Chapter 1: The Management Process Today

Management is the planning, organizing, leading and controlling of human and other resources to achieve organizational goals efficiently and effectively
Organization: collection of people working together to achieve their goals

Achieving ***high performance***: a managers goal
-*Example* of CEO Joe Coulombe, use his principle to manage its company Trade Joes so that it creates desirable fresh grocery items.

-Organizational performance is a measure of how efficiently and effectively managers use resources to satisfy customers and achieve organizational goals.

-Efficiency is a measure of how well or how productively resources are used to achieve goals; so Organizations are efficient when the amount of input resources or the amount of time needed to produce a given output of goods or services is minimized

-Effectiveness is a measure of the appropriateness of the goals that managers have selected for the organization to pursue and of the degree to which the organization achieves its goals
o Organizations are effective when appropriate goals are chosen and achieved

High effectiveness, low efficiency : product that customer want but too expensive
Low Effectiveness, low efficiency: low quality, customer doesn't want
High Effectiveness high Efficiency: good quality product, good price
Low Effectiveness high Efficiency: high quality product, no one want it

Managerial Functions: ... are *planning, organizing, leading* and *controlling* → how well managers perform these functions determines how efficient and effective their organizations are

Planning : is a process that managers use to identify and select appropriate goals and course of action . Steps:
1.deciding which goals, 2. What courses of action to adapt to attain them.
3.deciding how to allocate organizational resources to attain goals
Controlling: establish accurate measuring, monitoring systems, to evaluate how well an organization achieved goals
Organizing: structuring working relationships so organizational members interact and cooperate to achieve organizational goals
Leading: Motivate, coordinate behaviors/activities and energize people to work together, members need to follow,

Strategy, the outcome of planning, is a cluster of decisions concerning what organizational goals to pursue, what actions to take, how to use resources to achieve goals

Levels of Management
Organizations employ three types of managers: first-line managers, middle managers, and top managers → grouped into departments (or *functions*)

First-line managers (or *supervisors*) tactical planning: what who
o Responsible for the daily supervision of the nonmanagerial employees who perform many of the specific activities necessary to produce goods and services
o Work in all departments or functions

Middle managers 3: Supervising first-line managers,
- Responsible for finding the best way to organize human and other resources to achieve organizational goals
-Help first-line managers and nonmanagerial employees to find better ways to use resources to reduce costs or improve customer service
-Makes decisions about the production of products and service
→ more leading and controlling

Top managers 2
-Responsible for the performance of all departments (→ *cross-departmental responsibility*) strategic planning how where
o Establish organizational goals
o Decide how different departments should interact
o Monitors performance of middle managers
→ mainly planning and organizing

§ ***Chief executive officer*** *1 (CEO)* is a company's most senior and important manager, the one whom all other top managers report • Creates a smoothly functioning **top-management team,** a group composed of the
CEO, the COO, and the department heads most responsible for helping achieve organizational goals
§ ***Chief operating officer*** *(COO)* is often used to refer to the top manager who is being groomed to take over as CEO
→ together are responsible for developing good working relationships among the top managers of various departments

A **department** (e.g. manufacturing, accounting..) is a group of people who work together and possess similar skills or use the same kind of knowledge, tools or techniques to perform their jobs

The lower that managers' positions are in the hierarchy, the more time the managers spend leading and controlling first-line managers or nonmanagerial employees
Tasks and responsibilities of managers have been changing:
→ global competition → advances in new information technology (IT) and e-commerce

Managerial Roles
-is a set of specific task that managers are expected to do

Henry Mintzberg reduced to 10 roles the thousands of specific tasks that managers need to perform as they plan, organize, lead and control organizational resources → grouped the ten roles into three broad categories:

Decisional

Entrepreneur: develops innovative goods and services or expanding markets
Disturbance Handler: deals with both internal+external crises of the organizt.
Resource Allocater: sets budgets
Negotiator**:** works with other organizations to establish agreements

Informational

Monitor: evaluates managers and takes corrective action
Disseminator: informs workers about changes in internal+external environment
Spokesperson: informs the local community about the organization's activities

Interpersonal

Figurehead: explains the organization's goals to employees
Leader: provides an example for employees to follow
Liaison: coordinates the work of managers in different departments

Managerial Skills:

Conceptual skills are demonstrated in the ability to analyze and diagnose a situation and to distinguish between cause and effect
Human skills: the ability to understand, alter, lead, and control the behavior of other people, to communicate, to coordinate, and to motivate people and to mold individuals into a cohesive team,
Technical skills are the job-specific knowledge and techniques required to perform an organizational role

-Effective managers need all three kinds of skills
-The term **competencies** is often used to refer to the specific set of skills, abilities, and experiences that gives one manager the ability to perform at a higher level than other managers

Core Competency: specific set of departmental skills, knowledge and experience → department skills that creates core competency give an organization a competitive advantage

Restructuring and Outsourcing

Restructuring : downsize an organize or shrink its operations by eliminating jobs of large numbers of top/middle/first-line mangers and nonmanagerial employees
Outsourcing: contracting with another company, usually in a low-cost country abroad, to have it perform an activity the organization previously performed itself
o Promotes efficiency by reducing costs and by allowing an organization o make better use of its remaining resource

Empowerment and self-managed teams
to reduce costs and improve quality:
Empowerment : Giving employees more authority and responsibility over how they perform their work activities → using powerful new software programs to expand employees' knowledge, task, and responsibilities
creation of **self-managed teams** : groups of employees given responsibility for supervising their own activities and for monitoring the quality of the goods and services they provide

- teams input results of their activities in computers, so middle managers have immediate access to what is happening
- first-line managers act as coaches or mentors, provide advice and guidance, and help teams find new ways to perform their tasks more efficiently

Challenges for Management in a global Environment
Main challenges:
-*Building a competitive advantage:* Superior efficiency, quality, innovation and responsiveness to customers → today especially speed and flexibility
-maintaining ethical standards: Avoiding bribes and other unethical behavior
Social Responsibility: deciding what obligations a company has toward the people affected by its activities
-managing a diverse workforce: Treating employees in a fair and equitable manner that does not discriminate based on age, gender, race, religion, sexual preference, or income level.
-E commerce and IT: utilizing new information systems and technologies.
-Practice Global Crisis Management: Human created crises (industrial pollution, global warming, terrorism) Natural created crisis (hurricanes, tsunamis earthquakes)

-> **competitive advantage :**
the ability of one organization to outperform other organizations., because it produces desired goods /services more efficiently and effectively that they do
§ *Increasing efficiency* -- reducing the resources needed to produce goods
§ *Increasing quality* -- total quality management (TQM)
§ *Increasing speed, flexibility, and innovation*
§ *Increasing responsiveness to customers* - employees need to be trained to be responsive to customer needs

Innovation: process of creating often in gropus/teams, new or improved goods and services or developing better way to produce or provide them. Managers must create an organizational setting, which people encouraged to be innovative.

Turnaround Management: (useful before crisis) the creation of a new vision for a struggling company based on a new approach to planning + organizing to make better use of a company's resources.- radical new strategies, changing production. Difficult and complex management task-future is unknown

Crisis Management:

Involves making important choice how to establish the organizational chain, reporting relationships, recruit and select right people to lead+ work and develop bargaining and negotiating strategies.

Causes of global crisis or disasters: natural causes, man-made causes and international terrorism and geopolitical conflicts.

Chapter 2 The Manager as a Person

Personality traits: Enduring tendencies to feel, think, and act in certain ways
(1) Extraversion is the tendency to experience positive emotions and moods and feel good about oneself and the rest of the world
→ **High on extravision:** sociable, affectionate, outgoing and friendly
→ **Low on extravision:** less inclined toward social interactions, less positive outlook
(2) Negative affectivity is the tendency to experience negative emotions and moods, feel distressed, and be critical of oneself and others
→ **High negative affectivity:** Feel angry and complain about their own and other's lack of progress
→ **Low negative affectivity:** Not tend to experience many negative emotions, moos, and are less pessimistic and critical of themselves and others
(3) Agreeableness is the tendency to get along well with other people
→ **High**: Likeable, tend to be affectionate, and care about other people
→ **Low:** Distrustful of others, unsympathetic, uncooperative, antagonistic
(4) Conscientiousness is the tendency to be careful, scrupulous, and preserving
→ **High:** Organized and self-disciplined
→ **Low:** Lack direction and self-discipline
(5) Openness to experience the tendency to be original, have broad interest, be open to a wide range of stimuli, be daring, and take risks
→ **High:** Likely to take risks, be innovative in planning and decision making
→ **Low:** Less prone to take risks, more conservative in planning and decision making

Other personality traits :
Locus of control: Belief in how much control people have over what happens to people and around them
•Internal locus of control: the tendency to locate responsibility for one's fate within oneself
•External locus of control: the tendency to locate responsibility for one's fate in outside forces and to believe that one's behaviour has little impact on outcomes

Self-esteem Is the degree to which individuals feel good about themselves and their capabilities

Needs for achievement, affiliation and power
-Need for achievement: the extent to which individuals have strong desire perform challenging tasks well and to meet personal standards for excellence
-Need for affiliation: extent to which individuals are concerned about establishing and maintaining good interpersonal relations, being liked, and having the people around them get along with each other
-Need for power: extend to which individuals desire control/influencing others

__Values, Attitudes, Moods and Emotions__

Values: what managers are trying to achieve and how they think they should behave
•A **terminal value** is a personal conviction about lifelong goals or objectives that often lead to the formation of norms, informal rules of conduct
•An **instrumental value** is personal conviction about desired moods of conduct or ways of behaving
→ Value system
Attitudes thoughts and feelings about their specific jobs and organizations
__§job satisfaction__: feelings + beliefs that managers have about their job
+ like their jobs, are being fairly treated, believe their jobs have many desirable features and characteristics a satisfied managers be more likely to got to the extra mile for their organization or perform organizational citizenship behaviors (OCBs), behaviors that aren't required of organizational members but that contribute to and are necessary for organizational efficiency, effectiveness, and gaining a competitive advantage
*__§organizational commitment__***:** feelings + beliefs that managers have about their organization
+believe in what their organizations are doing, are proud of what it stand for, and feel high degree of loyalty towards their organization
Moods and Emotions encompass how managers actually feel when they are managing. Affect the behavior of managers and all members of an organization
Emotional Intelligence: is the ability to understand and manage one's own moods and emotions and the moods and emotions of other people

Organizational Structure:
Beliefs, expectations, values, norms, and work routines that influence how members of an organization relate to one another and work together to achieve organizational goals

Managers
§Managers: play a particularly important part in influencing organizational culture
§Founders also play an important role → create organisations' culture
§Benjamin Schneider developed a model that helps to explain the role that founders' personal characteristics play in determining organizational culture
•attraction-selection-attrition (ASA) framework, explains how personality may influence organizational culture (when founders hire employees they tend to be attracted to employees whose personalities are similar to their own)

__Values in Organizational Culture__
Values and Norms which affect the way managers perform their functions
Terminal values: what an organization is trying to accomplish
Instrumental Values: guide the ways in which it achieve goals

Values of the founder
-*Founders* of an organization can have profound and long-lasting effects on organizational culture
-Founders set the scene for the way cultural values and norms develop because their own values guide the building of the company
-Subordinates __imitate the style of the founder__ and transmit their values and norms to their subordinates

Socialization

Over time, organizational members learn from each other which values are important in an organization and the norms that specify appropriate and inappropriate behaviors
Organizational socialization is the process by which newcomers learn an organization's values and norms and acquire the work behaviors necessary to perform

Ceremonies and rites: formal events that recognize incidents of importance to the organization as a whole and to specific employees

Most common rites:
-*rites of passage* determines how individuals enter, advance within, or leave the organization
-*rites of integration* build and reinforce common bonds among organizational members
-*rites of enhancement* let organizations publicly recognize and reward employees' contributions and thus strengthen their commitment to organizational values

Stories and Languages

°stories about organizational heroes and villains and their actions provide important clues about values and norms
°characteristic slang or jargon that people use to frame and describe events provides important clues about values and norms

Culture and Managerial Action

Culture influences the way managers perform their four main functions:
1) planning 2) organizing 3) leading 4) controlling

Chapter 3 Managing Ethics and Diversity

The Nature of Ethics

Ethical Dilemma: The Quandary people find themselves in when they need to decide between two things both "ethical", one helps another person, the other one is against their own self-interest
→ **Moral scruples:** thoughts and feelings that tell a person what is right or wrong
Ethics: inner guiding moral principles, values and beliefs that people use to analyze a situation and then decide what is *right*

Ethics and the Law

- neither laws nor ethics are fixed principles, they are r*elative*
- ethical beliefs change as time passes
- ethical beliefs lead to the development of laws to prevent certain behaviors
- not being illegal does not make behavior ethical

Stakeholders & Ethics

Stakeholders: people and groups that supply a company with its productive resources and so have a claim on and stake in the company, they are affected by how a company and it's managers behave

Stockholders: when they buy a stock of a company, they become its owner. There are interested in a way a company operates because they want to maximize the return on their investment
Managers: vital stakeholder group; responsible for using the company's financial, capital and human resources; bear the responsibility to decide which goals on an organization should pursue, have to juggle the interest of all stakeholders.
Employees: people who work in the company; expect rewards for their work. Companies need to develop training, recruitment and fair system that does not discriminate
Suppliers and Distributors: essential cooperating companies; suppliers expect to be paid fair and distributors expect to receive a quality product at agreed-upon prices.
Customers: most critical stakeholder because a company needs to attract them.
Community, Society, Nation: communities are the physical location of a company, that provides a company with the physical and social infrastructure and additional necessary issues, that allows to operate. A company affects the prosperity of a society and nation

- Ethical behaviour → Support of stakeholders
- Unethical behaviour → loss of reputation and resource

Rules for Ethical Decision Making

When making business decisions the company must consider the claims of all stakeholders.

Utilitarian Rule: An ethical decision should produce greatest good for greatest number of persons.
Moral Right Rule: An ethical decision should maintain and protect the fundamental rights of people.
Justice Rule: An ethical decision should distribute benefits and harm among people in a fair and impartial manner.
Practical Rule: An ethical decision should be one, that a manager has no hesitation about communicating to people outside the company, because typical persons would think the decision is acceptable

1. Does my decision fall within the accepted values or standards that typically apply in business activity today?
2. Am I willing to see the decision communicated to all people and groups affected by it?
3. Would the people with whom I have a significant personal relationship approve of the decision?

Ethical Management Behavior:

PRO: Increases efficiency and effectiveness of production and trade, more profit, increases company performance, increases national standard of living, well-being and prosperity. No trust.
CON: Reduces efficiency and effectiveness of production and trade, reduces company performance, reduces national standard of living, well-being and prosperity. No trust.

Sources of Organizations Code of Ethics

Societal Ethics: Values and Standards embodied in a society's laws, customs, norms. Standards that govern how members of a society are to deal with each other on issues such as fairness ,justice, poverty, rights.
Professional Ethics: Standards that govern how members of a profession are to make decisions when the way they should behave is not clear-cut.
Individual Ethics: Personal values that result from the influence of family, peers, upbringing, involvement in significant institutions and govern how individuals interact with other people

Ethical Organizational Cultures

- Managers can emphasize the importance of ethical behavior and social responsibility by ensuring that ethical values and norms a key features of the organizational culture
- *code of ethics* (guides decision making when questions arise)

Ethics ombudsman: An ethics officer who monitors organizations practices to be sure that they are ethical

Increasing Diversity of the Workforce and the Environment

Diversity: Differences among people in *age, gender, race, ethnicity, religion, sexual orientation, socioeconomic background and capabilities/disabilities*.

Reason why diversity is a pressing issue:

1. Strong ethical imperative that diverse people must receive equal opportunities
2. Effectively managing diversity can improve organizational effectiveness

Glass celling: A metaphor for invisible barriers that prevent minorities and women from being promoted to top corporate positions.

Managers and Effective Management of Diversity → Henry Mintzberg

Managerial Roles/Management of Diversity:
Interpersonal:
Figurehead: convey that management is a valued goal and objective
Leader: Serve as a role model, members are treated fairly
Liason: Enable members to coordinate their efforts and cooperation between.
Informational:
Monitor: evaluate the extend to which diverse employees are treated fairly
Disseminator: Inform Employees about diversity policies and discriminations
Spokesperson: support diversity initiatives in the community and speak about work opportunities
Decisional:
Entrepreneur: commit resources to develop new ways to manage diversity
Disturbance handler: take action to correct inequalities and discriminating behavior
Negotiator: work with organizations to support & encourage effective management

->Managers are central to the effective management of diversity because they have a high influence on others

1. minorities often start out at a slight disadvantage
2. slight differences in treatment can accumulate and result in major disparities over time

Effective Managing Diversity Makes Good Business Sense

- variety points of view result in creative ideas and can lead to a competitive advantage
- lower costs of hiring replacements for diverse people who quit because they were treated unfair

Sexual Harassment
Quid pro quo sexual harassment: Asking for or forcing an employee to perform sexual favours in exchange for receiving some reward or negative consequences
Hostile work environment sexual harassment: Telling lewd jokes, displaying pornography, making sexual oriented remarks about someones personal appearance; other sex-related actions.

Steps Manager can take to eradicate sexual harassment
Manager have an ethical obligation to eradicate sexual H. in companies

- Develop and clearly communicate a sexual harassment policy endorsed by top management: should include prohibitions against sexual harassments
    - *examples of types* of unacceptable behavior,
    - a *procedure* for s.o. who do it,
    - *discussion* for disciplinary actions,
    - *a commitment* to educate and train members about sexual Harassment.
- Use a fair complaint procedure to investigate charges:
    - Procedure should be managed by neutral person,
    - ensure that complaints are dealt with promptly,
    - protect victims,
    - ensure that Harassers are fairly treated.
- When it has been determined that sexual harassment has taken place, take corrective actions as soon as possible
- Provide sexual harassment education and training to all organizational members, including managers

Barry Roberts and Richard Mann about sexual harassment:
- Every sexual harassment should be taken seriously
- Employees who go along with unwanted sexual attention in the workplace can be sexual harassment victims
- Employees sometimes wait before they file complaints of sexual harassment
- An organization's sexual harassment policy should be communicated to each new employee and reviewed periodically
- Suppliers and customers need to be familiar with an organization's sexual harassment policy
- Managers should give employees alternative ways to report incidents
- Employees who report sexual harassment must have their right protected
- Allegations of sexual harassment should be kept confidential
- Investigations of harassment charges and any resultant disciplinary actions need to proceed in a timely manner
- Managers must protect employees from sexual harassment from third parties

Chapter 4: Managing in the Global Environment

Global organization: An organization that operates and competes in more than one country.
Global Environment: set of global forces and conditions that operates beyond an organizations boundaries but affect a managers ability; present managers with opportunities and threats

- **Task environment**: The set of forces and conditions that originate with suppliers, distributors, customers, and competitors and affect an organizations ability to obtain inputs and dispose of its outputs because they influence managers on a daily basis; have immediate and direct effect

Suppliers: Individuals and organizations that provide an organization with the input resources that it needs to produce goods and services.
Global outsourcing: The purchase of inputs from overseas suppliers oft he production of inputs abroad to lower production costs and improve product quality or design.
Distributors: Organizations that help other organizations sell their goods or services to customers. The decisions that managers make about how to distribute products to customers can have important effects on organizational performance. If distributors become large, they can control customer's access, they can threaten the organization by demanding that it reduce the price of its goods and services.
Customers: Individuals and groups buy the goods and services that an organization produces
Competitors: Produce same products or services: Fierce competition drives down prices and profits, unethical companies often try to find ways to collude with competitors to keep prices high.
->Barriers to entry:
Economies of scale: The cost advantages associated with large operations. Result from factors such as manufacturing products in very large quantities.
Brand loyalty: is customers preference for the products of organizations currently existing in the task environment.
Government Regulations: can function as a barrier to entry at the industry and the country levels.

- **General Environment:** The wide-ranging global, economic, technological, sociocultural, demographic, political, and legal forces that affect an organization and its task environment

Economic Forces: Interest rates, inflation, unemployment, economic growth, that affect the general health and well-being of a nation or the regional economy of an organization.
-Poor economic conditions: reduce access to resources, fewer demand
-Good economic times : easy access to resources, high demand
Technological forces: are outcomes of charges in the technology that managers use to design, produce or distribute goods and services.
- new opportunities for designing, making or distributing new and better kind of goods
- altering the nature of work itself

Sociocultural Forces: Are pressures emanating from the social structure of a country or society or from national culture. Pressures from both sources can either constrain the way organizations operate and managers behave.
-Social Structure: The arrangement of relationships between individuals and groups in a society. Societies differ substantially in social structure.
-National Culture: set of values that a society considers important and the norms of behaviou that are approved or sanctioned in that society.

Demographic forces: Outcome of changes in or in attitudes toward the characteristics of a population, such as age, gender..
Political and legal forces: Outcome of changes in law and regulations, such as deregulation of industries, privatization of organizations or environment protection.

The Changing of Global Environment
Globalization: set of specific and general forces that work together to integrate and connect economic, political and socials systems across countries, cultures or geographical regions so that nations become increasingly interdepent and similar.

Globalization is driven by the capital flow:
Human capital: the flow of people around the world through immigrations, migration and emigration.
Financial capital.: flow of money capital across the world markets-credits, investments
Resource capital: flow of natural resources and products like metals, energy, food.
Political capital: flow of power, influences around the world to protect countries

Declining Barriers to trade and Investment:
-One of the main factors that has speeded globalisation by freeing the movement of capital has been the decline in barriers to trade and investment
-1920 and 1930: **tariffs**
-reason for removing tariffs: progressively raise of tariff barriers against other countries
- After WW2 advanced Western countries committed themselves to the goal of removing tariff barriers to the free flow of resources and capital between countries
-Free trade doctrine: Idea that if each country specializes in the production of the goods and services that it can produce most efficiently, this will make the best use of global resources.
- GATT: General Agreement on Tariffs and Trade
- WTO: World Trade Organization

Declining Carriers of Distance and Culture
- After WW2 a continuing stream of advantages in communication and transportation technology has worked to reduce barriers of distance and culture

Effects of Free Trade on Managers
Regional trade agreements
The growth of regional trade agreements and also presenting opportunities for managers and organizations. Such as North American Free Trade Agreements or American Free Trade Agreement.

The Role of National Culture:
Values: Ideas what a society beliefs to be good or right or beautiful
Norms: Unwritten, informal codes of conduct that prescribe how people should act in particular situations and are considered important by most members of a group or organization
Folkways: The routine social conventions of everyday life. Ex: good social manners, dressing, neighbourly behaviour
Mores: Norms that are considered to be central to the functioning of society and to social life. Proscriptions against incest or theft..

Hofstedes Model of National culture

Developed 5 dimensions along which national cultures can be placed

1) **Individualism versus collectivism**

Managers must realize that members reflect their national cultures emphasis on individualism or collectivism

2) **Low power distance versus High power distance**

The degree to which societies accept the idea that inequalities in the power and well-being of their citizens are due to differences and individual physical and intellectual capabilities and heritage. In low countries : government uses taxation and social welfare programs

3) **Achievement versus Nutruring Orientation**

A worldview that values assertiveness, performance, success, and competition versus a worldview that values the quality of life, warm personal friendships etc

4) **Low uncertainty avoidance versus High uncertainty avoidance**

The degree to which societies are willing to tolerate uncertainly and risk.

5) **Long-term versus short-term orientation**

A worldview that values thrift and persistence in achieving goals versus a worldview that values personal stability or happiness and living for the present

National Culture and Global Management

- Management practices that are effective in one country might be troublesome in another, because of cultural differences
- Managers doing busness with individuals from another country must be sensitive to the value systems and norms of that country and behave accordingly
- A cultural diverse management team can be a source of strength for an organisation participating in the global marketplace

Chapter 5: Decision Making, Learning, Creativity, and Entrepreneurship

The Nature of Managerial Decision Making

Decision making is the process by which managers respond to the opportunities and threats that confront them by analyzing the options and making determinations, or *decisions*, about specific organizational goals and courses of action
-*Decision making in response to opportunities* occurs when managers search for ways to improve organizational performance to benefit customers, employees, and other stakeholder groups
-*Decision making in response to threats* occurs when events inside or outside the organization are adversely affecting organizational performance and managers are searching for ways to increase performance

§ **Programmed decision making** is a *routine*, virtually automatic process -decisions that have been made so many times in the past that managers have developed rules or guidelines to be applied when certain situations inevitably occur
-managers do not need to repeatedly make new judgements about what should be done
§ **Nonprogrammed decision making** is required for *non-routine* decisions, made in response to unusual or novel opportunities and threats
-occurs when there are no ready-made decision rules
-situation is unexpected or uncertain
-make decisions by

- **intuition,** feelings, beliefs, and hunches that come readily to mind, require little effort and information gathering and result in on-the-spot decisions
- **reasoned judgements.** Requires time and effort and results from careful information gathering, generation and evaluation of alternatives

Models of Decision-Making

The classical Model

A prescriptive approach to decision making based on the assumption that the decision maker can identify and evaluate all possible alternatives and their consequences and rationally choose the most appropriate course of action

- List alternative courses of action possible and the consequences
- Rank each alternative from least preferred to most preferred according to personal preferences
- Select the alternantive that leads to desired future consequences

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➔ **Optimum decision**: The most appropriate decision in light of what managers believe to be the most desirable future consequences for the organization.

The Administrative Model

An approach to decision making that explains why decision making is inherently uncertain and risk and why managers usually make satisfactory rather than optimum decisions.

➢ Based on the 3 concepts:

§ **Bounded rationality**

- human decision-making capabilities are bounded by people's cognitive limitations – that is, limitations in their ability to interpret, process, and act on information
- describes the situation in which the number of alternatives a manager must identify is so great and the amount of information so vast that it is difficult for the manager to even come close to evaluating is all before making decisions

§ **Incomplete information**

information is incomplete because of..

• risk and uncertainty

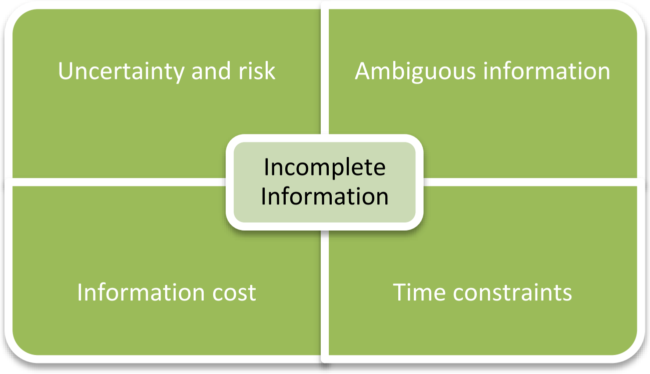
- risk is present when managers know the possible outcomes of a particular course of action and can assign probabilities to them
- when uncertainty exists, the probabilities of alternative outcomes cannot be determined and future outcomes are unknown

• ambiguity

➢ ambiguous information is information that can be interpreted in multiple and often conflicting ways

• time constraints and information costs

➢ managers have neither the time nor the money to search for all possible alternative solutions and evaluate all the potential consequences of them



§ **Satisficing**

- Searching for and choosing an acceptable response to problems and opportunities, rather than trying to make the best decision.

➢ Exploring a limited sample of all alternatives

Steps in the Decision-Making Process

1. Recognize the need for a decision

- changes in the environment result in new opportunities and threats

2. Generate alternatives

- Managers must generate a set of actions to take response to the opportunity or threat
- Need to step away from the "managerial mind-set" and be creative

3. Evaluate/Assess alternatives

- Evaluate advantages and disadvantages

Four criteria:

1) Legality
2) Ethicalness
3) Economic feasibility
4) Practicality

4. Choose among alternatives

- Rank the various alternatives

5. Implement the chosen alternative

- Many subsequent and related decision must be made
- Top managers must assign to middle managers the responsibility for making the follow-up decisions

6. Learn from feedback

1) Compare actual result and expected result
2) Explore why expectations were not met
3)Derive guidelines that will help in future decision making

Group Decision Making

+	−
- less biases and errors	- takes much longer
- combined skills	- different interests and preferences
- make good decisions	- groupthink
- process more information	
- correct another's error	

Problem: **Groupthink** is a pattern of faulty and biased decision making that occurs in groups whose members strive for agreement among themselves at the expense of accurately assessing information relevant to a decision

Solution: **The devil's advocate** critiques and challenges the way the group evaluated alternatives and chose one over the others
Bringing together managers of both genders from various ethnic, national, and functional backgrounds broadens the range of life experiences and opinions that group members can draw on as they generate, assess, and choose among alternatives

Organizational Learning & Creativity

organizational learning is the process through which managers seek to improve employees' desire and ability to understand and manage the organization and its task environment so that employees can make decisions that continuously raise organizational effectiveness

A **learning organization** is one in which managers do everything possible to maximize the potential for organizational learning to take place

- At the heart of organizational learning is **creativity**, the ability of a decision maker to discover original and novel ideas that lead to feasible alternative courses of action
- When new and useful ideas are implemented in an organization, **innovation** takes place

Creating a Learning Organization(Senges principles)

1. Managers must allow everyone to **develop personal mastery** and empower employees to experiment and create what they want
2. Managers must encourage employees to **build complex, challenging mental models**
3. Must promote group creativity in form of **team learning**
4. Emphasize the importance of **building a shared vision**
5. Encourage **system thinking**

Creating Individual Creativity

- Creativity results when employees have an opportunity to experiment, to take risks and to make mistakes
- Managers must stress the importance of looking for alternative solutions
- Rewards and contests

Creating Group Creativity

- **Brainstorming** is a group problem-solving technique in which mangers meet face-to-face to generate and debate a wide variety of alternatives from which to make a decision
  - main reason for loss of productivity in brainstorming appears to be **production blocking**, which occurs because group members cannot always simultaneously make sense of all the alternatives being generated, think up additional alternatives, and remember what they were thinking

- **Nominal group technique** used to avoid production blocking; A decision-making technique in which group members write down ideas and solutions, read their suggestions to the whole group, discuss and then rank the alternatives

- **Delphi technique**: group members do not meet face-tp-face but respond in writing to the questions posed by the group leader

Entrepreneurship and Creativity

Entrepreneurs: individual who notices opportunities and decides how to mobilize the resources to produce goods and services.

- internal locus of control
- high level of self-esteem
- high need for achievement

Entrepreneurship: ≠ management; → noticing an opportunity to satisfy a customer need and then deciding how to find and use resources

Social Entrepreneurs: Person who pursues initiatives and opportunities and mobilizes resources to address social problems and needs in order to improve society and well-being through creative solutions.

Intrapreneurs: A manager, scientist or researcher who works inside an organization and notices opportunities to develop new or improved products and better ways to make them

Ways to promote organizational learning and intrapreneurship:

Product champion: A manager who takes ownership of a project and provides the leadership and vision that take a product from the idea stage to the final customer

Skunkworks: A group of intrapreneurs who are deliberately separated from normal operations of an organization to encourage them to devote all their attention to developing new products

Rewards for innovation: To encourage managers, it is necessary to link performance to rewards.

Chapter 7: Designing Organizational Structure

Designing organizational structure

.Organizational structure

The formal system of task and reporting relationships that coordinates and motivates organizational members so that they work together to achieve organizational goals.

Organizational design

The process by which managers make specific organizing choices about task and job relationship that result in the construction of a particular organizational structure.

→Four main determinants:

- → The higher the level of uncertainty associated with these factors, the more appropriate is a flexible, adaptable structure as opposed to a formal, rigid one.

The way an organization's structure works depends on the organizing choices managers make about three issues:

- **How to group tasks into individual jobs**
- **How to group jobs into functions and divisions**
- **How to allocate authority and coordinate or integrate functions and divisions**

Grouping tasks into jobs

Job Design

The process by which managers decide how to divide tasks into specific jobs.

- **Goal:** Increase efficiency and effectiveness
  ➔ **Result:** division in labor among employees

(be aware of *job simplification*)

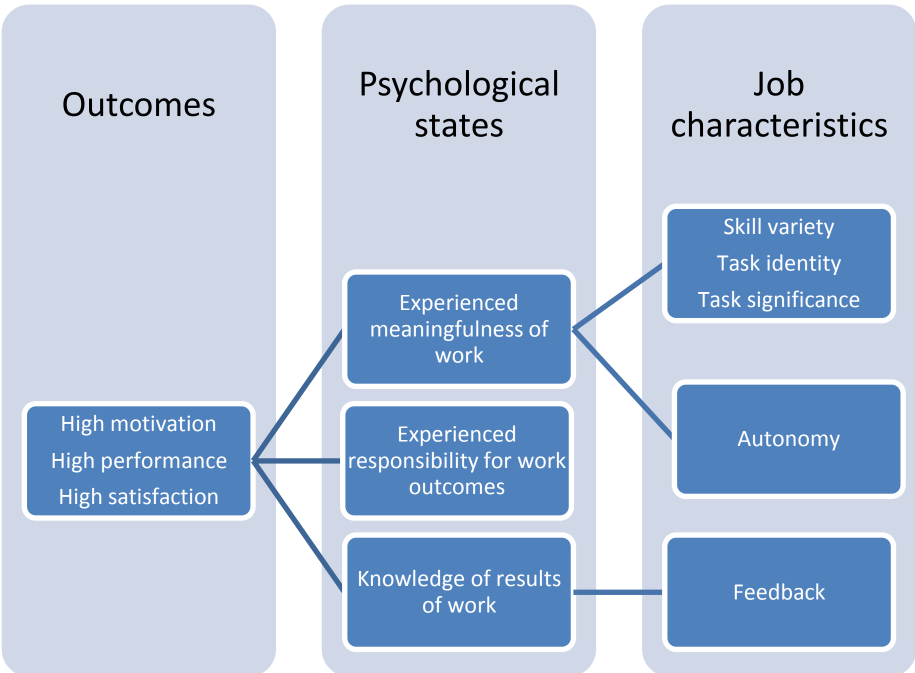
Ways to increase motivation:

1. **Job enlargement:**
    - **increasing the number of different tasks** in a given job by changing the division of labor. It may increase motivation

- **Job enrichment:**
    - **increasing the degree of responsibility** a worker has over his or her job. For example empowering the workers to experiment to find new or better ways of doing the job.

Model by J.R. Hackman and G.R. Oldham

Every job has 5 characteristics that determine how motivating the job is.



Grouping jobs into functions and divisions:

How to group jobs together to best match the needs of the organization's environment, strategy, technology, and human resources
→**Designing Organizational structure**

Functional Structure

- An organizational structure composed of all the departments that an organization requires to produce goods and services.

- group members learn from observing each other - they become more specialized and can perform at a higher level - easier for managers to monitor and evaluate	- more difficult to communicate and coordinate with one another - functional managers may become too preoccupied with supervising, so they loose sight of the organizational goals

Divisional structures:

An organizational structure composed of separate business units within which are the functions that work together to produce a specific product for a specific customer

- Good for large organizations.
- **Each division is a collection of functions or departments that work together**.
- The goal is to create smaller, more managerable units within the organization.

3 Forms:

Product structure

Divisions according to the type of good or service

- **specialize on only one product area**
- build expertise
- frees corporate managers from the need to supervise directly each division on a day-to-day basis
- puts divisional managers close to the customers

Global Product Structure:

Each product division, not the country and regional managers, decide where to manufacture products and how to market them in the countries world wide

Geographic structure

Divisions according to the area of the country or world

- The need of retail differ by region. So the managers can best meet the needs of regional customers.

Global Geographic Structure

Managers locate different divisions in each of the world regions where the organization operates

Market structure

Divisions according to the **type of customer** they focus on *(customer structure)*

When customer needs are changing rapidly and the environment is uncertain:

Matrix structure

Managers group people and resources in two ways simultaneously: by **function and by product.**

- Employees are *grouped by function* to allow them to learn from each other and become more skilled and productive.
- Employees are *grouped in product teams* in which members of different functions work together to develop a specific product.
    - Report to a *functional boss* (assigns and evaluates the performance from a functional perspective) and a *product boss* (evaluates performance on the team, ensure that the product is best)

Makes the organizational structure easier to operate:

Product team structure

An organizational structure in which employees are permanently assigned to a cross-functional team and report only to the product team manager or to one of his or her direct subordinates.

- Cross-functional team = a group of managers brought together from different departments to perform organizational tasks.

→Increases efficiency and effectiveness

Hybrid structure

The structure of a large organization that has many divisions and **simultaneously uses many different organizational structures.**

Coordinating functions and divisions

In order to avoid problems of linking and coordinating a company's different functions and divisions as the company grows

Allocating authority

Hierarchy of authority

An organizations chain of command, specifying the relative authority of each manager.

- To coordinate the activities of people, functions and divisions and to allow them to work together effectively, managers must develop a clear hierarchy of authority.

Span of control = the number of subordinates who report directly to a manager
Line manager = in the direct line or chain of command who has formal authority over people and resources at lower levels.
Staff manager = responsible for managing a specialist function, such as finance or marketing

Tall and flat organizations

- A *Tall organization* has **many levels of authority**

→ organization's structure is less flexible and slow manager's response to changes on the organizational environment

→ Communication problems may result.

→ Disortion of commands

→ employing many managers, which is expensive

- A *flat organization* has fewer levels of authority

➔ Better: **The minimum chain of command**

➔ **Balance between Centralization and Decentralization of Authority**

Decentralizing authority: Giving lower-level managers and nonmanagerial employees the right to make important decisions about how to use the organizational resources

- Pursue their own goals at the expense of organizational goals
- Lack of communication among functions and divisions

As the organization grows, managers must increase integration and coordination among functions and divisions!

Integrating and Coordinating Mechanisms

Integrating mechanisms = Organizing tools that managers can use to increase communication and coordination among functions and divisions.

Six integrating mechanisms

Liaison Roles

- Give one manager in each function or division the responsibility for coordinating with one another

Task Forces

- A committee of managers from various functions or divisions who meet to solve a specific, mutual problem; so called *ad hoc committee (because its short term)*

Cross-functional Teams

- New product development committee that is responsible for all aspects of development and making a new product (long-term)

- Integrating roles and department
    - Senior managers provide managers of cross-functional team with relevant information from other teams and from other divisions

Strategic Alliances, B2B Network Structures and IT

To avoid many of the communication and coordination problems that emerge as organizations grow, managers are attempting to use IT to develop new ways of organizing

Strategic alliances

An agreement in which managers pool or share their organizations´ resources and know-how with a foreign company and the two organizations share the rewards and risks of starting a new venture

Network structure

A series of strategic alliances that an organization creates with suppliers, manufacturers, and distributors to produce and market a product

Outsource = to use outside suppliers and manufacturers to produce goods and services

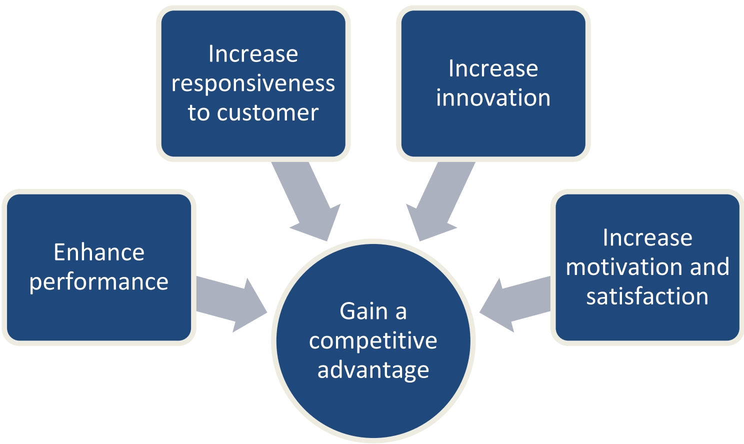
Boundaryless organization = an organization whose members are linked by computers, faxes, computer-aided systems and video teleconferencing and who rarely, if ever, see one another face-to-face

Knowledge management system = a company-specific virtual information system that allows workers to share their knowledge and expertise and find other to help solve ongoing problems.

Business to business network = a group of organizations that join together and use IT to link themselves to potential global suppliers to increase efficiency and effectiveness

Chapter 11 -Group Teams and organizational Effectiveness

Groups can:



Synergy: performance gains that result when individuals and departments coordinate their actions.

Managers need to make sure:

- ✓diversity of expertise and knowledge is responsive to customers exists within the team, that's why cross-functional teams are so popular
- ✓to be a resource and supervisor for the team
- ✓group member must have complementary skills and knowledge relevant to the group's work
- ✓create teams of diverse individuals
- ✓the size of the team should be small

Types of Groups and Teams

Types of groups and teams formed by managers:

Top management team: composed of CEO, president and heads of the most important departments ; responsible for developing the strategies that results in the competitive advantage of the company.

Research and development teams: members have the expertise and experience needed to develop new products.

Command groups (department, unit): Group composed of subordinates who report the same supervisor, also called *department* or *unit.*

Task forces: Committee of managers or nonmanagerial employees from various departments or divisions who meet to **solve a specific, mutual problem**, also called *ad hoc committee*

Self-managed work team: group of employees who supervise their own activities and monitor the quality of the goods and services they provide

To ensure that the self-managed work team is effective the manager should:

- ✓ Give enough responsibility and autonomy
- ✓ Make sure the team's work is sufficiently complex
- ✓ Carefully select the members
- ✓ The manager should be a resource for the team
- ✓ Analyze the type of training the group needs and provide it

Virtual teams: members rarely or never met, but interact by emails, technology

- *Synchronous technologies:* able to communicate in real time
- *Asynchronous technologies:* delay communication

<u>**Teams & groups created by organizational members**</u>

Friendship groups: employees who enjoy one another's company and socialize with one another.

Interest group: composed of employees seeking to achieve a common goal related to their membership in an organization- can provide managers with insights, signal of the need for change

<u>**Group dynamics:**</u>

<u>**Size:**</u>

Small Groups

- easy interaction - more motivated, satisfied, committed - better able to see the importance of the indicidual contribution	- fewer resources avialable

Large Groups

- division of labour: splitting the group according so specific tasks	- problems of communication - lower motivation, satisfaction, commitment - hard to see the importance of the individual contribution

<u>Group size is too large when:</u>

- Members spend more time communicating what they know to others than applying what they know to solve problems
- Individual productivity decreases
- Group performance suffers

Group Roles:

Role making: Taking the initiative to modify an assigned role by assuming additional responsibilities.

Group Leaders:
Formal leaders: appointed by managers
Informal leaders: emerge naturally in a group

Group development:

1) ***Forming***: members try to get to know one another and reach understanding of how the group should behave and act
2) ***Storming***: members experience conflict and disagreements
3) ***Norming***: close ties between group member develop feelings or friendship.
4) ***Performing***: real work of the group gets accomplished
5) ***Adjourning***: applies to groups that eventually are disbanded, such as task forces; group is dispersed

Group norms:

Shared guidelines or rules for behavior that most group members follow.

Conformity and Deviance:

Members *conform* to norms for 3 reasons:

1. they want to obtain rewards and avoid punishments
2. imitate members whom they like and admire
3. have internalized the norm and belief it is the right way to behave

- **deviance** occurs when a member violates a group norm

Responses of the group member to deviance:

- try to get the member to change the behavior
- expel the member
- change the norm
- some deviant behavior can be functional

Encouraging balance of conformity and deviance:

A group needs a certain level of conformity to ensure that it can control members’ behavior and channel it. A group also needs a certain level of deviance to ensure that dysfunctional norms are discarded and replaced with functional ones.
→*Good balance results in high performance.*

Group Cohesiveness: the degree to which members are affected to or loyal to their group

Factors leading Group Cohesiveness:

- **Group size**: groups should be small to medium
- **Effectively management diversity**: effective diversity inside the group
- **Group identity and competition**: if cohesiveness is low, managers encourage groups developing their own identities and engaging in healthy competition
- **Success**: when groups become successful, they become increasingly attractive to their members and cohesiveness increases.

Consequences of Group Cohesiveness:

- **Level of participation within a group:**
- High: won't be effective anymore
- Moderate: best
- Low: no participation
- **Level of conformity to group norms:** need a balance of conformity and deviance
- High: no deviance
- Moderate: best
- Too much deviance
- **Emphasis on group goal accomplishment**:
- High: may strive to achieve group goals no matter what
- Moderate: motivates to achieve both group and organizational goals

Managing Groups and Teams for High Performance

Increase Motivation:

- Fair pay system
- Extra resources
- Awards or other forms of recognition
- Choice of future work assignment

Reducing Social Loafing:

Social loafing: the tendency of individuals to put less effort when they work in groups than when they work alone.