Sordite's Paradox. We intuitively know that spending $0 on safety is unethical because it puts lives and livelihoods at risk. We violate the dignity of our workers by doing this. Well, then we ask the question, what about 1% of company revenues on safety? Still not there? What about 2%? If we take this logic all the way to 100% we would have safe working conditions with compliance rules in place, protective equipment, appropriate training, and what would be a waste of resources on anything that is not needed (you can only spend so much on training before it becomes ineffective). Workers would spend more time training than working, and we would have cumbersome and unnecessary procedures that slow production. In the 100% scenario though, there is a bigger issue – we are violating the financial obligation to shareholders of the company by not working on their behalf to improve profitability in our roles as managers. Somewhere between 0% and 100% we passed the right number to spend on safety that optimizes both safety and still allows the business to make money. 0% violates our ethics towards employee safety, and 100% violates our ethic towards shareholder obligations. The right answer lies somewhere in the gray area, and it is here that we encounter our ethical dilemma.

Figure 3.2 – An Ethical Dilemma Regarding Safety Expenditures



A final note on ethical decision making is that we generally don't start with the extremes in ethical decision making. We naturally jump right into the middle of the gray area because we know the extremes and the fringes of the gray area are not worth pursuing. It is in the gray area that we must navigate, using ethical decision making to figure out the best solution. We can achieve good decision making using ethical frameworks.

Is the Law Enough?

Before we get to the ethical frameworks you can use to navigate ethical decision making, we need to address a common question, is the law enough to guide us in our ethics? The short answer is that the law is an insufficient means to regulate our ethical decision making. There are two primary reasons for this. First, the law gives us bare minimums in terms of safety, human dignity, and respect of rights. However, most ethical dilemmas are navigated well above these elements. For example, we are required to provide appropriate safety equipment and make sure employees have safety certifications they need. But this does not constitute the entirety of our ethical obligations in terms of safety. What is the right decision in keeping a grocery store open in a pending hurricane? OSHA has no regulation on that. Yet, we are putting our employees at risk. H-E-B (grocery chain in Texas) in Houston asked for volunteers and paid employees overtime to keep stores open so area residents. This decision went well beyond the safety minimums the law requires for a grocery store. Another example is that managers are required to respect the terms of a contract. However, the integrity of a company can be severely challenged if the focus is entirely on compliance. For example, during the 2008 financial crisis, many fertilizer manufacturers held contracts that customers bought at the top of the market. The contracts their customers entered into obliged them to pay what would become three times the market price after the crash. However, many manufacturers worked with their customers and renegotiated the contracts to make the customers competitive in the marketplace. This was well beyond the minimum legal requirements of the contracts. Minimum wage indicates the bare minimum your workers need to be compensated, however, this does not always equate to a living wage in many metropolitan areas. Each of these examples highlight the need to navigate the ethical dilemmas we face with something more than the law.

The second reason why the law is not a good standard is that sometimes we put in place some really bad laws. Consider the United States Eugenics movement in the early 1900s. We put in place laws that allowed for the forced sterilization of 60,000 Americans that the government determined were unworthy of reproduction. This included alcoholics, criminals, intellectually disabled, and many more categorizations. Only in hindsight sometimes do we see the errors of the laws we have put on the books.

Ethical Frameworks

Because the law is insufficient, and the nature of ethical dilemmas is one of navigating ambiguity, we need to establish frameworks that will help us make decisions. The following ethical frameworks are intended to do that. Moral relativism offers a local solution to making ethical decisions. Utilitarianism focuses on maximizing the greatest good for the most number of people. Justice view emphasizes the relationship between members of the organization. Corporate social responsibility encourages consideration for all stakeholders affected by the decision making of an organization. By using these frameworks as a guide, we can begin to work through a reasonable solution to ethical questions that do not have a glaring, obvious solution. These frameworks give us structure in the gray area. Each has benefits, and faults, but they are at least a starting point for establishing ethical thinking.

Moral Relativism

The construct of **moral relativism** holds that ethical values and judgements are ultimately dependent upon one's culture, society, or personal feelings (DesJardin, 2011). Under this framework, the right answer to the ethical dilemma will change based on who is analyzing the ethical problem. Moral relativism makes the ethical decision making simple, in that the local perspective should guide the reasoning. If a manager is making a decision that is based in China, the Chinese standards of ethics should apply. If a manager is making a decision in South Carolina, as opposed to Alaska, the South Carolina worldview would trump the decision making.

There is an important distinction that needs to be made when discussing the idea of moral relativism. That is, there is a significant difference, a giant chasm in fact, between relative truth and objective truth. An example of a relative truth is something like that of an opinion – who is the greatest between LeBron James, Michael Jordan, and Kobe Bryant. One could make the case for each of these and come to three different opinions. If I stand up and say that MJ is the best, this is a relative truth. This is my opinion and not true for everyone analyzing the same decision. Mint Oreo is the best ice cream flavor. Oh, you disagree? Under the construct of relative truths that is ok. Moral relativism works perfectly fine under these conditions. Examples of this would be in Colombian culture, its ok to show up to social gatherings a tad (I mean a lot sometimes) bit late. Colombians expect this. In Iowan culture, the expectation is that if a meeting or party is scheduled for 3pm, you should show up on time, lest you offend the host. Moral relativism is an acceptable practice for cultural norms such as these. However, when it comes to evaluating serious ethical problems, there are some inherent challenges with this framework. This is sometimes called cultural relativism, and when dealing with issues of relative truths, is a common business practice.

In stark contrast to truths that change, the objective truths never change. Objective truths can also not contradict each other, otherwise one of them would be false, rendering it not objectively true. Here's an example: In *The Hobbit* (one of the best books of all time, my relative truth), Bilbo finds the ring in the cave where Gollum is hiding. Bilbo engages in a battle of riddles with Gollum, and eventually wins the intellectual battle by asking Gollum "what's in my pocket?" *(Spoiler alert)* It's the ring. At this point we can with certainty determine that there cannot be a ring in Bilbo's pocket, and simultaneously be nothing in his pocket. One of those is true. They cannot both be true. The existence or absence of a ring is an objective truth. This is a metaphysical example showing that objective truths cannot contradict themselves. In the same way, if I say "there is a God" and an atheist says "no there is not," there is only one thing we can agree on and that is, only one of us can be right.

Let's bring this distinction to the ethical framework of moral relativism. When discussing matters of ethics and the human condition, objectives truths indeed exist (as illustrated with the God example). In the same way we should state "Human dignity should never be violated" or "human dignity should be compromised in some situations." Both of those cannot be true. This means that moral relativism can contradict itself. If something is objectively true in one culture, it cannot be objectively untrue in another culture. In these situations, moral relativism would be useless as a framework for decision making.

Moral relativism has one final, fatal flaw. The major premise that moral relativism touts is that "no absolute truth exists." Logically, this would be that any truth that we claim cannot be absolute, meaning it can only be a relative truth. However, the premise upon which moral relativism stands is itself an absolute truth. Therefore, the statement "there is no absolute truth" cannot be true, meaning that absolute truth must exist.

This question has been debated for millennia from the Romans, to the Middle Age debaters responding to Thomas Aquina's Summa Theologie, to your high school civics teacher preparing the debate squad for a Saturday meet. Exploring it and unpacking it all here is beyond the scope of this book. Moral relativism is seriously handicapped from the aforescribed self-defeating premises. However, identifying it and illustrating the fatal inherent flaws is an important task when studying ethics because iterations and camouflaged versions of this framework are still used in modern business practice.

A final note on moral relativism – in addition to the logical fallacy that it presents, there is an inherent danger in using this as an ethical framework. If all ethical decisions are left up to the local perspective, then even atrocious practices must be tolerated. This means that we cannot condemn anything that presents a *prima facie* case of unethical practice. We would be unable to condemn child labor, female genital mutilation, genocide, sex trafficking, Ponzi schemes, and the litany of other wicked practices that are accepted in some cultures.

Utilitarianism

Utilitarian ethics focuses on maximizing the greatest good for the most number of people. Originally espoused by the English philosopher, John Steward Mill, this ethical framework provides us with a formula upon which to base our decisions. Ethical decisions should be based on the perceived outcomes they will lead to, and alternatives evaluated based on whether they will maximize the good from the greatest number of people. Good can be defined in several ways. Good can equate to generation of money, satisfaction, life, health, opportunity, utility, and anything that is reasonable attributed to improving the human condition. By default, this also means that utility maximization also avoids loss of good (loss of life, loss of money, etc.) Once the choices are evaluated and the estimated outcomes are determined, the ethical choice is the one that creates the most benefit.

Utilitarianism makes ethical decision making easy once the outcomes have been projected. Will this project potentially harm the local water source? What will that cost in terms of clean up or quality of life? Will building a factory create jobs? After asking a series of questions like this, the outcomes are estimated to total impact or good, however that is defined in your ethical dilemma. However, this ethical framework has two primary limitations. First, the concept of utility (or good) is not always easily defined. Financial analysts can project income and net present values of decisions, and these decisions are easy to make once the numbers are in. But how do you estimate how much satisfaction something will bring? If a decision is going to result in the loss of life, how much is a human life worth? How do you estimate the impact a decision has on the community's culture? Determining utility and then calculating is easy in some cases, but in most it becomes a major challenge to using this framework. The second challenge for utilitarianism is that maximizing the greatest good for most, might result in the sacrifice of a few. A classic example of utilitarianism is the layoff decision. We need to lay off thirty people so that the company stays solvent, and continues to provide jobs for the remaining seventy people. In this case the company stays solvent, but the thirty workers now struggle to provide for their families. Another example is a mass casualty incident. If a trauma ward is overrun with cases, the lead doctor must make decisions about which patients receive immediate care and which ones must be put aside. In this situation, the doctor is trying to save the most human life, which might result in patients with less serious injuries have to wait hours in pain to be treated.

Justice View

The **justice view** of ethics is one that endeavors to treat everyone fairly and impartially. A basic notion of justice is that we should give people what they are due. People are owed respect, dignity, civility, equity, and humanity for example. If we are trying to decide a path forward in an ethical dilemma, we would focus on these principles to decide which is the right path forward. If we make a decision that violates these principles, then justice has been violated, and we should consider alternatives. The justice view as an ethical framework can be further dissected into four specific forms – distributive justice, interpersonal justice, procedural justice, and commutative justice.

Distributive justice emphasizes equality when allocating resources. This means that individuals are given a fair opportunity to acquire resources. Resources can include salary, opportunities for promotion, benefits, favorable shifts, location preferences, and the like. To avoid violating distributive justice, managers should not discriminate against individuals for the inherent characteristics which would include demographic makeup like race, age, sex, and all of the other categorizations that make up protected classes in the workplace. However, we must also avoid giving preference to the best friend, the family member, the direct report who constantly flatters the manager, the person who attended the same university as the manager, and any other characteristic outside actual performance of an individual. If, however, an individual has earned privilege through their performance, it is completely justified to provide additional resources. The top performing salesman should receive a bonus. The accountant who continually catches errors should get preferential treatment for time off during tax season. The logistics scheduler who builds meaningful rapport with dispatchers should be promotion. In each of these cases, the individual has earned the right to the resource, and distributive justice has not been violated. If we as managers have some sort of preferred method for doling resources other than what people have earned through their performance, we are violating distributive justice.

Interpersonal justice an ethical framework that focuses on the communication within a relationship. The essence of this justice view is that the manner in which we communicate determines whether or not justice has been violated. Talking to people with disrespect, belittling, coercing, or being rude or uncivil in a delivery of a message all constitute interpersonal justice violations. Consider the following two scenarios. Scenario #1: Brook has continually underperformed to the point where the manager has determined that she should be terminated. The manager sits down with Brook and calmly explains the consequences of her performance, wishes her well, and on the way out the door offers a reference to her for a job opportunity. Brook is not happy about losing her job, but she does not feel like interpersonal justice has been violated. Scenario #2: Otto works as a cost accountant and recently performed above his peers during a factory expansion project. As a result, the accounting manager has rewarded him with two tickets to the Milwaukee Brewers game. As the manager hands Otto the tickets he says, "I know that if accountants don't get out of the office, they will whine about it, so here are two tickets." In this scenario, Otto earned the prize so distributive justice was not violated. However, the way the manager treated him makes him feel disrespected, a clear violation of interpersonal justice.

We have this unstated expectation that we should be treated with dignity. This is why any form of sexual harassment immediately elicits an indignant response. It violates the interpersonal justice view that we should not be talked to, or treated in a way counter to decency and our humanity. When we are treated with disrespect in the workplace we resent the manager or the organization in that moment, and if this happens often enough, research shows that it will affect our own performance, and the performance of the organization (Estes & Wang, 2008).

In short, avoid disrespecting people and you will maintain interpersonal justice.

Procedural justice follows that as long as the protocols and rules are followed, procedural justice has not been violated. If the organization gives out promotions based on how long someone has been at the organization, and this is a clearly established rule, procedural justice would not be violated within this context. It might be the case that we disagree with this rule because being at an organization a long time does not make you good at something (like tenure at a university, high school teachers, military promotions), but as long as it is an established rule, no one will feel that procedural justice has been violated. Another example of procedural justice is the manner in which people are evaluated for their work. At a customer service call center, companies often evaluate their employees based on a set of standard metrics. Everyone knows them, there are clocks on the wall to measure them, and at the end of the evaluation period, everyone knows what to expect. These include metrics like how long calls last, did the agent resolve the issue, and did the customer have to call back later to ask more questions. Again, some of these are measures that could be improved, and we might disagree with them, but the rules are being followed and so procedural justice wins. Consider the example of a professor who has established a rubric for the midterm paper. It has been posted on the Blackboard site, and it was communicated well before the assignment was due. The students work on the paper, submit them, and receive an evaluation that falls outside the rubric metrics. The professor had not included spelling and grammar as part of the rubric, but during the grading of the papers, he hammers the students on this point. The students will feel that procedural justice has been violated because the rules (in this case an established rubric) were not followed. Under procedural justice, what the rules are do not matter. Whether they were followed do matter.

Finally, **commutative justice** is a form of justice that is determined based on all parties having full knowledge of the relationship or transaction. Consider the classic case of going to a car dealer, and upon going to sign the papers, you notice a charge for a warranty that you had not agreed to. The salesman put this in the contract without you asking. Immediately you get upset that the salesman tried to pull one over on you. You were not given all of the information in the transaction, and therefore commutative justice has been violated. Another scenario where this commonly occurs is in free trials for online services. You sign up for a seven day trial, and at the end of the trial period, the company charges you for the full service because you did not call to cancel. If an organization has identified some particular dangers, they should alert the employees to the danger so that they can make an informed decision regarding their employment. An example of this is crab fishing in the Bering Sea. Captains make the dangers very clear to people who want to become fisherman and as a result, commutative justice is not violated. For this same reason, if you decide to go skydiving, you have to sign an acknowledgement of risk, and waiver of liability before they will let you skydive. The risks include death, broken ankles, heart attack, and paralysis. The skydiving companies are making the risks clear so that they do not violate commutative justice.

The good news here is that the law is on your side. It would be unlawful for someone to include terms within a contract that the other party was unaware of. Additionally, the language within the contract has to be written in a way that a reasonable person can understand it. In the absence of these factors, the court has upheld that some terms within contracts are not enforceable. These clauses violate commutative justice because we have a right to know what we are agreeing to.

Corporate Social Responsibility

Finally, an ethical framework that has gained in popularity in the last two decades is **corporate social responsibility (CSR).** CSR is an ethical framework that takes into consideration all of the stakeholders that are impacted by a business decision. This means that in addition to considering the financial stake that shareholders have in an organization, the employees, communities, creditors, suppliers, environment, and government should also be included in the consideration of decision making. Klein (2012) states that "every corporation has an overarching social purpose that transcends the operations of corporate social responsibility and, when well understood and effectively integrated, can have profound business and social results" (para 4). The underlying premise with CSR is that business need to do more than simply make money. They need to advance the agenda of the social good as well. Other names for this approach include the triple bottom line and balanced scorecard, whereby companies report on their impact on profit, planet and people (Spreckley, 1981).

Let's go back to the outsourcing example. If we consider this decision a gray area ethical dilemma, we can use CSR to consider how to move forward. An analysis might these questions: What is the profitability of outsourcing our production (shareholders)? How much should we pay in severance to domestic workers (employees)? What is the economic impact on local town where factory will close (community)? What economic benefit will the factory in the new country bring to its local community? Are we violating any U.S. laws with our labor practices in the new country (government)? What is the impact on our supply chain and vendors (suppliers)? And the list goes on. CSR as an ethical framework forces companies to think through all stakeholder groups as they make decisions. What should be clear as a downside to this ethical framework is that sometimes stakeholders have competing interests. Your decision to move abroad helps the new town, but hurts the old. It has profitability potential, but might require you to use a new supplier or creditor, forcing them to find new business. This is the main criticism with CSR, but the overall idea with this framework is that we need to at least be asking the questions about each group as we make decisions.

The origins of CSR come from a classic view of business that profits come first. In the 1970s, Milton Friedman famously stated that businesses have only one purpose and that was to maximize wealth for the owners. He offered that by taking care of owners, they would by default be taking care of society by virtue of providing jobs for employees, who would then be providing economic growth for society, etc. In the 1980s, this idea was challenged by Edward Freeman, who established stakeholder theory – the founding idea for what we call CSR today. Since then many businesses have gone beyond simply focusing on profits and have established clear missions on creating social value

CSR has been the focus major corporations and researchers alike over the last two decades. Much of this emphasis has been placed on a related concept of **sustainability**, which entails the responsible and efficient use of the earth's natural resources. Sustainability in recent years has also expanded to enscope social and economic variables as well – treating each of the resources in these domains as resources that require attention, diligence, and consideration.

Critical Thinking Questions

Which element of the decision making process is the most important to get right? Why?

Which ethical framework makes the most sense? Why?

Why is the law not a sufficient standard to use as our ethical guide?

How to Answer the Critical Thinking Questions

For each of these answers you should provide three elements.

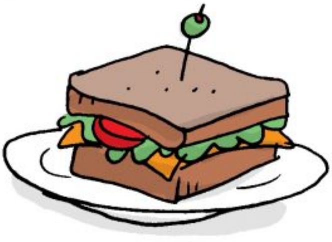
1. **General Answer.** Give a general response to what the question is asking, or make your argument to what the question is asking.
2. **Outside Resource.** Provide a quotation from a source outside of this textbook. This can be an academic article, news story, or popular press. This should be something that supports your argument. Use the sandwich technique explained below and cite your source in APA in text and then a list of full text citations at the end of the homework assignment of all three sources used.
3. **Personal Story.** Provide a personal story that

illustrates the point as well. This should be a personal experience you had, and not a hypothetical. Talk about a time from your personal, professional, family, or school life. Use the sandwich technique for this as well, which is explained below.

Use the sandwich technique:

For the outside resource and the personal story you should use the sandwich technique. Good writing is not just about how to include these materials, but about how to make them flow into what you are saying and really support your argument. The sandwich technique allows us to do that. It goes like this:

Step 1: Provide a sentence that sets up your outside resource by answering who, what, when, or where this source is referring to.



Step 2: Provide the quoted material or story.

Step 3: Tell the reader why this is relevant to the argument you are making.

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4

Introduction to Business Strategy

Learning Objectives

The purpose of this chapter is to:

1) Give you a basic understanding of strategic management.

2) Introduce you to how a firm's strategic planning process ties the planning, execution, and monitoring of the steps necessary for an organization to meet its goals and objectives.

What is Strategy?

An Internet search for the definition of strategy yields almost three billion hits. Which is correct? Michael

Porter, a Harvard Business School professor respected for his work on strategy wrote "Strategy is the creation of a unique and valuable position, involving a different set of activities" (Porter, 1996, pg.1). Porter (1980), in a more succinct manner, stated that competitive strategy was the blueprint for how a business would compete in the marketplace, including its goals and objectives, In other words, strategy is the schematic, the framework for how an organization will operate. An organization's strategy guides every aspect of how the firm conducts business. Marketing plans, sales processes, capital investments, expansion strategies, even the hiring of new employees are guided by the organization's strategy. This is true whether you work for a non-profit, a family owned business, a public corporation, or a multinational operating in several countries.

Strategy is Challenging

Strategy can be complicated and confusing. Far too many people running all sorts of organizations confuse strategy with operations. According to Porter (1996), many leaders tend to confuse operational effectiveness with strategy. Operational effectiveness (i.e., becoming more efficient), quality control, outsourcing certain activities, lean management, Six Sigma, or any management tool utilized to become a better, more efficient operation is not strategy. All these are activities that can be copied by competitors. Every organization wants to become more efficient and most will seek out industry best practices to emulate. Strategy is not about being the best company or the most efficient operation. Strategy is about being different. Strategy is about choosing a different set of activities that deliver a unique mix of value (Porter, 1996). Think of a family member or friend who works for a company and ask yourself "why would a consumer spend their hard-earned money on your friend or family member's product or service when they have a choice?" Another reason strategy is so difficult for so many is that they confuse strategy with objectives. A sales department leader may state that their strategy next year is to grow sales by 10%. Their marketing counterpart may remark that their strategy is to introduce two new products next fiscal year. Or, your CFO could state that "our financial strategy next year is to increase operational profit by 5%." These are not strategies; they are objectives. Objectives flow from the organization's strategic direction.

A.G. Lafley, former CEO of Proctor & Gamble, maintains that an additional reason why so many fail when it comes to strategy is that people don't like to make hard choices. There are consequences when we make choices so it's easier to focus on things you know, like operations, or simply do what you've always done. However, Lafley maintains that strategy is about making five difficult choices:

1. What is your winning aspiration? Rather than define the organization's mission and vision statements as a fuzzy, abstract picture of the future, translate the abstract into a more clearly delineated winning aspiration.
2. Where will you play? Which market? Which segment? Which customers? No organization can be all things to all customers. This is one of the most challenging decisions an organization must face. Too many firms fail to make the tough choices about where they have a clear competitive advantage and end up squandering precious resources in markets that fail to deliver

adequate results.

3. How will I win? When thinking about how you will win, go back to the question "why would a consumer spend their hard-earned money on my product when they have a choice?" What makes your product or service unique? Why would a customer prefer your product over another? The answer is your competitive advantage. According to Porter (1996), competitive advantage is what makes a firm's product or service preferable to a customer's other options.
4. What capabilities must be in place? Successful organizations have what are referred to as core competencies. Core competencies are the strengths and capabilities that enable an organization to tie its where-to-play and how-to-win decisions together and differentiate its products or services from its competitors. Core capabilities and competencies will vary from company to company depending on the industry in which they compete and the products or services they offer. Innovation, for example, is one of Apple's core competencies. Product choice, price, and service are hallmarks of Amazon's core competencies. Google's online search engine has enabled the company to distance itself from its competitors with this dominant core competency.
5. What management systems are required? To support an organization's strategic direction, the entire operation must be aligned with the strategy. Production must be able to meet projected sales. Marketing plans must coordinate

> with product launches and new sales campaigns. Customer service operations must align with sales and financial goals. The right measurements to evaluate the results and take corrective action, if necessary, must be in place. In other words, strategic management is a system-wide process that involves, and ties, the entire operation together (Lafley, Martin, & Riel, 2013).

McKinsey consultants Bradley and Dawson (2013) summed it up well by noting that strategy is about the need to diagnose. Where are you today? What is your view of the future and what are your options to create value? Finally, you've got to select a strategy among your different alternatives.

A Brief History of Strategy

The concept of strategy can be traced to its roots in military history. The term "strategy" comes from the Greek word stratego which means "a general." Military leaders since the dawn of time plotted moves to defeat their enemy, so, the thought of strategy as the planning and execution of tactics used in military campaigns evolved over time. For our purposes, the concept of business strategy began to develop in earnest in the 1950s and 60s as firms began to think about budgets and financial objectives beyond their current fiscal year. Ansoff's (1965) book *Corporate Strategy* is considered by many to be among the first publications that spelled out a model of strategic planning from which decisions and directions could be determined. Chief among Ansoff's concept of strategic thinking was the idea of gap analysis: where are you today, where do you wish to be, and what steps and tasks will take you there? Thoughts we are familiar with today but were unique at the time. In subsequent decades, strategic management thinkers including Peter Drucker who developed the concept of management by objective (MBO), Michael Porter with his contributions on how to compete, Henry Mintzberg who challenged the concept of strategic planning because so many plans failed to deliver, and Peter Senge with his approach to systems thinking added considerable weight to the need for not just strategic thinking but for strategic management.

The Strategic Planning Process

Wayne Gretzky is considered to be among the all-time great hockey players. Gretzky stated that much of his success while on the ice was because he skated to where the hockey puck was going to be, not where it had been. That simple analogy captures the goal of the strategic planning process. Long-term sustainable success is not necessarily where you are today; it is where you want to be in the future. The strategic planning process is the tool organizations use to plot their course toward a brighter future. Just as there are numerous definitions of strategy, there are several iterations about what the strategic planning process should look like. Downs (2017) noted that today organizations could choose from a number of strategic planning processes. These choices vary from a basic strategic planning model, the issue-based model, the alignment model, the scenario model, and the organic planning model. All this means is that there is no perfect system. The strategic planning process model presented below is based on the concepts of strategic thinkers including Porter (1980), Drucker (2008), and Bossidy and Charan (2002).

Let's review each of the steps necessary to develop a high-quality strategic plan:

- **Vision, mission, and values**: These are the foundations of a strategic plan. A company's vision statement envisions the future by creating a mental image of the desired future position of the organization, where it wants to be. The firm's mission statement is more about "how" the vision will be achieved. Values are the core principles that guide the company. Let's use Google as an example. Google's vision is "*to provide access to the world's information in one click.*" Their mission statement is "*to organize the world's* *information and make it universally accessible and useful"* (Thompson, 2019). According to Brooks (2018) Google has ten corporate values among which are 1) follow the user and all else will follow; 2) it's best to do one thing really, really, well; democracy on the web works; you can be serious without a suit; and great just isn't good enough. Clearly defined values help guide a company and attract people who share those values and fit with the company's culture.

- **External analysis:** The external analysis, sometimes referred to as the environmental analysis, is a deep dive that examines the industry in which the company competes. Here is a brief review of the more commonly used external analysis tools:
    - o PESTEL analysis: PESTEL is an acronym for the process of examining the macro external forces that could impact an organization. Elements of a PESTEL analysis include: P – What political factors might affect the company? E – The economic factors that could impact the economy and the firm's performance. S – What social factors or trends might be of importance to the organization? T – Are there technological factors that could affect the industry, the market in which it competes, or even an individual organization? E – Environmental factors such as geographic location, pollution, recycling, renewable energy, air and water

pollution, and climate change which might affect the firm. L – Legal factors play an ever-increasing role in a company's operations and must be reviewed to assess both short and long-term impact.

- o Porter's (1980) Five Factor model is a tool used to analyze the market potential of varying industries. It examines five perspectives critical to a firm's success within that industry: the power of suppliers, power of buyers, power of substitutes, the threat of new market entrants, all of which point to the intensity of the competition.
- o Competitive benchmarking is the part of the external process that entails a steely-eyed look at how your firm's products or services stack up against your main competitors.
- o From the external analysis, a firm's opportunities and threats are identified.

- **Internal analysis:** This part of the process is where an organization examines its internal resources. Tools for the job include:
    - o The value chain analysis examines the firm's primary and secondary activities. Primary activities are actions that add value directly to the company's product or service offerings. These include sales and marketing, customer service, inbound and outbound logistics and its internal operations. Secondary activities

are support functions necessary to support direct activities and include the organizations human resource practices, procurement processes, finance, and its technology.

- o The resource based analysis is a tool used to review a firm's internal resources to determine if they can be capitalized on to achieve a competitive advantage. Those resources must be tested to determine if they are valuable, rare, non-imitable, and non-substitutable. Only those resources that fulfill all four criteria can meet the benchmark as a source of competitive advantage. A firm's resources can be both tangible and intangible, and these are the building blocks of the organization's capabilities.
- o The outcome of the internal analysis will result in identifying the firm's strengths and weaknesses.

- **SWOT Analysis:** The SWOT analysis is a procedural method of looking at how an organization's internal strengths and external opportunities can be utilized to accomplish its goals and objectives while seeking to minimize its internal weaknesses and external threats. The firm's strengths and weaknesses (factors within the control of the organization) were identified through its internal analysis while its opportunities and threats (factors out of the organization's direct control) were determined through the external analysis. The essential objective of conducting a SWOT analysis is to understand and evaluate all the factors involved in the operation of the enterprise. It is a critical step in the strategic management process. The SWOT matrix allows the firm to visualize its internal capabilities and external market factors.

SWOT Matrix

Strengths	Weaknesses
1.	1.
2.	2.
3.	3.
Opportunities	**Threats**
1.	1.
2.	2.
3.	3.

Once the SWOT matrix is complete and in prioritized order, the organization's leaders should consider the following questions:

1. How can the firm's internal strengths be utilized to take advantage of an external opportunity?
2. How can the firm's internal strengths be used to minimize or mitigate an external threat?
    - These moves are considered *strengths based offensive choices* upon which the firm can choose to capitalize.
3. How can the firm reduce or eliminate an internal weakness to minimize an external threat?
4. How can the firm beef up and internal weakness

to take advantage of an external opportunity?

  - These moves are considered *defensive based choices* the firm might choose to exercise.

- **Strategy Selection:** Once the SWOT matrix is complete, the critical next step in the strategic planning process is to determine which strategy the organization should pursue. Three generic strategies were developed by Porter (1980) that have become widely used as a starting point when considering a strategic direction. A *differentiation strategy, often referred to as value-added,* is when a firm has a product or service with unique features that customers will find better and distinctive from competitors' offerings. The critical aspect of the differentiation strategy is the firm can charge higher prices while keeping its costs in line with the competition. The result is increased profitability. The *cost-leadership strategy* is when the firm offers products or services with the same value as its competitors while delivering those products or services at a lower cost. The *focus strategy* is a choice a business makes to concentrate on particular niche markets. The organization must still decide whether its niche strategy will be differentiation based or cost based. There is no one correct strategy for a business or a specific industry. The decisive factor must be the determination of which strategy will maximize the economic value created by the product or service. Two steps remain in the strategy selection process:

  - 1) Once a firm determines its generic strategy based on its SWOT analysis outcome, it must select a narrower, more focused approach to the market in which it plays. Pearce (1982) identified 12 grand strategic options from which a firm could choose. Three of these grand strategies are widely popular and used around the globe. They include the concentration strategy which is when the firm strives to grow the use of its products or services in its present markets; market development which is when the business seeks to sell products it currently manufacturers in new markets; and product development which is when it moves to create new products for its current markets.
  - 2) Once the organization selects a grand strategy, the next step is to develop goals and objectives. A critical element when establishing goals and objectives is to ensure that each has a specific metric so performance to goal can be measured. The acronym SMART refers to the five elements of a goal to make it actionable. The goal must be Specific, Measureable, Attainable, Relevant and Time bound. In other words, it can be accurately measured. If a goal or objective cannot be measured, it cannot be managed.
- **Execution:** According to Doniger (2019), just 10% of senior-level executives from global

> organizations stated that their organization managed to accomplish their complete list of strategic initiatives. Others estimate strategic initiative failure rates that range from 50% upward. Bossidy and Chran (2002) maintain that while faulty strategy is often to blame, more often than not, it is a failure to execute. An Economist Intelligence Unit Report ("why good strategies fail," 2013), sponsored by the Project Management Institute, stated that strategy implementation is perhaps even more important than the strategy itself. Winston Churchill, the famous British Prime Minister who led Great Britain through the ravages of World War II noted that "however beautiful the strategy, you should occasionally look at the results."

Summary

Think of strategy as an organization's GPS. When using your car's GPS, you know where you are, and you enter the location to where you are headed. In a moment, the GPS plots the course and gives you driving options, the number of miles to travel, and estimated arrival time. When a business or an organization develops its strategy, it follows the strategic planning process that starts with where you are and ends with where you want to be in the future. While the strategic planning process takes longer and is more labor intensive than setting your automobiles GPS, the outcome is the same. Successfully executed, a strategic plan helps you arrive safely, on time, and with minimal hassle. Strategy is vital to an organization because it provides clear direction along with measurable goals.

Critical Thinking Questions

Explain why strategy is so difficult and challenging

Why is strategy so important to the long-term success of a business?

Think of a business with which you are unfamiliar. Which of the generic strategies do you think they should pursue?

How to Answer the Critical Thinking Questions

For each of these answers you should provide three elements.

1. **General Answer.** Give a general response to what the question is asking, or make your argument to what the question is asking.
2. **Outside Resource.** Provide a quotation from a

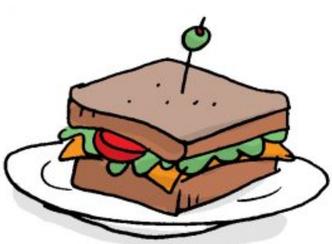
source outside of this textbook. This can be an academic article, news story, or popular press. This should be something that supports your argument. Use the sandwich technique explained below and cite your source in APA in text and then a list of full text citations at the end of the homework assignment of all three sources used.

3. **Personal Story.** Provide a personal story that illustrates the point as well. This should be a personal experience you had, and not a hypothetical. Talk about a time from your personal, professional, family, or school life. Use the sandwich technique for this as well, which is explained below.

Use the sandwich technique:

For the outside resource and the personal story you should use the sandwich technique. Good writing is not just about how to include these materials, but about how to make them flow into what you are saying and really support your argument. The sandwich technique allows us to do that. It goes like this:

Step 1: Provide a sentence that sets up your outside resource by answering who, what, when, or where this source is referring to.



Step 2: Provide the quoted material or story.

Step 3: Tell the reader why this is relevant to the argument you are making.

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5

Planning

Learning Objectives

The purpose of this chapter is to:

- 1) Introduce the components of the planning process
- 2) Identify the factors within the internal and external environments
- 3) Provide tools that are used in planning

Planning

Planning is the systematic process of making decisions about goals and activities the organization will pursue (Bateman & Snell, 2013). The planning function of management is often seen as the "first" step in managing.

But, as we have reviewed in previous chapters, each of the management functions are inter-related and a comprehensive use of them as a portfolio of tools is necessary. Why would we focus on planning first. In simple terms, the planning process gives us focus and context for the other functions. Without the direction given by the planning phase, how would be know where to put our resources (organizing), or how to motivate people to work towards a common purpose (leading), or what we need to keep track of (controlling)?

Planning is the point in a manager's day that they step away from their desk to think. This is the time that managers ask the proverbially question, "what do I want to be when you grow up?" By "I" they mean the organization, and by "grow up" they mean in the next quarter, year, or half decade. Planning requires foresight, and in some ways predicting the future. But the reality is that the future is unknown and unknowable, which means that planning is to venture into the unknown. As a result, planning is difficult and requires in many cases a flexible mindset to adjust to the constantly changing environment. So how do the best managers proceed? They begin first, with a solid analysis of the internal and external environment. They try to understand the internal culture and dynamics to take stock of the organization. They work to understand the external environment to understand where the opportunities and challenges exist in moving forward. This analysis gives managers a basis from which to establish a gameplan, and everything that flows from it – a mission to guide their organization, and goals to focus on.

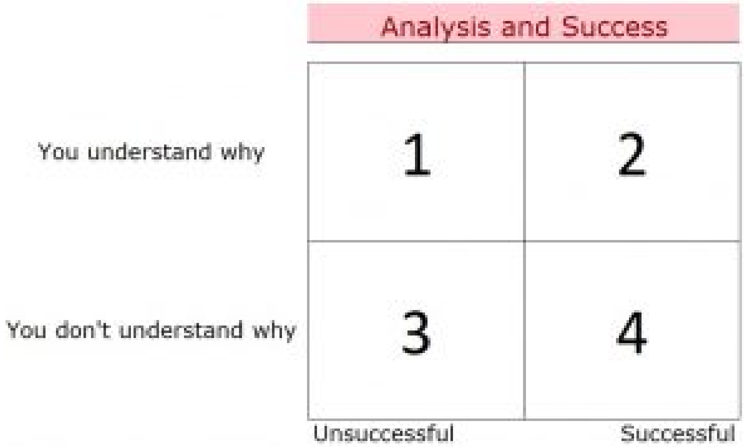
Start with Analysis

Analysis is nothing more than identifying the elements of the context in which the organization exists. There are factors within the organization, which is part of the internal analysis, and there are factors that exist outside of the organization, which would be a part of the external analysis. Analyzing these components is done in a wide variety of ways, and is done with varying levels of accuracy and certitude. The internal components of the organization are much easier to analyze than the external factors (Crutchfield & Roughton, 2013), but can often times pose significant challenges to change. The external environment presents variables that are more difficult to analyze, but easier to navigate.

The purpose of the analysis is to identify where the opportunities and the challenges for the organization exist. An **internal analysis** focuses on the internal environment of organizational culture, history, capabilities, values, and resources. The internal analysis is done through cultural assessments, financial reporting, inventory requisitions, storytelling, or at a more basic level, a manager interacting with members of the organization. The **external analysis** accounts for any variable outside of the organization. This analysis focuses primarily on the competitive environment of the industry or space in which the organization operates such as consumers, suppliers, competitors, new entrants, and substitutes and complementary markets (Porter, 1980). The competitive environment presents risks and opportunities that are unique to a specific industry. The external analysis must also extend to identify the legal, technological, economic, political, demographic, and social elements that impact the organization at a macro level. These include pending and existing regulations, the availability of capital, new market and growth opportunities, prices, costs, labor force, education trends, impact of immigration, diversity, and consumer demand for products (Bateman & Snell, 2013).

Analysis gives managers a bearing on where to create value. This means they take into account all of the opportunities, challenges, and risks that exist in each of these contexts, and then make a decision on which direction to guide the organization. Understanding the internal and external environments is key to increasing the probability of success. Consider the following grid in Figure 5.1. This grid represents outcomes whereby organizations are either successful or unsuccessful, and they understand what's driving that particular outcome. Success can be defined by whatever the organization mission is: profits, market share, wins for a sports team, number of participants are an event, etc.

Figure 5.1 The four outcomes of analysis and success



In scenario #1, the organization is unsuccessful, but they have identified the variables that contributed to what went wrong. Here organizations have conducted an analysis and can make changes to their plan to improve in the future. Scenario #2 is ideal in that the organization is successful, and they understand exactly what contributed to their success. The only downside to this scenario is that success begets arrogance sometimes, and organizations sometimes have difficulty overcoming success with sustained levels of diligence and need for change (Hareli & Bernard, 2000) Consider the frustration of scenario #3, where the organization is unsuccessful and they have no clue as to why. Unless this organization works to understand their environment, they will not be around for long. Scenario #4 is perhaps the most dangerous of the scenarios where the organization is successful but they don't know why. Maybe they got lucky, or maybe they are engaged in behaviors they don't understand why its helping. In many cases, this scenario leads to arrogance, and unknown risks and unforeseen factors will later harm the organization.

Create a Gameplan

The analysis should give the organization a clear picture of where to proceed. What opportunities exist? What capabilities does the organization have to take advantage of those opportunities? Where are the dangers and how can we mitigate the risks? Porter (1980) established the standard for how to conduct a competitive strategy, and one of the main factors in his monolith on the subject was that once you have a direction, you need to orient every element of your organization towards that end. This means that the manager should give the organize purpose towards the identified end by establishing a mission or vision statement. As we will see in the organizing function, the people, technological, and financial resources must also be directed towards the organizational goals.

A good example of this analysis to gameplan connection is the case of Dominos turning around its organization (Taylor, 2016). They recognized that their market share was slipping because of poor delivery service, branding problems, and low quality of their pizzas. After conducting a thorough analysis of the market, they turned the organization around by embracing technology, amending their recipes, and taking to social media to rebrand the company. They have successfully regained market share and are today the second largest pizza delivery organization in the world.

We have already established that the managerial practice should be used in all organizations, not just the corporate board room. Consider the example of a high school basketball coach using the analysis and gameplan to help his team win. Coach Dave Martinson, or Boone High School in Orlando, Florida recognized that his team was outmatched heading into a game against national powerhouse Oak Ridge. His internal analysis of the talent, experience and motivation that his team possessed, le d him to an unconventional and controversial gameplan. Because the opponent was faster, stronger, and more athletic, he had to limit the amount of times the opponent had the ball, and consequentially entered the game with the controversial "stall strategy." High school basketball has no game clock which meant that he could strategically hold the ball for minutes at a time and when the other team was out of position, finally try to score. They won the game by drawing fouls and playing not their "best" players, but the players who could make free throws (Powers, 2019). Pundits on social media heavily criticized the coach's decision, calling it unsportsmanlike and that he was telling his player's they are "not good enough to compete" (para 5). The strategy came under fierce scrutiny, but it's clear that the coach identified both the internal

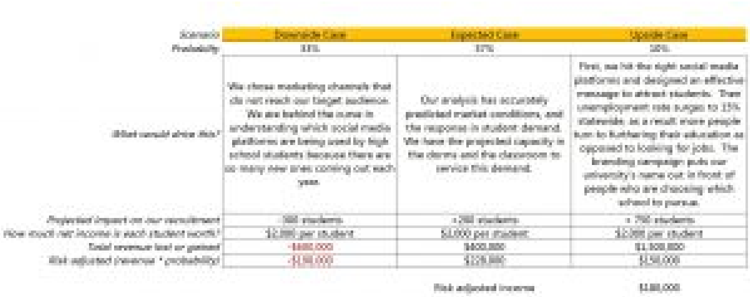
environment (his team's talent) and the external factors (his opponent) to establish an effective gameplan.

Practical Tools Used in Planning

The rudimentary elements of planning are the analysis and gameplan. Both of these pillars have a wide flexibility on how to pursue them, and managers have a variety of tools to us in each stage. To gauge progress and to determine relative position, **benchmarking** is an effective tool for understanding industry best practices. Benchmarking entails comparing one organization's practices, procedures or outcomes to those of the competition. It is an effective tool used during the analysis component of the planning phase. It provides managers with a starting place on where to set standards and goals for the organization.

A second tool that managers use is the **contingency plan**. This tool is the response to the ambiguity that the external environment presents organizations. The contingency plan allows managers to account for the variations in outcomes that would result during the execution of a strategy. The contingency plan should include both the negative outcomes, expected case, as well as the upside scenarios where their gameplan proceeds better than planned. Contingency planning stems from the due diligence in the analysis component by asking "what if" during the gameplan design. "What if the market changes, what do we do?" "What if we exceed our target, do we have enough capacity to meet demand?" A planning tool that often couples the contingency planning is the **risk adjusted decision making,** whereby each of the projected scenarios is given a probability of happening, and the decision reflects the weighted consequences of those probabilities. Here's an example of a basic risk adjusted decision making framework for a fictional university trying to increase enrollment for the following year. They must decide if they should launch a branding campaign that will cost them $100,000.

Figure 5.2 Risk adjusted decision making



In this scenario the manager projects the probability that the marketing campaign will be effective. These probabilities are based on analytics, or intuition, or historical numbers. The manager must identify which factors would determine the scenario and the financial impact it would have on revenues. Once these numbers are projected, the risk adjusted decision is to multiply the probabilities by the revenues to determine a project income. In this scenario, the downside scenario is that the campaign does not work, and the university loses students instead. This means that the university would lose $600,000 in revenues, but there is only a 33% chance of this happening, so the risk adjusted number is a loss of $198k. In the expected case and upside, the university would gain

$228k + $150k using this same calculation. This results in a projected income of $180k (-$198k + $228k + $150k). The manager should spend the $100k to make an estimated $180k. It's not important in an introductory management class that you master the financial details of the risk adjusted decision making models that corporations use, but it is important to recognize that the future is unknown, and good planning involves identifying scenarios and contingencies around your gameplan.

Once the environment is analyzed and a direction decided upon, the manager has to give the players within the organization a focus on this direction. This is done through use of a **vision statement.** Vision statements reiterate to the organization what purpose they serve, and the ends they pursue. Good vision statements are ones that allow members of the organization to recognize the moment when they get there. For example, Martin Luther King, Jr. stated that he could envision a day when "little black boys and black girls will be able to join hands with little white boys and white girls as sisters and brothers" (King, 1963). In this vision statement, you could see a day when children were playing with each other on a playground, holding hands. The ability to picture this outcome is what drove the civil rights movement. Effective vision statements allow followers to think about their role in contributing towards the outcomes and drives them towards the future. Consider, for example, a hospital establishing a vision that paints a picture for diagnostic staff, "imagine the moment that you recognize the problem that the client has struggled with, and not been able to identify. Picture the relief on their face as you tell them you know how to help." This vision for a hospital should give medical staff a specific moment in time they will recognize when they get there. A coach creates the vision for his team, “Put yourself at the season opener of next year, when they are raising our championship banner from this year.” A best friend motivates you to get in shape by telling you “picture us walking out onto the balcony at the resort with our bathing suites on.” Vision statements are important for personal motivation, and for driving organizational direction. Consider Microsoft “a computer on every desk, and in every home.” This is an outcome employees can see happening at one point in the future.

Research conducted by Gulati, Mikhail, Morgan, and Sittig (2016) found that most vision statements are too generic to connect employees to the direction of the organization. For this reason, vision statements should elicit a specific moment, emotion, or place in the universe the members of the organization can picture themselves experiencing.

Smart goals are commonly used to improve the likelihood of the organization reaching its desired outcomes. Smart is an acronym that solidifies goal making by providing a framework. Smart stands for making goals Specific, Measureable, Achievable, Relevant, and Time constrained. Specific means that the goal should not be generic, and should list outcomes that are explicitly defined. Measurable means that the goal should be something quantifiable. You should be able to determine when you reach the goal based on its numeric nature. Achievable indicates the goal should be something the organization can collectively attain through sufficient, or improved effort. Stretching the organization beyond what they have done in the past to achieve more is desirable, but the goal should still be within the grasp of the organization or individual. Relevant simply means that the goal has to relate in some way to the purpose or identity of the organization. Time constrained implies that there should be a due date on the goal. Following this method for establishing organizational outcomes allows managers to quantifiably determine if the goal has been met. Research shows that being explicit with the desired outcomes, leads to stronger adherence to the goals by members, and improves the likelihood that they will be motivated to achieve them. The following two goals show the difference between a Smart goal, and a poorly written, more generic goal.

Goal #1 – Improve retail sales by 15% in the third quarter of this year.

Goal #2 – Be the industry leading manufacturer in service and quality

The first goal is one that meets all of the Smart criteria. At the end of the third quarter, the organization will be able to determine if they reached this goal or not. Ideally, all the employees would understand this goal and be incentivized to pursue it. The second goal is more generic goal, and a lot more difficult to determine when you get there. There are too many unanswered questions with this goal. How do we measure service and quality? How would we compare this to competitors to determine if we are number one?

Participatory planning is a method that managers use to include their team in the analysis and gameplanning of the organization. Research shows that involucration of team members improves the likelihood that they will buy into the direction of the organization. Research shows that participatory planning leads to higher levels of trust between managers and subordinates, increases commitment, builds loyalty, broadens thinking, and forms social capital within the organization (Menzel, Buchecker, & Schulz, 2013). As a result, many managers use this approach to broaden their alternatives, to increase organizational motivation, and to elicit ownership in the ideas created from the process.

Critical Thinking Questions

Describe the importance of the planning function.

Review the four outcomes in Figure 5.1. Category 2 is the best scenario, but which is the next best scenario to be in? Is it #1 where you are unsuccessful and you know why, or #2 where you are successful and you don't know why?

Which of the practical tools described in the chapter is the most valuable for planning?

How to Answer the Critical Thinking Questions

For each of these answers you should provide three elements.

1. **General Answer.** Give a general response to what the question is asking, or make your argument to what the question is asking.
2. **Outside Resource.** Provide a quotation from a source outside of this textbook. This can be an

academic article, news story, or popular press. This should be something that supports your argument. Use the sandwich technique explained below and cite your source in APA in text and then a list of full text citations at the end of the homework assignment of all three sources used.

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Use the sandwich technique:

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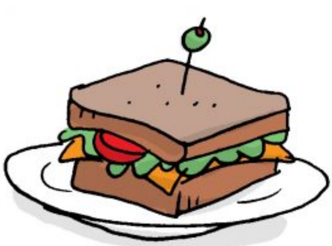

Step 2: Provide the quoted material or story.

Step 3: Tell the reader why this is relevant to the argument you are making.

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6

Organizing

Learning Objectives

The purpose of this chapter is to:

- 1) Introduce the organizing function of management
- 2) Describe the resources needed to achieve organizational goals
- 3) Provide an overview of how structure is needed to implement a gameplan

Organizing

Organizing is the process of assembling and assigning the human, financial, physical, informational, and other resources needed to achieve goals (Bateman & Snell, 2013). At this point in the management process, the planning function has been utilized. The planning should have resulted in both an in-depth analysis of the internal and external environments, as well as a gameplan that flows from that analysis. What's need now is to put a structure around that gameplan, and to commit the resources necessary to achieve that gameplan. The purpose of the organizing function is to do just that, to make the fruits of the planning process come to life.

Types of Resources

The term resource can be conceptualized as any element or asset that can be used to help the organization or an individual function effectively. Resources are what allow an organization to function. Imagine a firm without any money, no people, no structure, office space, ability to communicate,

or even the authority to make decisions. This type of organization would not have any means to operate, or function in any way. This would analogous to a car without a motor, access to gasoline, a driver, or wheels. Organizations need human, financial, physical, and informational resources to make them go.

Human resources include the personnel that make up the organization's membership. For a corporation this means the paid employees. For a football team, this is the roster and coaching staff. Some scholars argue that the human element of the organization are the source of competitive advantage (Hagen, Udeh, & Wilkie, 2011). The human resources carry out the gameplan. They make the phone calls. They travel to see clients. They reconcile the inventory. They make the decisions regarding day to day operations. To successfully leverage human resources means first of hiring the right people. Once you have the "right" resources procured, the next task is to train them, and as we will see with the leading function of management, to motivate and inspire them. Organizational culture falls under the management of the human resources of the organization. Culture can either be a source of immense advantage, or a hindrance to operating effectively.

Financial resources equate to the access to capital a firm has. This resource comes from several sources. Primarily, organizations generate income through delivery of a service or good. Revenues from sale of goods allows an organization to grow and increase their access to financial resources. The basic premise here is they take raw materials, put them through a process of some kind, and then deliver that product to society. If society is willing to pay more for the finished product than the raw materials used to make it, the organization has created value. Imagine crude oil sitting under millions of gallons of salt water and tons of earth on the sea floor. Consumers cannot access and process this raw material on their own. Oil companies make their money because they have the access and distribution that consumers do not. When consumer pump the gas into their car, the value created by the organization is realized. A secondary source of financial resources is credit. Most organizations do not operate under a cash-only model because borrowing money from a lender allows for increased return on investment. Organizations also receive resources through donations. Non-profits such

as Operation Underground Railroad receive financial resources from private donations. Their organizational mission is to save children around the world who are victims of human trafficking, and they achieve this by leveraging donations received as their primary source of financial resources. Most non-profit organizations operate under this model since the inception of non-profits. The Roman Catholic Church has implemented this strategy for 2,000 years.

A final method that organizations receive financial resources is through subsidies. The U.S. government for examples, provides grants or loans to a handful of industries such as agriculture, oil, healthcare, automobile, ethanol, housing, and many more. These organizations increase access to financial resources through tax dollars given to them.

Physical resources are the tangible assets that allow an organization to create a product or service. This includes the office space, working space, and the materials the organization uses to create a product. Physical resources are important in manufacturing and service industries alike. Processing raw materials requires equipment, land, and a building in which to operate. Service industries even at the most basic level such as consulting, require a phone, computer, printer, and probably pen and paper.

Informational resources include the knowledge that organization creates and retains regarding its operation and mission. This information includes copyrights, intellectual property, as well as internal processes that give an organization a competitive advantage. Understanding how to do something is an informational resource. This knowledge can be generated through organizational learning after making major mistakes or successes. It can be a result of in-depth analysis. Financial corporations spend a lot of money on salaries for market analysts so that they can create models to predict what the markets will do. This analysis is a resource the organization can use to pursue its goals. For example, Great Alaska Adventure Lodge, based in Sterling Alaska, provides fishing and hiking expeditions on the Kenai Peninsula. They place value in the knowledge the guides have in delivering safe and entertaining excursions for their clients. A fishing guide who understands water conditions, safe boating practice, and how to attract fish is

leveraging informational resources. A hiking guide who knows flora, fauna, and can share history and jokes, is using informational resources. Great Alaska relies on this as a resource and is willing to hire guides who possess this knowledge.

Other organizational resources that warrant mention in a focus on the organizing function of management include the goodwill an organization creates through philanthropy, reputation in how they conduct their business, and the external relationships they have with outside stakeholders that they can leverage to pursue their goals. This includes the rapport they have with customers to complete a sale, a government agent to help navigate a compliance question, or even a supplier who can provide favorable trading terms.

Finally, the concept of **authority** has been conceptualized as an organizational resource. Authority is defined as the ability to make decisions. This entails all of the decisions to make decisions from the top level of the organization regarding direction to the choices that individuals make regarding how they spend their time throughout the day. A study conducted by Liberman (2014) found that the manner in which an organization manages authority has a meaningful impact on job satisfaction and commitment. Managers are given the rights to make decisions about the operation of the organization. These decisions include who to hire, whether to give someone a raise, how to spend money, which strategy to pursue, which vendor to use, the choice between ethical alternatives, and the hundreds of small decisions throughout the day. Managers can make a choice to given some of that authority to other members of the organization. **Empowerment** is the act of giving authority to other members of the organization. Empowerment gives employees autonomy over their work, and the freedom to execute the gameplan in the way they think is the most efficient. **Delegation**, on the other hand, simply refers to giving members of the organization an additional task to complete. It is possible to give someone empowerment without delegation, which means they have more freedom over what they are currently doing. It is possible to give someone delegated tasks without the freedom to make choices around that task. And it is possible to give someone a new task and the freedom to make decisions around that task. For example, a manager needs to throw a reception for an employee who is retiring. She walks over to the administrative assistant who is in charge of receptions and events for the department. She tells the admin, "You have $1,000 to throw a reception. I don't care where we go, or what we serve. I will leave all of that up to you." This would be a case of empowerment. Consider another case whereby the manager receives a request from a state agency to file a report on emissions. The manager walks over to his direct report and says, "I need this filed by Wednesday. Go to their website and fill out the form, then submit it." In this scenario, the manager has delegated the task, but did not provide the empowerment for the employee to do it their own way.

Support your Plan

Organizing flows naturally from the planning process.

As we have reviewed, the planning process begins with an internal and external analysis. The purpose of organizing is to put resources towards that plan. It will be the case that some organizational areas need more resources, and others need fewer resources. Let's put together a scenario to illustrate this. An airplane engine manufacturer decides on a gameplan to increase market share by 10% in the following year. How to allocate organizational resources would be based on internal needs first. In this scenario the salesmen are well trained, have good rapport with clients the major airplane construction firms, and do not need much in terms of their selling abilities. Almost no resources need to be provided here. The lone exception is Frank, the newest team member who needs to be sent to a conference to improve his negotiation skills. The internal analysis conducted during the planning phase identified that the sales process however is slowed by poor delivery in logistics. If an order is placed, customer expect delivery within a week, but a limited distribution staff slows this process. Organizational resources should be committed to hiring an additional distribution scheduler. The external analysis shows that sales are best conducted in person, so the well trained salesman don't need more training, but they need more budget to get out on the road. In this scenario, the analysis lead to the gameplan as well as identifying where the resources need to be allocated.

The organizing and planning phase of the managerial process can change over time. A weakness in a previous year (lack of training) could be a non-factor in future years. A strength in one year (research and development), could be surpassed by changing market conditions such as competitors catching up. This means that organizational resources need to be reallocated as the gameplan progresses, or the conditions change. Think about the decisions that an trauma surgeon has to make. A patient is brought into the ER with a collapsed lung and a broken ankle. The situation calls for an immediate treatment of the lung because the need is more immediate (asphyxiation). The ankle can wait. Once the patient is stabilized, the ankle can be operated on. Once these two procedures are complete, the trauma surgeon will move on to a more immediate need throughout the hospital to treat trauma. The nurses and resident doctors will tend to the recovery of our patient. As the needs of the situation dictate, so do the organizational resources. Resources include the use of the surgeon, anesthesiologist, and nurses (human resources), his knowledge of how to operate (informational resource), the hospital bed, ward rooms (physical resources), and in the case that the surgeon allows the resident to perform the ankle surgery because its less serious, empowerment (authority resource).

Organizations often have the privilege of long-term planning and matching of organizational resources. The calculated allocation of resources comes as a result of the internal analysis and how the allocation will advance the mission of the organization. The organizing function of management always subordinates itself to the planning function of management. Consider the analogy to a survival situation. A couple goes hiking in the Utah desert and gets lost. They know that the human body has immediate needs that need to be addressed. A human body can last 3 minutes without oxygen, 3 days without sleep, five days without water, 30 days without food, and depending on the conditions, a variable amount of time exposed to the external conditions. Knowing this order of importance will help them make decisions about how to spend their resources. If no one is injured, they do not have to worry about oxygen supply. They find a river and have access to water, but without boiling it expose themselves to external threats of parasites. They choose to spend some of their resources trying to tackle this problem. Once they have water figured out, they focus on finding shelter for the night. Exposure to rain could lead to hypothermia, and exposure to the heat will lead to exhaustion. After constructing a shelter, they begin their gameplan of self-rescue. They have a choice to follow the river to civilization, or wait for rescue. The conditions change as they make progress towards their goal of getting the heck out of there. Organizational resources (energy levels, supplies they had in their backpack, time, survival knowledge) are spent accordingly.

Providing Structure

A final component of the organizing function is to provide structure for the gameplan. This means that managers need to put in place lines of reporting, assign tasks, and to put team members in place to execute the gameplan. Each person has a **comparative advantage** within the organization which is the value they bring to their job, relative to whatever else they could be doing. Comparative advantage simply means that members of the organization have an opportunity cost for whatever role they are in. If someone is good at accounting, and the organization already has a sufficient number of accountants, that person could best be served to work with the logistics team. If someone is the best sales person on the team, but is the only person who knows how to write computer code, their comparative advantage lies with the programming, and the organization should put them in a role that best serves the organization.

To make sure the team is constructed in a way to increase effectiveness, a manager has to know the strengths of the members of the team, and to put them in the correct position on the team to maximize the comparative advantage of that team member. The law of comparative advantage is the basis for providing the structure to the team. Assigning roles and tasks is a result of understanding the team, and a core component of the organizing function.

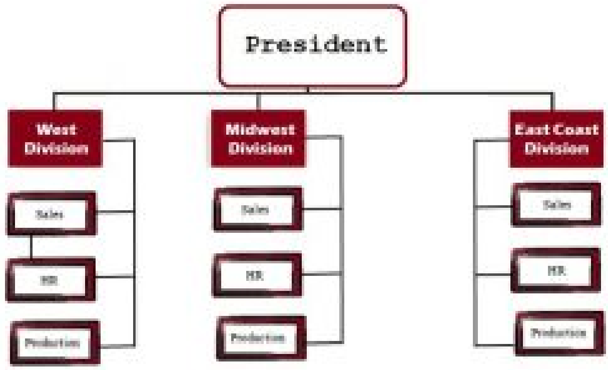
This same concept applies to the overall structure of the organization. An organization can provide structure for its operations in a few different ways. A **functional structure** of the organization groups people together who perform similar tasks. This results in a department style structure whereby all human resource personal work together and report to a manager, all operations personnel work together and report to a manager, the different roles within marketing all work together and report to a manager, and so forth.

Figure 5.1 Functional Organizational Structure

The functional structure comes with a few advantages. Lines of communication are clear to understand and they are simple. If there is an HR problem, you go to the HR manager. If there is a question about the financial statements, you go to accounting. Performance standards are better maintained and easier to identify. If all of the salesmen are working together, there is a relatively quick basis for comparison between them. Additionally, any mistakes and successes can be learned from and benefit all of the members of that functional area of the business. The downside to a functional structure is that it often leads to compartmentalization of decisions. Functional managers fight for the resources their department would garner from a particular course of action. This often means they do not act in the best interest of the overall organization, but rather how it will advance their department.

The **divisional structure** of the organization is one that groups units within the organization around geographic location, products, or customer types. An organization with a divisional structure will have many units that contain within them all of the functional areas of the business. For example, an organization might have a divisional structure that has a Northwest Division, a West Division, and a Midwest Division. Each of these divisions would have within their groups an HR group, a sales group, an accounting team, and so forth.

Figure 5.2 Divisional Organizational Structure



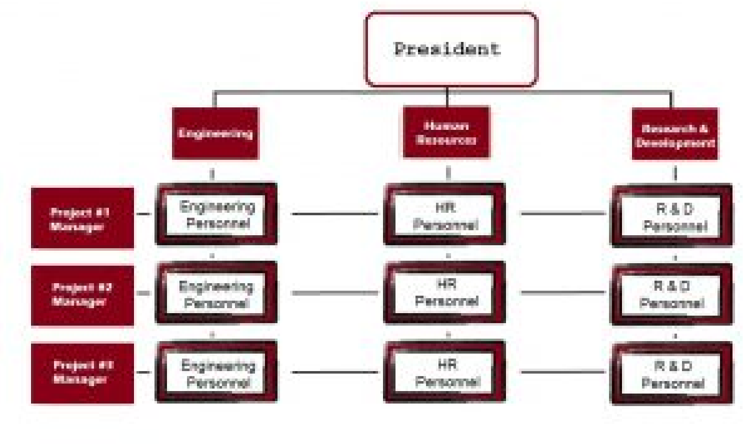
The divisional structure might choose geography to be the dividing factor, but it might also choose product type. An automobile manufacturer might have divisions for SUV's, trucks, and passenger vans. In this scenario, each of those divisions would have all of the functional areas of business contained within them. Finally, the choice might be to base the divisions on customer types. Many retailers have wholesale customers and end-use customers that consume their products. They might choose to create divisions based on these two types of customers.

The advantage of this structure is that it allows for each division to better understand the products they are creating as it relates to the consumer preferences. In the geographic breakdown, the manager of the Northwest Division would have an in-depth understanding of the logistics, challenges, and market conditions of his region. This allows for efficiency in delivery of goods, and customization of the products brought to that market.

What works in one region might not work for another, and this flexibility allows for better focus on the market. The downside to this structure is that there could be duplication of resources. An accounting team in one region might be sufficient to meet the needs of that group, but could have excess capacity that would better be used in another region. The divisional structure does not easily allow for that capacity to be shared with other divisions. In the same manner that a functional structure leads to managers fighting for their own groups, division structure can lead to that same isolation of groups. Managers will make decisions often times in the best interest of their division, which may sacrifice the best interests of the overall organization. We will see later in the leading function how this might be overcome.

Finally, organizations might choose to utilize a **matrix structure**, which creates a dual structure utilizing both a divisional and functional setup. The matrix structure uses a cross functional design to leverage the economies of scale that the functional structure offers, as well as the customization that a divisional structure affords. A matrix structure is often used in organizations where projects require the expertise of various employees. Each project team will have experts from the relevant parts of the organization. Once the project is complete, the team is disbanded and reformed around a new project. Consider its use in an engineering firm where they contract for construction of a bridge, a road, or a building. Consider its use in firms conducting due diligence on an acquisition or merger.

Figure 5.3 Matrix Organizational Structure



The advantage of the matrix structure is that it allows for better informed decisions and more creative solutions because the wide array of expertise each team has access to. Decision making for each project is often pushed down to the cross-functional team level, which allows upper management to focus on organizational direction and strategy. The downside to this structure is that employees can have a dual reporting relationship to the project leader, as well as their functional manager. This can create conflict between the two managers, and confusing for the employee.

Critical Thinking Questions

Time was not listed as a resource in this chapter. Should it be, or is this simply a constraint that managers operate under? Make your case.

What role does the organizing function play in supporting the planning function?

Empowerment means letting others make decisions. Why are many managers hesitant to empower their subordinates?

How to Answer the Critical Thinking Questions

For each of these answers you should provide three elements.

1. **General Answer.** Give a general response to what the question is asking, or make your argument to what the question is asking.
2. **Outside Resource.** Provide a quotation from a source outside of this textbook. This can be an academic article, news story, or popular press. This should be something that supports your argument. Use the sandwich technique explained below and cite

your source in APA in text and then a list of full text citations at the end of the homework assignment of all three sources used.

3. **Personal Story.** Provide a personal story that illustrates the point as well. This should be a personal experience you had, and not a hypothetical. Talk about a time from your personal, professional, family, or school life. Use the sandwich technique for this as well, which is explained below.

Use the sandwich technique:

For the outside resource and the personal story you should use the sandwich technique. Good writing is not just about how to include these materials, but about how to make them flow into what you are saying and really support your argument. The sandwich technique allows us to do that. It goes like this:

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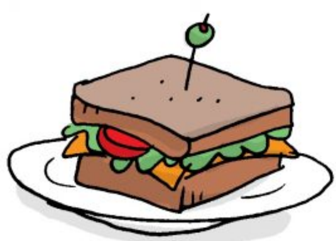

Step 2: Provide the quoted material or story.

Step 3: Tell the reader why this is relevant to the argument you are making.

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7

Leading

Learning Objectives

The purpose of this chapter is to:

- 1) Explain the role that leadership plays in the management process
- 2) Describe the five sources of power
- 3) Explore the use of leadership within and outside the organization

Leading

Leading is stimulating high performance by members of the organization (Bateman and Snell, 2013). This function is getting members of the organization on board with your plan.

Normally, this means connecting with direct reports or teammates on a personal level. Understanding what drives individuals within the team allows a manager to design strategies around motivating, incentivizing, mobilizing, and arousing a desire to contribute.

Imagine for a minute, that you analyzed the conditions of the organization, you determined a game plan to pursue and even directed resources to step in that direction. You have successfully implemented the planning and organizing functions. In this scenario, however, you did not give consideration to how your team or organization would be involved. Do they agree with your direction? Did they have input in the process? Do they feel valued as a team member? Do they understand their role in a successful outcome? All of these questions are answered by the degree to which a manager is engaged in the leading function.

Having personal conversations, designing a bonus structure, or giving a rousing speech might all be considered leading the organization.

We have already reviewed in previous chapters that EVERYONE is a manager. You manager your time, you manage your personal budget, you manage your career, and you manage your fantasy football team. So what role does leading others play within those resources you manage? Many scholars focus on distinguishing between leadership and management, and the conversation usually goes something like this: management is a position and leadership is a relationship with others. Management is painted as transactional, and leadership is painted as transformational. The reality is that both of these views hold credence. Managers with a gameplan and resources without buy-in from the team won't get far. A leader who inspires and provides vision but does not manage resources well squanders opportunity. Debating the differences between leadership and management is beyond the scope of this textbook, but it is important to acknowledge that effective leaders could not function without the employment of planning and organizing and managers could not function without figuring out how to motivate their team.

Sources of Power

Your ability to lead comes from several sources. This power to influence gives you the ability to influence others within the organization. The five sources of power are coercive power, charisma power, expertise power, reward power, and legitimate power (French & Raven, 1959). Let's review each of these individually by providing some examples.

Coercive power is the threat of punishment to influence others. People comply with a manager using coercive power because they are compelled to avoid punishment. This threat of force could include physical harm, social chastisement, emotional abuse, political consequences, or monetary withholding. This is not true leadership, but manipulation. As you can imagine, a manager employing coercive power would not truly motivate employees to get the best out of them. Rather, employees are behaving in a way that elicits a bare minimum response to a situation to avoid negative consequences. An example of coercive power is a manager who threatens to reduce work hours for a wage employee if they do not comply with a manager's request. All forms of quid pro quo sexual harassment would fall under this form of power. An manager who yells at employees is eliciting compliance through coercion. Employees comply with the manager because they want to avoid social embarrassment. As you can imagine coercive power leads to a long list of negative organizational consequences such as lower job satisfaction, employee backlash, higher turnover, and reduced innovation (Yoon & Farmer, 2018). Most of the consequences and results are negative with coercion, but some managers argue that a limited use of it can be necessary and highly effective. Consider an employee who engages in intentional insubordination, or unsafe workplace practices. A manager can use other forms of influence to get an employee to improve. However, if none of those work, it would be a legitimate use of coercive power to threaten termination in these scenarios. Coercion can also be effective in curbing harassment of any kind.

Charisma power is the ability to motivate others through the personal characteristics of the manager.

Followers are attracted to the aura of the individual and often work to emulate the behaviors they see. Maccoby (2004) argues that charisma is the most powerful form of influence because it drives motivation from the deepest part of the followers' emotions. Under this form of influence followers want to do more than expected. Examples of charisma power include a pre-game locker room speech, taking an employee out to lunch to listen to their story, or possessing the personality traits that people find attractive (humor, emotion, empathy).

Expertise power is the ability to influence through the possession of knowledge. This knowledge can be an understanding of a process, a talent, skill, or capability to complete a certain task. Expertise power becomes relevant in contextual situations, and can be garnered through reputation, credentials, or past performance. An example of expertise power is the reliance on in-house lawyers to review a contract prior to sending it out. That lawyer has expertise power and can influence the outcome of the contract or internal relationships as a result. Doctors possess a tremendous amount of expertise power because of the complexity of medicine. Programmers require an understanding of computer language which gives them influence over those who need applications constructed. Engineers and architects carry a lot of expertise power in the context of their building project or bid process. The ability to speak a foreign language is a form of expertise power if the use of that language becomes necessary in the organization. French and Raven (1959) note that someone does not actually have to possess the expertise, but rather if others around that person perceive that they do, they will assign that person the expertise power.

Reward power is the ability to influence others through the control of resources that others find value in. Our understanding of reward power has advanced by the work of BF Skinner (1983) and the operant conditioning he found in pigeons and rats. What he found in animals is that positive stimuli (rewards) encouraged behaviors, and negative stimuli (withholding rewards or punishment) discouraged behaviors. Since his work, we have deepened our understanding of how people respond to rewards. For example, a manager who has the ability to determine performance bonuses, can dole out additional paid time off, or puts together the weekly schedule has reward power. Reward power stems both from the giving and withholding the resources people seek. If someone does not perform well, they do not receive a bonus. If they perform well, the manager authorizes the bonus. Both of these scenarios will drive the desired behavior on the following period through the use of reward power. Thibault and Whillans (2018) found that a responsible use of reward power leads to more satisfied employees, lower turnover, emotional engagement, and intrinsic motivation.

Legitimate power derives from the position that a manager has within the organization. The power to make decisions and direct personnel through bureaucratic processes is the source of this power. Legitimate power is a result of being appointed, elected, or selected to a position of authority. People comply with legitimate power because they understand and respect the general hierarchy of organizations. They are obedient to decisions made by a manager because of this respect for hierarchy (Hinkin & Schriesheim, 1989). Examples of legitimate power include a manager making a hiring decision, authorizing payment to a vendor, or the legal authority to sign a contract on behalf of the organization. Soldiers follow orders of officers primarily because of legitimate authority. Citizens obey the law. Children respect the authority of parents. What's important to note is that while the rules and guidelines established under this form of influence are complied with, this form of power does not elicit motivation. Legitimate power is best used in providing direction and execution of the gameplan. The other forms of power are more instrumental in rallying the team to into bravado for the gameplan.

Understanding Your Team

We have reviewed the five sources of power, one of which includes reward power. Because this is such a powerful influencer in the manager's toolbox, it warrants further discussion here. Remember, at this point in the managerial process you have a gameplan and resources allocated towards that plan. The leading function requires the manager to motivate employees, but not all employees are alike. Some people might respond well to a bonus incentive, others would prefer more time off as a reward. The manager needs to have personal conversations with members of the organization to understand what drives them. Chapman (1995) established a theory that people give and receive appreciation in different ways, known as the five love languages – words of affirmation, affectionate touch, gifts, quality time, and acts of service. King (2017) suggests that four out of the five love languages to apply to office relationships to help managers understand what drives employee response to incentives. She says that each of these (with the exception of touch) should be used to better understand how employees respond to your actions as a manager. Some employees would like to be recognized publicly for their efforts when they do something well (words of affirmation). Some employees would like to have lunch and an hour of the manager's time just to talk (quality time). Some employees would like to get a watch when they reach 10 years of service (gifts). Some employees would like to see their boss help them on a complex problem (acts of service). A manager must understand what drives employee behavior if the hope is they can attract them to full participation in the gameplan they have established.

Into the unknown

In order to get a team to go attach themselves to a vision and gameplan, a few elements must be considered. A manager has to first create an environment where employees can focus on the plan, and second create credibility as a leader that compels followers to act.

Let's start with creating a culture and climate that allows employees to focus. Simon Sinek is a world renowned speaker and motivator. His landmark book *Leaders Eat Last* (2017) lead us through a simple framework for effective leadership. He states that the leader's job is to make every member of the team feel safe. This is not a recommendation that means there should not be conflict within the organization. Rather, he states that leaders are supposed to create an environment where employees don't have to worry about politics, favoritism, or job security. Employees should feel like they have support and if needed, a leader who will sacrifice time and energy for them. By creating this environment, managers can get employees to focus on the external environment where the opportunities lie and focus their energy on creating value instead of self-preservation.

Hollander (1958) discovered that leaders who hope to lead their team into the unknown must establish credibility with followers. To achieve goals that are well beyond norm and to pursue a remarkable end, leaders must build a reputation and example that compels followers to get on board. He argues that a leader who consistently emulates the behaviors desired in followers will build up credibility. Once the manager has build up enough of this political capital, that leader can get the followers to pursue goals they have never pursued before. The manager can lead the team into the unknown so to speak. A great example of this the team captain for the 1995 World Cup Rugby team. Francois Pienaar led the South African Springboks team to an upset of the heavily favored All Blacks from New Zealand. He achieved this by showing up early to practice, and being the last man out of the weightroom. His example gave him the credibility he needed to motivate his team as they rallied around him during the World Cup final. In short, the leading function of management requires the manager to be the example for those in the organization that need to buy in to the gameplan.

Critical Thinking Questions

Research is clear that charismatic power is the most impactful for a manager. Make your case for which of the other four is most useful.

This chapter argues that a manager needs to create a safe environment and build credibility to get team members to follow them. What else should they do to elicit followership?

How can the leading function of management be leveraged within the context of Corporate Social Responsibility?

How to Answer the Critical Thinking Questions

For each of these answers you should provide three elements.

1. **General Answer.** Give a general response to what the question is asking, or make your argument to what the question is asking.
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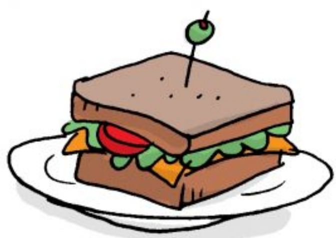

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8

Controlling

Learning Objectives

The purpose of this chapter is to:

- 1) Introduce the control process
- 2) Discuss the time and types of control processes
- 3) Explore the overuse or underuse of the control function

Controlling

Control is installing processes to guide the team towards goals and monitoring performance towards goals (Batemen & Snell, 2013). The purpose of the control function is to ensure that the organization makes progress towards the established goals. This is done prior to implementation of the gameplan as a manager anticipates what might go wrong. Control is done during the process of implementation as the manager monitors the progress and makes changes as needed. As such, the control function of management is highly intertwined with the planning phase. The guides that managers use to ensure progress and the mechanisms used to monitor progress are areas that need direct consideration before the plan implementation begins.

A good analogy for the control process is a road trip. In this analogy the goal (planning) is to drive from Kansas to Missoula, Montana for a bluegrass festival. To go on this roadtrip, you have a budget for gas and gas station food (organizing), and you have convinced your best friend to join you (leading). You have three days to get there for the start of the festival. The controlling function in this road trip is to ensure that you will make it to Missoula in time for the start of the event. In the planning phase, this would include checking the oil, checking the tread on your tires, and checking the windshield wipers. These steps improve the likelihood that you will get to your destination. Based on your estimates, you have decided that you need to drive 9 hours per day over the two days you have allotted for this trip. During the trip, you monitor the gas gauge and each time it falls below the ¼ tank range you find the next stop to fuel up. During the trip, your GPS identifies an accident that is delaying traffic outside of Denver. The GPS suggests you reroute to save an hour by going on the toll way. The first day you drive 5 hours because you decided to stop at REI in Denver. Because you are behind schedule, you decide to start the second day at 6am to make up the extra hours. Each of these pre-trip checks and adjustments during the trip are considered control mechanisms. They help you guide the trip, and to monitor progress towards the goal.

Control Process

One of the fundamental elements of the control function of management is to monitor progress. Monitoring progress implies that you need a standard against which to judge whether you are making progress. There is a specific process that allows you to do this, known as the control process.

Figure 8.1 The Four-step Control Process

1. Set the standard
2. Measuring performance
3. Compare performance against the standard
4. Make adjustments as necessary

The control process begins with the standard or goal to reach. This portion of the control process is done during the planning phase of management. The standard could be to improve sales by 14%, reduce turnover in Q1 by 1%, improve our season win total by 4 games, reduce batch rejection rates on manufacturing output, etc. This standard includes both the end goal, but more complex goals require mile posts along the way. For example, a 14% improvement in sales over the course of a year means that monthly sales targets should also be monitored that add up to the yearly goal. Measuring performance is also a step that needs to be planned for during the first phase of the management process. How will I keep track once I begin my plan?

Monitoring performance might include creating a dashboard to monitor performance indicators, but it might also include periodic check in's with members of the organization to see how they are handling the implementation of the plan. Step three simply means comparing the actual performance to standard. Step four is a reboot to the planning phase. In our sales analogy, let's say that the yearly goal is a 14% improvement. By the fifth month, the sales manager checks the progress and sees that progress is slow, and they are only at 4%. The sales manager decides that to reach the goal, they recommit marketing resources to increase advertising. The progress was not up to the standard, so an adjustment is necessary. The flipside of step four is that even if progress is made towards goal, adjustments might still need to be made. Back to our sales analogy – five months in, and good progress is made. The sales team has done well, and the organization has made 9% towards the 14% goal. Even though progress is being made, a handful of salesmen are burnt out. The manager decides that the team could use a breather and decides to take all of the salesmen to an MLB baseball game, and dinner and wine to celebrate the small victory towards the goal. The salesmen are making progress, but they need an emotional break. The manager recognizes this and commits resources (organizing) to motivate (leading) the sales team to keep pushing. In this way, the control function cycles back to the other functions of management.

Timing of Control

We just reviewed that one of the main elements of control is to monitor progress and make adjustments. The second major component of the control process is to guide the progress. This guidance can happen at different times of the gameplan you are pursuing. Control mechanisms can be planned prior to implementation, during the implementation, and afterwards as a means to help future progress.

Feedforward control is putting in guiding rails prior to implementation of the gameplan. Bateman and Snell (2013) define this as a control process used before operations begin, including policies, procedures, and rules designed to ensure that planned activities are carried out properly. An example of a feedforward control mechanism is a manager who requires hard hats, harnesses, and safety protocols during the construction of an office building. These are policies that help ensure the gameplan will be carried out properly. This might also include a commitment to nets outside of scaffolding in addition to requiring harnessing for an office construction.

Concurrent control is a change you make during the implementation of the gameplan. In many ways, concurrent control is a mini version of the control process itself, done in a much shorter timeframe. This can include serious issues, like stopping production when you see a leak in the tank, to fine tuning that you might do as you are harvesting a field like adjusting the speed of the combine. In our road trip analogy, this is the slight turning of the wheel as the road curves, or completely taking a detour because your GPS says an accident is ahead. Reconciling real your budget real time as expenses come in is an example of concurrent control as you make small adjustments to spending as a result.

Feedback control uses information from previous results to make adjustments as you plan for future gameplans. This is the core of learning within an organization. This is the reason why NFL teams watch game film the day after a game. This means reviewing what you did well so you can keep doing it, to understanding where you failed and what caused it. Some organizations require a *post mortem* analysis for every major project they finish. What went wrong? How did we perform? The Wall Street Journal reported in 2010 that Foxconn installed safety nets outside of their Hebei, China factory after 10 employees jumped to their death. Reports indicate that employees live in dorms outside the plant in terrible conditions. This represents a feedback control process because their nets were an attempt to curb the death problem. This is a good example of feedback control, but not necessarily good management.

Types of Control

We have reviewed that control has a specific process to follow, and that process can be executed at several stages during the execution of the gameplan. What needs to be further explored are the types of control processes that managers have at their disposal. The basic definition of control is that we want to make sure we are on track and to guide the plan. Most control processes under this framework are formal mechanism, meaning management puts specific processes in place that everyone can see and track. These would include bureaucratic and market control processes. However, some control processes are considered informal, known as clan control.

Bureaucratic control is an official policy or rule implemented in the organization that is derived from the legitimate authority of the manager. Bureaucratic controls would include examples such as requiring daily reports on progress or inventory reconciliations. It could include establishing sales revenues projections, and implementing reward systems around this metric. It would include establishing protocols regarding the safety of heavy equipment operation or floor manufacturing at a factory. Many of these safety processes are established by governmental organizations such as OSHA or the EPA.

Market control is the use of external information to serve as a standard or metric against which to measure internal progress. Consider the following example. The marketing firm of an organization has designed a new product and the goal is to garner 15% market penetration in the first year. Prior to launching the product, they decide to bring in a consumer focus group to provide feedback on the design. This feedback compels the team to make some minor tweaks prior to product launch. This team has used an external element, that being the opinions of consumers, to make sure they progress towards their goal of a successful launch. Finance and trading organizations regularly used external controls around which to make decisions on which assets to divest, and in which assets to invest. This would include a trading strategy that establishes a standard that if the price of oil falls 25%, the company should liquidate their position in commodities to minimize losses.

Clan control consists of any form of informal influence that an organization has on an individual that directs them toward the goals of the organization. Clan control can derive from the cultural values and beliefs of the organization that influence behavior. Clan control can also be a more direct influence in the form of peer pressure. Consider the example of an organization that places high value on integrity. Jane is an accounting professional within the organization that refuses to violate a small section of the tax code in an area where the language of the tax code is gray. She decides to act on the conservative side and behave with integrity because she knows that her decision aligns with the personal values of her team leader, and if her integrity were questioned, she would be less esteemed by her peers. One final note on clan control is that it can wield either a positive or a negative influence on members of the organization.

Too Much Control?

There is a final aspect of the control process that needs to be explored. At what point does a manager put too many control mechanisms in place. There is a range of control mechanisms that can be used – too few and the manager would not be successfully monitoring or guiding progress, too many and the employees will feel like they are being micromanaged. Research shows that a manager that uses too few controls limits creativity, innovation, and organizational learning (Bligh, Kohles, & Yan, 2018). This makes sense if the manager's main role is guiding the progress. Members of the organization don't have the guidance and feedback that foster these ideals. A manager that puts too many control processes in place exposure the organization to lower levels of commitment, higher turnover, and more job stress among members of the organization (Bozeman, et al., 2001).

A manager has to appropriately balance the use of too much control and not enough control. If we return to Socrates and the Sordite's Paradox, we can see that the extremes probably lead to negative outcomes. There is a gray area that managers might consider a reasonable level of control. Figure 8.2 shows this range of control.

Figure 8.2 A Range of Control

The balance between too much and too little is a complex one. More difficult yet, some employees might need more control, and others might need less control. Let's explore that idea. On the right side of the control range, you might put more control mechanisms in place for employees who are new to the job. They are not experienced in the task that needs to be completed, so you need to monitor their performance so that you can give them feedback. The right side might include an employee who is engaged in a dangerous task such as operating heavy equipment, or flying an airplane. Think of all the checklists even experienced commercial pilots go through before turning on the aircraft. Each of these steps are control processes (lights and indicators showing avionics, mechanical performance, etc.). On the right side of the range might also include those who are making decisions with serious consequences such as profitability. For example, a company sending in a bid on a major project worth millions of dollars might have extra oversight to make sure the bid is done properly. The more serious the consequences, the more to the right on the control range the manager should consider. Finally, the right side of the control range should also be used when the task is brand new to the organization. Think about the response to 9/11, corona virus, or a mass shooting. How an organization responds to these events is one they have never experienced. Any strategy to deal with these situations might warrant more control processes to ensure its success. On the left side of the range you might put someone performing routine tasks or those that would result in low consequences if done incorrectly. On the left side would also include monitoring the performance of individuals who have proven themselves through previous performance. Monitoring their behavior or guiding their work would give them the feeling of micromanagement.

Critical Thinking Questions

What is the purpose of the control process?

In the discussion on feedback control, we reviewed the Foxconn response to employee suicides. This is clearly a feedback control mechanism but not good management. How can they use the control function of management differently to work on the heart of this problem?

How can you tell if you have put into place too much control?

How to Answer the Critical Thinking Questions

For each of these answers you should provide three elements.

1. **General Answer.** Give a general response to what the question is asking, or make your argument to what the question is asking.
2. **Outside Resource.** Provide a quotation from a source outside of this textbook. This can be an academic article, news story, or popular press. This should be something that supports your argument. Use the sandwich technique explained below and cite your source in APA in text and then a list of full text citations at the end of the homework assignment of

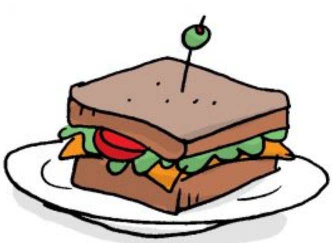
all three sources used.

3. **Personal Story.** Provide a personal story that illustrates the point as well. This should be a personal experience you had, and not a hypothetical. Talk about a time from your personal, professional, family, or school life. Use the sandwich technique for this as well, which is explained below.

Use the sandwich technique:

For the outside resource and the personal story you should use the sandwich technique. Good writing is not just about how to include these materials, but about how to make them flow into what you are saying and really support your argument. The sandwich technique allows us to do that. It goes like this:

Step 1: Provide a sentence that sets up your outside resource by answering who, what, when, or where this source is referring to.



Step 2: Provide the quoted material or story.

Step 3: Tell the reader why this is relevant to the argument you are making.

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PART II

MIDTERM PAPER ASSIGNMENT

The purpose of this assignment is for you to explore a specific element of management, and to research the impact that the concept has on organizational outcomes. Perhaps this is the first true midterm you have ever written, in which case I will give you a guideline for essay writing that you can use throughout the rest of your management education. The essay must meet the following requirements:

Word limit

The paper must meet at least 3,000 words. The word count does not include the title page, abstract, or references page. There is no word maximum.

APA format

The entire paper should be written in APA formatting. If you have never used APA format, this is your time to learn. A template is provided so that you can see what it looks like. Review this website for more clarifications on APA format.

https://owl.purdue.edu/owl/research_and_citation/apa_style/apa_style_introduction.html

Peer Reviewed Articles

The paper must contain at least five peer reviewed articles. A peer reviewed article is one that is published by a journal that sends papers out to scholars to give feedback to authors prior to publishing. It is a process that helps ensure research is done well, and right. When you look for articles in the library database, there is a box you can check that will populate "peer review only". Peer reviewed articles come from journals that have a volume and issue number.

Academic language

There is a difference in the way we speak and in the way we write academic papers. You should use professional language and avoid colloquial speech. If you are new to academic writing, I would encourage you read articles, or textbooks and see how they use language, or how the authors make transitions between paragraphs and ideas. For example, when you are citing an article, you should use the last name and year. "Lloyd (2020) found that . . ." You should avoid use of language like "The article talked about. . . ." etc. Finally, this is an academic paper, and should focus ONLY on what the research has to say. There should be no personal stories or personal opinions. Avoid completely the use of the pronouns **I** or **me.**

Adequate Description of the Organizational Outcomes

Now comes the heart of the assignment. Your task is to research a specific element or tool of management by seeing what the research shows as the organizational outcomes. You will choose a concept from the list below and then see what the academic research has found. The outcomes might be positive or negative. When you research the concepts you should be asking the question, what happens when this concept or tool is done well in organizations? What happens when this concept is done poorly? Your findings can be a mix of both positive and negative if you find research to support it. For example, one of the concepts is conflict management. As you research this concept, you should find research that sees what happens when an organization manages conflict well. What happens when they do it poorly? You might find outcomes such as the impact on turnover, loyalty, customer service quality, profitability, employee retention, etc. The list provided is a blend of management characteristics, tools, or general concepts within management. Whichever you choose, your task is to figure out what the impact is on the organization. The outcomes will vary and probably come from different contexts, and you might find one article that discusses the outcomes in one industry, and outcomes from a different industry for the other two. This is fine.

STEP BY STEP GUIDE

Here is a step by step guide. I am using "emotional intelligence" as my concept. This concept is not on the list, and therefore not available for you to use. I chose it to illustrate how to write the mid-term.

Where to Begin:

Choose a concept from the list.

Management Tools, Skills, or Concepts		
micromanagement	empathy	internationalization
laissez faire management style	vision	expatriotism
empowerment	courage	cultural sensitivity
whistelblowing	intelligence	ethnocentrism
integrity	experience	equity theory
sustainability practice	delegation	use of incentives
benchmarking	reliability	internal recruiting
contingency planning	confidence	job interviews
physical attractiveness	arrogance	story-telling
humor in the workplace	humility	generational differences
criminal background	respect	punishment
diversity	delphi technique	negative reinforcement
creativity	brainstorming	offshoring
flexible work schedules	performance evaluations	downsizing
change management	compassion	layoffs
clan control	employee benefits	orientation programs
bureaucratic control	corporate social responsibility	exit interviews
market control	socially responsible investing	power distance
porter's five forces analysis	government subsidies	tolerance for ambiguity
coaching	criticism	total quality management

mindfulness	praise	pygmalion effect
charismatic leadership	sexual harrassment	hawthorne effect
transformational leadership	entrepreneurial thinking	occam's razor
servant leadership	compliance	logic and reason
conflict management	grit	data science
activity based accounting	factory conditions	machine learning
employee safety	self actualization	talent management
stress management	symbols	tax avoidance
reciprocity	spirituality in the workplace	activity based costing
technical skills	training	triple bottom line
trust	honesty	decisiveness
focus	optimism	crisis management
bilingualism	self-management	energy
ambition	initiative	adaptability
neuroticism	agreeableness	problem solving skills
total quality management	need for achievement	workplace violence

Write the introduction:

- Relevance – The introduction should be around two paragraphs. In the first paragraph, tell me why the topic is important or relevant. Give general background.
- Transition – You have described the subject at a high level and given me the overarching theme.

You need a transition sentence to lead your reader to the thesis statement. For example, if you are writing about emotional intelligence's impact on managerial outcomes you would start your essay by describing emotional intelligence – what we know about it, why its important, all at a high level. Then to start your second paragraph you need to transition. "Emotional intelligence is relevant to a wide scope of fields, and research shows that it can have a profound impact on managerial practice."

- Thesis – Then you can begin your thesis. I recommend the following formula for the thesis:

The purpose of this paper is to describe how X leads to outcome 1, outcome 2, and outcome 3.

For example, a thesis might look like this:

The purpose of this paper is to describe how emotional intelligence in management can lead to lower levels of turnover, increased teamwork, and higher levels of job satisfaction in direct reports.

Support your argument:

To support the argument that emotional intelligence leads to these positive outcomes, you need to find research to support it. Go to the library database and type in various keywords to find peer-reviewed articles that support each of the three outcomes. I typed "emotional intelligence + organizational outcomes." If this yields no results, try to guess as to what the outcomes might be, and type that in as a keyword. To build your thesis, you need to have already done this step to ensure that there is adequate support for the argument. Let's go back to the case we are building. I found the following articles to support each pillar:

Lower turnover:

Glodstein, D. (2014). Recruitment and retention: Could emotional intelligence be the answer. *Journal of New Business Ideas and Trends, 12*(2), 14-21.

Increased teamwork:

Farh, C., Seo, M., Tesluk, P., & Kozlowski, Steve W. J. (2012). Emotional Intelligence, Teamwork Effectiveness, and Job Performance: The Moderating Role of Job Context. *Journal of Applied Psychology,97*(4), 890-900.

Job Satisfaction:

Shi, M., Yan, X., You, X., & Li, J. (2015). Core Self-evaluations, Emotional Intelligence and Job Satisfaction in Chinese Soldiers. *Social Indicators Research, 124*(1), 221-229.

These articles are peer-reviewed and support the ideas in each outcome. To make an easy roadmap, make your headings the same as each pillar from your thesis.

Write your conclusion:

Make a recommendation, give advice, recount main points, and express what research can be taken next in the field. Make it interesting and give me closure. One of the most common errors students make in the conclusion is to use second person "you" to make general statements. While second person should always be avoided in academic writing, the most important reason not to use it in the conclusion is that it almost always changes the entire focus of the paper.

Good tips to follow for academic writing

- Do not use statements like "The article talks about"
- Do not use statements like "The book talked about"
- Do not use statements like "I will use peer-reviewed articles to cover..."
- Make your argument, cite your sources in APA format instead of using the previous statements (or those similar to them). Use academic language like
    - Lloyd (2018) found that . . . .
    - A study conducted by Lloyd (2018) found that . . . .
    - Shermerhorn (2016) offers that management. . . .
    - "Emotional intelligence leads to higher levels of autonomy and improved communication" (Lloyd, 2018, p. 4)