UNIVERSITY OF DHAKA

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W501: *Management of Organizations*

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Author Details

Name	:	Md Hasibul Islam
Student ID	:	201-67-011
Program	:	Master of Business Administration (MBA)
Institute	:	Institute of Business Administration (IBA)
University	:	University of Dhaka
Email	:	hasiee8004@gmail.com
LinkedIn	:	linkedin.com/in/hasib009
GitHub	:	github.com/HasibRockie
Website	:	hasibrockie.github.io

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Management Basis

09-04-25 Saturday

Definition of Management:

Management is a fundamental and indispensable activity in all organized human efforts. It involves systematically coordinating resources and people to achieve desired goals **effectively** and **efficiently** .

Management is the efficient utilization of resources (physical, financial, human, and informational) to achieve organizational goals. It is a continuous process that involves planning, organizing, leading, and controlling resources to achieve specific objectives.

Widely Accepted Definitions:

- **Henri Fayol (1916):** "To manage is to forecast and plan, to organize, to command, to coordinate and to control."
- **Mary Parker Follett (1926):** "Management is the art of getting things done through people."
- **Koontz & O'Donnell (1976):** "Management is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims."

Key Elements of Management:

1. Goal-oriented process
2. Group activity
3. Continuous process
4. Dynamic function
5. Resource coordination

Example:
A *hospital* managing doctors, nurses, and medical supplies to deliver quality healthcare effectively and efficiently.

Why Management:

Management is crucial because it transforms organizational chaos into structured progress. Without proper management, organizations lack direction, coordination, and control.

Importance of Management:

1. Achieving Goals
2. Optimal Resource Utilization
3. Establishing a Dynamic Organization
4. Creating Team Spirit
5. Ensuring Growth and Stability

Example:
In a *manufacturing firm*, management ensures raw materials are efficiently converted into finished products while maintaining labor management, productivity, and quality standards.

Supporting Data:
A 2022 study by *McKinsey & Company* revealed companies with strong management practices were **30% more productive** and had **20% higher profitability** than poorly managed firms.

Management Levels:

In organizational structures, management operates through hierarchical levels to ensure proper supervision, decision-making, and resource allocation. Each level has distinct responsibilities and authority.

Types of Management Levels:

1. **Top-level Management:**
   Also known as *strategic management*, this level sets organizational vision, long-term goals, policies, and overall strategic direction.

Characteristics:

- Formulates policies and strategic plans.

- Represents the organization externally.

- Makes long-term, future-oriented decisions.

- Bears final accountability for organizational performance.

2. **Middle-level Management:**
This is the *administrative management* tier, acting as a bridge between top and lower levels. It implements policies, coordinates departments, and supervises lower managers.

Characteristics:

- Translates top management policies into departmental plans.

- Coordinates cross-departmental activities.

- Provides direction to lower-level managers.

- Responsible for tactical decisions and resource allocation.

3. **Lower-level Management:**
Often termed *operational or supervisory management*, this level directly oversees operational activities and workforce performance.

Characteristics:

- Directly supervises workers and daily operations.

- Maintains discipline and work quality.

- Reports operational performance to middle management.

- Handles short-term operational decisions.

Example:
In a *bank*:

- **Top-level:** Managing Director (MD), Board of Directors.

- **Middle-level:** Branch Managers, Regional Managers.

- **Lower-level:** Cash Officers, Teller Supervisors.

Definition of Organization:

An organization is a deliberate and structured social unit, composed of people, working together to achieve specific goals. It involves systematic coordination of activities and allocation of responsibilities to attain common objectives.

Widely Accepted Definitions:

- **Chester I. Barnard (1938):** "An organization is a system of consciously coordinated activities or forces of two or more persons."

- **James D. Mooney & Alan C. Reiley (1931):** "Organization is the form of every human association for the attainment of a common purpose."

Characteristics of Organizations:

1. **Group of People:** Requires at least two or more individuals.

2. **Common Goal:** Exists to pursue agreed-upon objectives.

3. **Defined Structure:** Clear authority, roles, and hierarchy.

4. **Coordination of Efforts:** Integrated and aligned activities.

5. **Deliberate Design:** Structured system with purposeful arrangement.

6. **Continuity:** Organizations exist beyond individual members.

7. **Others:** Can be autonomous or not, can be financial or non-finacial. Can have social value.

Examples and Classification:

- **Political Party:**
  Yes, it is an organization. It has a formal structure, group of people, defined leadership, common goals (political power, policy advocacy), and coordinated activities.

- **Cricket Board:**
  Yes, it is an organization. It operates with a formal administrative body, specific objectives (governing cricket affairs), a structured hierarchy, and organized activities. (There's a contradictory thoughts about cricket team. It is not an organization, but a team.)

- **Jewelry Shop on Facebook:**
  No, typically it is not a formal organization unless it possesses structured operations, a formal business plan, a registered identity, designated roles, and systematic coordination. Most small-scale informal online sellers lack these essential organizational characteristics.

- **University:**
  Yes, it is an organization. It consists of people (faculty, staff, students), follows a hierarchical structure, has formal objectives (education, research), and coordinated processes.

- **Family:**
  No, a family is a social institution, not an organization in the formal managerial sense. It lacks formal objectives and deliberate coordination for commercial or public goals.

Effectiveness and Efficiency:

In management, both **effectiveness** and **efficiency** are essential performance measures. While closely related, they focus on different dimensions of organizational success.

Effectiveness: Effectiveness refers to the extent to which an organization or individual achieves its desired objectives or outcomes. It emphasizes *doing the right things.*

Example:
A hospital successfully treating 95% of its patients represents high effectiveness.

Efficiency: Efficiency is the ability to accomplish a task using the least amount of resources — such as time, money, or effort. It emphasizes *doing things right.*

Example:
A hospital reducing treatment costs by optimizing medical resources while maintaining quality indicates efficiency.

Relationship between Effectiveness and Efficiency: Both are complementary but not identical. An organization must be effective to survive and efficient to remain competitive. Achieving one without the other can harm long-term success.

Key Relations:

- An organization can be effective without being efficient (achieving goals but wasting resources).

- It can be efficient without being effective (optimal resource use but failing to achieve desired goals).

- Ideal management seeks a balance — achieving goals with optimal resource use.

Differences between Effectiveness and Efficiency:

Effectiveness	Efficiency
Focuses on achieving organizational goals.	Focuses on optimal use of resources.
Concerned with output quality and goal fulfillment.	Concerned with input-output ratio and minimizing waste.
Represents *what is done.*	Represents *how it is done.*
Can exist without efficiency.	Can exist without achieving effectiveness.
Long-term strategic importance.	Operational and tactical significance.

Example for Comparison:
A school achieving 100% pass rate (effectiveness) by employing excessive resources and overtime is less efficient. Conversely, minimizing teaching resources and costs but having only a 50% pass rate is efficient but ineffective. True managerial success lies in achieving both.

What Managers Do

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What Managers Do:

Managers are responsible for coordinating and overseeing the work of others to accomplish organizational goals. Their activities have been explained through different theoretical frameworks proposed by notable management scholars.

Three Approaches to Describe What Managers Do:

1. **Functions Managers Perform (Henri Fayol, 1916):**

   Fayol identified five primary managerial functions, which modern theorists have synthesized into four core functions:

   - **Planning:** Involves defining organizational goals, establishing strategies for achieving them, and developing comprehensive plans to integrate and coordinate activities. Planning reduces uncertainty and sets a clear direction for the organization.

     Example: A manager prepares an annual business plan outlining production targets, marketing strategy, and financial forecasts.

   - **Organizing:** Entails determining what tasks need to be done, who will do them, how the tasks will be grouped, who reports to whom, and where decisions are to be made. It ensures resources are properly allocated and workflow is streamlined.

     Example: Assigning teams for product development, marketing, and logistics based on skills and responsibilities.

   - **Leading:** Involves motivating, directing, and otherwise influencing people to work hard to achieve the organization's goals. Effective leadership fosters cooperation and commitment.

     Example: A manager holds regular motivational meetings and one-on-one coaching sessions.

   - **Controlling:** The process of monitoring activities to ensure they are being accomplished as planned, and correcting any significant deviations. This ensures objectives are met efficiently.

     Example: Tracking monthly sales performance and adjusting marketing tactics if targets are not met.

   Characteristics:

   - Sequential yet overlapping and continuous.

   - Applicable at all levels of management.

   - Essential for achieving organizational efficiency and effectiveness.

   - Forms the foundation of modern management theory.

2. **Roles Managers Perform (Henry Mintzberg, 1973):**

   Mintzberg conducted empirical studies and identified ten managerial roles grouped under three categories:

   Interpersonal Roles:

   - *Figurehead:* Performing ceremonial and symbolic duties on behalf of the organization. Predominantly a top-management responsibility.

   - *Leader:* Guiding and motivating subordinates, ensuring performance and development. Important at all levels.

   - *Liaison:* Building a network of contacts inside and outside the organization to gather information and maintain relationships.

   Informational Roles:

   - *Monitor:* Actively seeking and gathering internal and external information relevant to the organization.

   - *Disseminator:* Sharing relevant information within the organization to support decision-making and coordination.

   - *Spokesperson:* Communicating information about the organization to external stakeholders such as media, government, and other interest groups.

   Decisional Roles:

- *Entrepreneur:* Initiating and managing change to improve organizational performance.

- *Disturbance Handler:* Addressing unexpected problems and crises to minimize organizational disruption.

- *Resource Allocator:* Deciding where the organization will expend its efforts and resources.

- *Negotiator:* Participating in negotiations with individuals or groups to secure favorable outcomes.

Characteristics:

- Reflect real-world dynamic managerial behavior.

- Roles are interrelated and often performed simultaneously.

- Applicable to managers at all levels, though emphasis varies.

- Ensures a balance of social, informational, and decisional responsibilities.

3. **Skills Managers Need (Robert L. Katz, 1974):**

Katz proposed that managerial performance is determined by the following three essential skill sets:

- **Technical Skills:** The ability to apply specialized knowledge and expertise in specific work methods and techniques. Crucial for first-line and lower-level managers who work directly with operational processes.

  Example: A plant manager knowing how to operate and troubleshoot machinery.

- **Human (Interpersonal) Skills:** The ability to work with, understand, motivate, and lead individuals or groups. Essential at all levels as it determines how well managers can communicate, resolve conflicts, and build effective teams.

  Example: A department head resolving conflicts among team members through effective communication.

- **Conceptual Skills:** The ability to analyze and diagnose complex situations and visualize how different organizational elements fit together. These skills enable strategic decision-making and long-term planning, making them increasingly vital for top-level managers.

  Example: A CEO evaluating market trends and realigning organizational strategy.

Characteristics:

- **Technical skills:** Predominantly required at lower levels.

- **Human skills:** Equally vital at all levels.

- **Conceptual skills:** Most important for top executives.

- The relative importance of each skill shifts across the managerial hierarchy.

Summary Illustration:

Approach	Key Focus	Key Contributors
Functions they perform	Planning, Organizing, Leading, Controlling	Henri Fayol
Roles they perform	Interpersonal, Informational, Decisional roles	Henry Mintzberg
Skills they need	Technical, Human, Conceptual skills	Robert L. Katz

Grapevine: Definition and Example

The grapevine refers to the informal, unofficial communication network that exists within an organization, outside of formal channels. It is often referred to as the "rumor mill" as it involves the spread of information, whether accurate or not, through interpersonal interactions. The grapevine typically flourishes in environments where formal communication is limited, and its influence can be both positive and negative.

Example: An employee hears through colleagues that the company is planning to lay off a large number of staff. This information is not yet confirmed by the management, but it spreads quickly through informal conversations and can lead to anxiety and rumors within the workforce.

Why Fayol and Mintzberg are Complementary

Henri Fayol and Henry Mintzberg are often regarded as complementary scholars in management theory due to their distinct yet complementary perspectives on what managers do. Fayol's theory focuses on the *functions* that managers perform, while Mintzberg's approach examines the *roles* managers take on in the course of their work.

Fayol's framework, developed in the early 20th century, emphasizes a prescriptive approach to management, suggesting that managers must execute certain key functions like planning, organizing, leading, and controlling. Fayol's work is centered around the structural side of management and provides a clear, systematic model that managers can follow to ensure the organization's operations run smoothly.

On the other hand, Mintzberg's work is more descriptive, identifying specific roles that managers play on a daily basis, based on empirical research and observations of managers in real-world settings. Mintzberg's theory reveals the complexity of managerial work, with its dynamic, multitasking nature, and how managers balance interpersonal, informational, and decisional roles.

These two approaches are complementary in the sense that while Fayol provides a structural guide to what managers *should* do, Mintzberg shows how managers actually *do* it in practice. Fayol's functions can be seen as the foundation for the roles Mintzberg identifies. For example, a manager performing the "leader" role (Mintzberg) might also be engaged in "leading" as one of Fayol's functions, and similarly, the role of "entrepreneur" could align with the function of "planning."

Example: A project manager in an organization might simultaneously engage in the "monitoring" role (Mintzberg) to gather progress data, while also executing the function of "controlling" (Fayol) by adjusting resources or strategies based on this information to keep the project on track.

Thus, Fayol and Mintzberg together provide a comprehensive framework for understanding management from both a theoretical and practical perspective. Fayol's focus on function offers a blueprint for effective management, while Mintzberg's analysis of roles captures the real-world application of those functions.

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[1]Grapevine communication often serves as a crucial source of information for employees, although its reliability varies. Research indicates that while grapevine communication can serve as a faster alternative to official communication, its lack of accuracy can lead to confusion and mistrust within the organization.

History of Management

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Historical Evolution of Management

The development of management thought is deeply rooted in the emergence of large-scale organizations and the industrial revolution. One of the earliest comprehensive schools of thought is the **Classical Management Theory**, which emerged in the late 19th and early 20th centuries. This school emphasizes efficiency, productivity, and rationality, and is primarily divided into three key branches:

1. **Scientific Management (Frederick Winslow Taylor, 1911):**

   Often regarded as the "father of scientific management," Taylor sought to improve industrial efficiency through systematic study of work methods. His principles were designed to replace rule-of-thumb practices with scientifically proven techniques.

   Core Principles:

   - Use of scientific methods to define the "one best way" to perform a task.

   - Careful selection and training of workers.

   - Division of work between managers (who plan) and workers (who execute).

   - Performance-based incentives to increase productivity.

   Example: In a steel plant, Taylor demonstrated that breaking tasks into smaller units and standardizing tools and procedures could significantly increase output per worker.

   Criticism: While Taylor's approach increased efficiency, it was often criticized for treating workers like machines and ignoring their social and psychological needs.

2. **Administrative Management (Henri Fayol, early 1900s):**

   Fayol focused on the organization as a whole, rather than individual tasks. He proposed 14 principles of management and identified five primary managerial functions (later summarized to four).

   Contribution: Provided a top-down, structural framework for managing organizations that is still foundational in modern management theory.

3. **Bureaucratic Management (Max Weber, 1922):**

   Weber introduced the concept of an ideal organization governed by a rational legal authority system known as **bureaucracy**. This form of management aimed to bring order, fairness, and predictability to organizations.

   Key Features:

   - A well-defined hierarchical structure.

   - Division of labor and specialization.

   - Clear rules and procedures.

   - Impersonality in decision-making (decisions based on logic and rules, not personal preference).

   - Employment based on technical qualifications.

   Example: Modern public administration and government agencies typically follow bureaucratic principles, ensuring uniformity and fairness in service delivery.

   Criticism: Weber's model was seen as too rigid, leading to inefficiency, delay, and lack of innovation in rapidly changing environments.

Conclusion: The classical approach laid the groundwork for the formal study of management. While criticized for its mechanistic view of human behavior, it brought a much-needed structure, rationality, and scientific foundation to management practices that continue to influence contemporary theories.

Behavioral Management Theory: Human Side of Organizations

Emerging as a reaction to the limitations of classical theories, the behavioral approach shifted focus from structure and productivity to understanding human behavior in organizational settings. This school emphasizes the importance of motivation, group dynamics, leadership, and communication.

1. **Hawthorne Studies (Elton Mayo and associates, 1924–1932):**

   Conducted at the Western Electric Hawthorne plant in Chicago, these experiments marked a turning point in management thought. The studies explored how different working conditions affected employee productivity but revealed deeper insights into human and social behavior.

   Key Experiments:

   - **Illumination Experiment:** Tested the effect of lighting on worker output. Surprisingly, productivity improved even when lighting was dimmed, suggesting psychological factors were at play.
   - **Relay Assembly Test Room Experiment:** Focused on a small group of female workers assembling telephone relays. Changes in work hours, breaks, and wages were tested. Results showed that productivity rose due to increased attention from researchers and a sense of participation.
   - **Bank Wiring Observation Room:** Revealed informal group norms that influenced individual performance—some workers slowed down to fit in with group expectations.

   Conclusion: Productivity is influenced not just by physical conditions or financial incentives but also by social and psychological factors. This gave rise to the concept of the informal organization and paved the way for the Human Relations Movement.

2. **Douglas McGregor's Theory X and Theory Y (1960):**

   McGregor proposed two contrasting views of worker motivation and behavior:

   - **Theory X:** Assumes employees are inherently lazy, dislike work, and need to be coerced or controlled.
   - **Theory Y:** Assumes employees are self-motivated, enjoy work, and seek responsibility.

   Managerial Implications:

   - Theory X leads to an authoritarian management style.
   - Theory Y supports participative and democratic leadership.

   Example: A company embracing Theory Y may adopt flexible schedules and team-based projects, believing that employees will take ownership of their work.

   Significance: Encouraged managers to reflect on their assumptions about people and adapt leadership styles accordingly.

3. **Quantitative Management Approach (Post-WWII Era):**

   Also known as management science, this approach applies mathematical models, statistics, and algorithms to decision-making and problem-solving in organizations.

   Key Techniques:

   - Linear programming
   - Queuing theory
   - Simulation
   - Forecasting
   - Inventory control

   Applications:

   - Scheduling airline flights and crews
   - Managing supply chains
   - Optimizing production and logistics

   Limitations: Though powerful in structured scenarios, this approach often overlooks human and behavioral aspects critical to effective management.

Conclusion: Behavioral theories emphasized the psychological and social dimensions of work, fundamentally altering how managers view employee motivation and team dynamics. In parallel, quantitative management introduced precision and analytical rigor. Together, they enhanced both the humanistic and scientific foundation of modern management.

Comparative Summary of Traditional Management Approaches

Aspect	Classical Approach	Behavioral Approach	Quantitative Approach
Core Focus	Structure, efficiency, authority	Human behavior, motivation, group dynamics	Decision-making using math and stats
Key Contributors	Taylor, Fayol, Weber	Mayo, McGregor, Maslow	Operations Researchers, Mathematicians (Post-WWII)
Assumptions	Workers are economically motivated, need supervision	Workers are socially driven, seek meaning	Problems can be solved with quantitative models
Strengths	Clear hierarchy, standardized procedures, improved productivity	Recognized social needs, improved morale and leadership	Precision, optimization, better forecasting
Limitations	Ignored human and social needs	Lacked empirical rigor, overemphasis on social harmony	Ignores human and emotional aspects

Modern and Evolving Perspectives in Management

1. Systems Perspective:

The organization is viewed as an *open system* composed of interrelated and interdependent parts working together toward common goals. It receives **inputs** (resources), transforms them through **processes**, and delivers **outputs** (goods/services). Feedback mechanisms help in adjustment and adaptation.

Key Concepts:

- Synergy: Whole is greater than the sum of its parts.

- Subsystem coordination is critical.

- External environment affects internal operations.

Example: A university includes subsystems such as admissions, academics, administration, and alumni—all interdependent.

2. Contingency Perspective:

There is **no one best way** to manage. Effective management practices depend on situational variables like environment, technology, workforce, and strategy. Managers must analyze context and adapt accordingly.

Key Ideas:

- Flexible and adaptive decision-making.

- Organizational structures vary with complexity and uncertainty.

- Contextual intelligence is essential.

Example: A tech startup may thrive under a flat structure, while a defense firm needs hierarchical control.

5. Contemporary Issues in Management:

Modern managers operate in an increasingly complex, dynamic, and boundary-blurring environment. Several key themes are shaping contemporary managerial practice:

- **The Rise of the Boundaryless Organization:** Traditional hierarchical structures are giving way to flexible, networked forms. Cross-functional teams, partnerships, and digital platforms allow organizations to collaborate across departments, geographies, and even organizational borders. *Example:* Tech giants like Google or Microsoft adopt matrix and project-based structures that transcend conventional boundaries.

- **Emphasis on Diversity, Equity, and Inclusion (DEI):** Organizations now recognize the ethical and strategic necessity of promoting diverse workforces and inclusive cultures. Managers must mitigate bias, support equitable practices, and harness cognitive diversity for innovation. *Example:* Firms like Salesforce and Accenture publish diversity scorecards and integrate DEI into performance metrics.

- **Decision-Making in a VUCA World (Volatile, Uncertain, Complex, Ambiguous):** Managers are increasingly required to make decisions in unstable environments with incomplete data. Strategic agility, scenario planning, and real-time analytics are critical in navigating VUCA contexts. *Example:* The COVID-19 crisis tested organizations' ability to pivot rapidly amid global disruption.

- **The Rise of the Contingent Workforce:** The gig economy is reshaping employment patterns. Freelancers, remote contractors, and platform-based workers offer flexibility but challenge traditional HR practices regarding motivation, integration, and loyalty. *Example:* Platforms like Upwork, Fiverr, and Uber have normalized non-traditional labor markets.

- **Balancing Agility and Stability:** Modern firms must remain agile enough to adapt quickly yet stable enough to maintain core identity and operational consistency. This paradox requires ambidextrous leadership—capable of fostering innovation while sustaining reliability. *Example:* Amazon combines high-speed experimentation with a disciplined supply chain backbone.

- **Sustainability and Ethical Governance:** Stakeholders increasingly expect businesses to pursue sustainable practices and socially responsible governance. Managers must align business objectives with Environmental, Social, and Governance (ESG) goals. *Example:* Unilever integrates sustainability into product innovation and strategic planning.

- **Digital Transformation and Technological Disruption:** Rapid advances in digital technologies—from blockchain to generative AI—demand constant upskilling, reengineering processes, and managing digital risk. *Example:* Adobe shifted from product-based sales to a cloud-based subscription model using data analytics and AI.

Summary Insight: Contemporary management is no longer confined to optimizing internal processes—it involves navigating complexity, fostering adaptability, and aligning purpose with performance across fluid ecosystems.

4. The Rise of Artificial Intelligence (AI) in Management:

AI is revolutionizing management by enabling **data-driven decision-making**, **automation**, and **predictive analytics**. AI tools help in:

- Talent recruitment (using AI screening algorithms)

- Customer service (chatbots, NLP systems)

- Strategic planning (data analytics, machine learning)

Challenges:

- Ethical concerns: bias, transparency, privacy.

- Human displacement and changing skill needs.

Future Outlook: Managers must develop hybrid skills—combining technical literacy with emotional intelligence and ethical awareness.

Background: Netflix, founded in 1997 as a DVD rental service, successfully transformed itself into a global digital streaming platform and original content producer, redefining entertainment consumption.

Contemporary Management Practices:

- **Boundaryless Organization:** Netflix adopted a flat organizational structure encouraging open information sharing across departments. Its culture of "freedom and responsibility" allowed decision-making autonomy at every level.

- **Emphasis on DEI:** Netflix's inclusion initiatives ensured storytelling from diverse backgrounds. Their DEI report is transparently published, aiming for representation across all levels.

- **Navigating VUCA Environment:** In 2013, Netflix pivoted to original content creation (e.g., "House of Cards") predicting competition would intensify. This strategic foresight enabled resilience amid new entrants like Disney+, Apple TV+.

- **Contingent Workforce Management:** Netflix works with independent producers, freelance directors, and content creators globally, balancing quality control with creative freedom.

- **Balancing Agility and Stability:** Rapid innovation cycles (new genres, interactive films like "Bandersnatch") were balanced by a stable backend of world-class recommendation algorithms and efficient streaming infrastructure.

- **Commitment to Sustainability and Governance:** Netflix set targets for net-zero greenhouse gas emissions by the end of 2022 under its "Net Zero + Nature" initiative.

- **Harnessing Digital Transformation:** Through predictive analytics, machine learning algorithms for personalized recommendations, and cloud computing (AWS partnership), Netflix became a model digital enterprise.

Key Learning: *Netflix illustrates how modern organizations must simultaneously embrace innovation, social responsibility, and technological disruption to thrive in contemporary markets.*

Managing the External Environment

23-04-25 Wednesday

Shareholders vs Stakeholders

- **Shareholders:** Shareholders (or stockholders) are individuals or entities that legally own one or more shares of a corporation's stock. Their primary interest is financial return on investment (ROI) through dividends and stock price appreciation.

- **Stakeholders:** Stakeholders are any groups or individuals who can affect or are affected by the organization's objectives, policies, and actions. This includes shareholders, employees, customers, suppliers, government, communities, and even future generations.

Key Differences:

Aspect	Shareholders	Stakeholders
Primary Concern	Financial returns	Broader interests (social, environmental, financial)
Ownership	Own shares of the company	May or may not have ownership
Scope	Narrow: Focus on investment value	Broad: Includes many groups impacted by firm's actions
Example	Investors in Apple Inc.	Employees, customers, suppliers, communities of Apple Inc.

Task Environment:

The task environment includes external forces that directly affect an organization's ability to achieve its goals and are influenced by the organization in return.

Key Elements:

- Customers
- Competitors
- Suppliers
- Distributors
- Strategic Allies
- Regulatory Agencies

General Environment:

The general environment (also called the macro environment) includes broader societal forces that affect the task environment indirectly.

Key Elements:

- Economic Forces (inflation, unemployment, economic growth)
- Technological Forces (innovation, automation)
- Sociocultural Forces (values, lifestyles, demographics)
- Political-Legal Forces (laws, regulations, government stability)
- International Forces (globalization, cross-border trade policies)
- Environmental Forces (climate change, sustainability movements)

Case Study: Starbucks Corporation
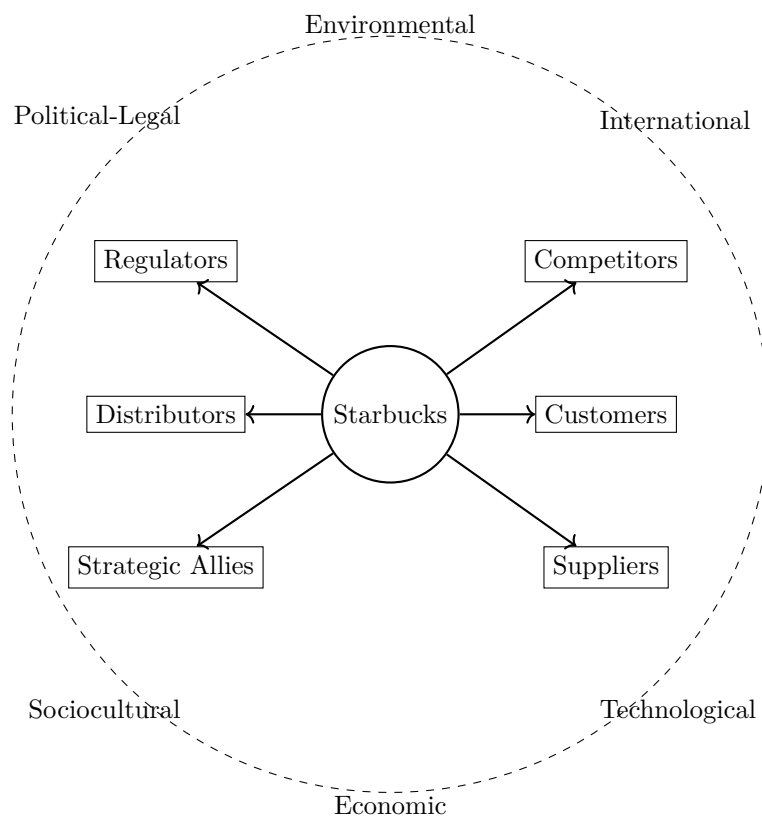
Task Environment for Starbucks:

- **Customers:** Coffee drinkers seeking premium experiences.

- **Competitors:** Dunkin', McDonald's McCafé, local artisanal cafes.

- **Suppliers:** Coffee bean growers, dairy providers, logistics companies.

- **Distributors:** Retail outlets, online delivery platforms.

- **Regulators:** Food and Drug Administration (FDA), labor authorities.

- **Strategic Allies:** Partnerships with Nestlé for distribution.

General Environment for Starbucks:

- **Economic:** Global recession risks affecting luxury spending.

- **Technological:** Mobile app development for ordering and payment.

- **Sociocultural:** Increasing demand for ethically sourced coffee.

- **Political-Legal:** Changing labor laws affecting wages.

- **International:** Currency fluctuation impacting global revenue.

- **Environmental:** Push for eco-friendly cups and recyclable materials.

Graphical Representation: Task and General Environment of Starbucks

Note: The task environment (rectangular nodes) directly interacts with Starbucks, while the general environment (outer dashed circle) creates broader, indirect influences.

PESTEL:

The PESTEL framework is a strategic tool used to analyze external macro-environmental factors that could impact an organization's performance. It includes six dimensions:

- **Political:** Government policies, political stability, taxation, trade restrictions.

- **Economic:** Economic growth, interest rates, exchange rates, inflation rates.

- **Sociocultural:** Cultural trends, demographics, social attitudes, lifestyle changes.

- **Technological:** Technological innovations, R&D activities, automation.

- **Environmental:** Ecological concerns, environmental regulations, climate change.

- **Legal:** Laws related to employment, consumer protection, health and safety.

Case Study: Impact of External Environment on Nokia

Nokia was once the global leader in mobile phone manufacturing. However, it failed to adapt swiftly to external environmental changes, particularly:

- **Technological:** Rapid smartphone innovation led by Apple and Android ecosystems.

- **Sociocultural:** Changing consumer preferences towards touchscreen devices.

- **Economic:** Global economic recession (2008) reduced spending on luxury devices.

- **Legal:** Intellectual property battles in the smartphone industry.

As a result, Nokia's market share plummeted from over 50% in 2007 to below 5% by 2013[2].

Insight: This case underlines the critical importance of continuous external environment analysis through methods like PESTEL for sustaining competitive advantage.

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[2]Source: Statista, Mobile Vendor Market Share 2007-2013

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Wednesday

Topics Covered:

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