

Management

Eleventh Edition

Chapter 2

Understanding
Management's Context:
Constraints and Challenges

Learning Objectives

2.1 Contrast the actions of managers according to the omnipotent and symbolic views.

2.2 Describe the constraints and challenges facing managers in today's external environment.

Develop your skill at scanning the environment so you can anticipate and interpret changes taking place.

2.3 Discuss the characteristics and importance of organizational culture.

Know how to read and assess an organization's culture.

2.4 Describe current issues in organizational culture.

The Manager: Omnipotent or Symbolic?

- **Omnipotent view:** managers are directly responsible for an organization's success or failure
- **Symbolic view:** much of an organization's success or failure is due to external forces outside managers' control

Managerial Constraints

- In reality, managers are neither all-powerful nor helpless. But their decisions and actions are constrained.
- External constraints come from the organization's environment and internal constraints come from the organization's culture

Exhibit 2-1

Constraints on Managerial Discretion



Exhibit 3-1 shows that external constraints come from the organization's environment and internal constraints come from the organization's culture.

The External Environment

- Those factors and forces outside the organization that affect its performance
 - Economic (interest rate, inflation, change in income, stock market fluctuation)
 - Demographic (age, race, gender, education level, location)
 - Political/Legal (federal, state, local and global laws, stability)
 - Sociocultural (social values, traditions, lifestyles, beliefs, taste)
 - Technological (scientific and industrial innovation)
 - Global (issues related to globalization and world economy)

Exhibit 2-2

Components of External Environment



Exhibit 3-2 shows the different components that make up the external environment.

How the External Environment Affects Managers

Manager had to

1) Manage Jobs and Employment

The impact of external factors on jobs and employment is one of the most powerful constraints managers face

2) Manage Environmental Uncertainty

- **Environmental uncertainty:** the degree of change and complexity in an organization's environment
 - Degree of Change: stable to dynamic
 - Environmental Complexity: simple to complex

Stable Environment: no new competitors, few technological breakthroughs, little activity by pressure groups to influence organization.

Dynamic Environment: Changes are unpredictable.

Exhibit 2-3

Environmental Uncertainty Matrix

| | | Degree of Change | |
|----------------------|---------|---|---|
| | | Stable | Dynamic |
| Degree of Complexity | Simple | Cell 1 Stable and predictable environment Few components in environment Components are somewhat similar and remain basically the same Minimal need for sophisticated knowledge of components | Cell 2 Dynamic and unpredictable environment Few components in environment Components are somewhat similar but are continually changing Minimal need for sophisticated knowledge of components |
| | Complex | Cell 3 Stable and predictable environment Many components in environment Components are not similar to one another and remain basically the same High need for sophisticated knowledge of components | Cell 4 Dynamic and unpredictable environment Many components in environment Components are not similar to one another and are continually changing High need for sophisticated knowledge of components |

Exhibit 3-3 shows the two aspects of environmental uncertainty, change and complexity.

3) Manage Stakeholder Relationships

- **Stakeholders:** any constituencies in the organization's environment that are affected by an organization's decisions and actions

Exhibit 2-4

Organizational Stakeholders



Exhibit 3-4 identifies some of an organization's most common stakeholders

Benefits of Good Stakeholder Relationships

- Improved predictability of environmental changes
- Increased successful innovations
- Increased trust among stakeholders
- Greater organizational flexibility to reduce the impact of change

Organizational Culture

- Just as each individual has a unique personality, an organization, too, has a personality.

What is Organizational Culture?

- **Organizational culture:** the shared values, principles, traditions, and ways of doing things that influence the way organizational members act and that distinguish the organization from other organizations.
- Culture is
 - 1) Perception
 - 2) Descriptive
 - 3) Shared aspect

Exhibit 2-5

Dimensions of Organizational Culture

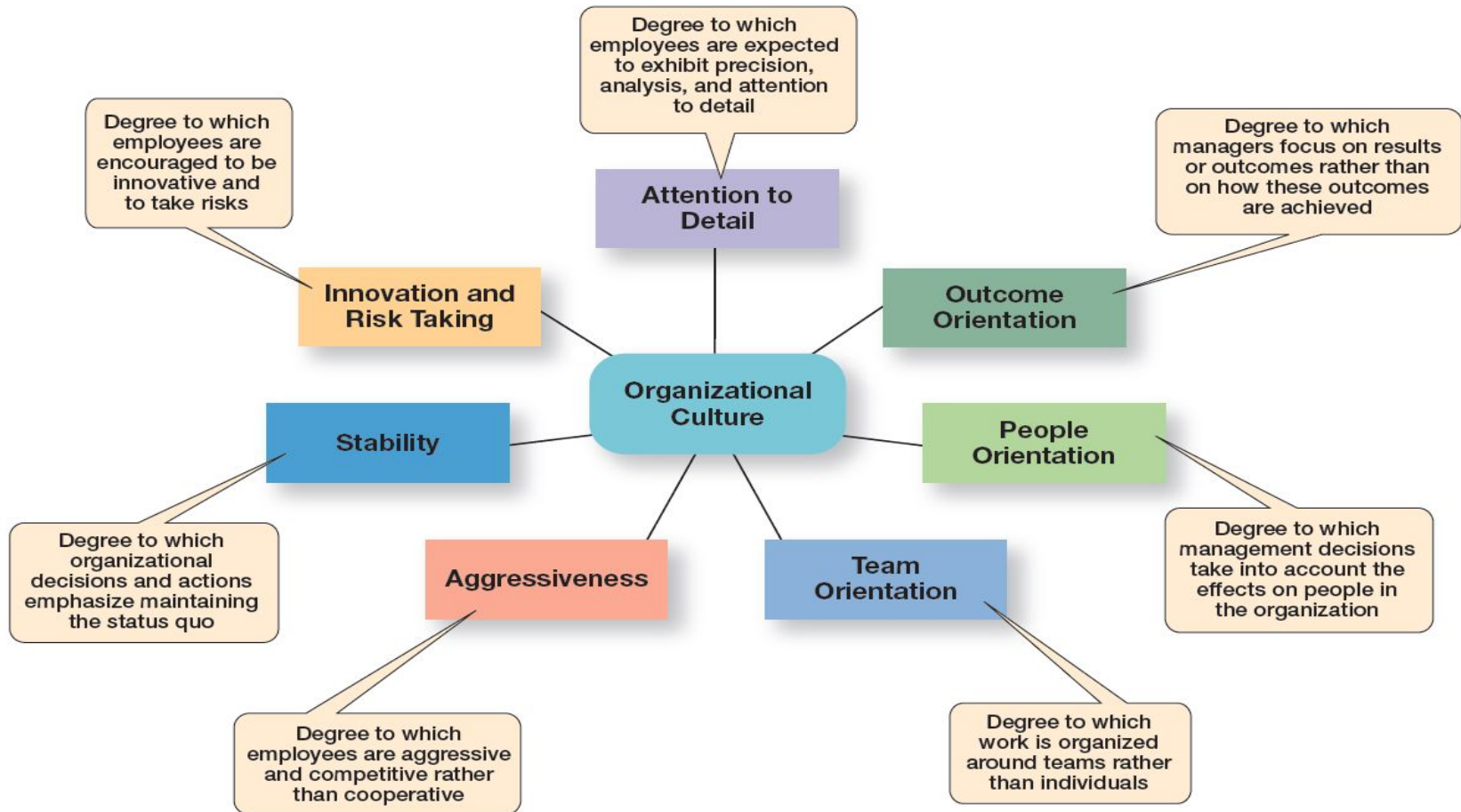


Exhibit 3-5 identifies the seven dimensions of organizational culture.

Strong Cultures

- **Strong cultures:** organizational cultures in which the key values are intensely held and widely shared

Exhibit 2-7

Strong Versus Weak Cultures

| Strong Cultures | Weak Cultures |
|---|--|
| Values widely shared | Values limited to a few people – usually top management |
| Culture conveys consistent messages about what's important | Culture sends contradictory messages about what's important |
| Most employees can tell stories about company history or heroes | Employees have little knowledge of company history or heroes |
| Employees strongly identify with culture | Employees have little identification with culture |
| Strong connection between shared values and behaviors | Little connection between shared values and behaviors |

Where Culture Comes From and How it Continues

- The original source of the culture usually reflects the vision of the founders.
- Once the culture is in place, certain organizational practices help maintain it.
- The actions of top managers also have a major impact on the organization's culture.

Exhibit 2-8

Establishing and Maintaining Culture

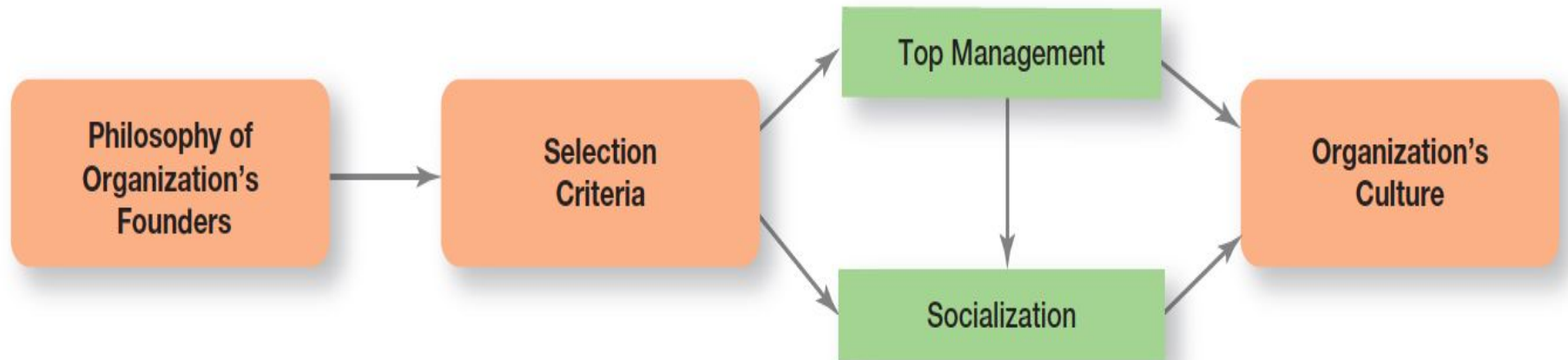


Exhibit 3-8 illustrates how an organization's culture is established and maintained.

How Employees Learn Culture

- Stories
- Rituals
- Material Artifacts and Symbols
- Language

How Culture Affects Managers

- Because an organization's culture constrains what they can and cannot do and how they manage, it's particularly relevant to managers.

Exhibit 2-9

Types of Managerial Decisions Affected by Culture



As shown in Exhibit 3-9, a manager's decisions are influenced by the culture in which he or she operates.

Creating an Innovative Culture

- Challenge and involvement
- Freedom
- Trust and openness
- Idea time
- Playfulness/humor
- Conflict resolution
- Debates
- Risk taking

Exhibit 2-10

Creating a Customer Responsive Culture

Characteristics of Customer Responsive Culture

Suggestions for Managers

Type of employee

Hire people with personalities and attitudes consistent with customer service: friendly, attentive, enthusiastic, patient, good listening skills

Type of job environment

Design jobs so employees have as much control as possible to satisfy customers, without rigid rules and procedures

Empowerment

Give service-contact employees the discretion to make day-to-day decisions on job-related activities

Role clarity

Reduce uncertainty about what service-contact employees can and cannot do by continual training on product knowledge, listening, and other behavioral skills

Consistent desire to satisfy and delight customers

Clarify organization's commitment to do whatever it takes, even if it's outside an employee's normal job requirements

Creating a Sustainability Culture

- For many companies, sustainability is developed into the organization's overall culture.