PME UNIT - 1 Notes

Unit 1: Introduction to Management

1. Management: An Overview

- **Introduction / Importance of Management (p. 2):**
    - Formerly used mainly for circuses/restaurants, now has much glory and significance.
    - **Critical element in economic growth:** Enables a country to experience economic development by bringing together factors of production (men, money, material, machines). (Drucker: without management, resources remain resources, never become production).
    - **Essential in all organized efforts:** Business or any other activity (educational, social, military, government). Same process in all orgs, complexity varies with size.
    - **Dynamic, life-giving element:** Coordinates current activities, plans future ones, arbitrates disputes, provides leadership. Adapts org to environment, often shapes environment. Quality/performance determines success/survival. Good management can be a monopoly/competitive edge.
    - Claude S. George: "the central core of our national as well as personal activities..."
- **Definition of Management (p. 2-3):**
    - Difficult to define universally.
    - **Mary Parker Follett:** "the **art of getting things done through people**." Highlights difference between manager (indirect contribution via others) and non-manager (direct contribution via own task). A person can play both roles (e.g., sales manager).
        - Weaknesses of Follett's definition (p. 3): Uses "art" (management is also science - acquisition of knowledge). Doesn't throw light on manager's functions.
    - **George R. Terry:** "a process consisting of **planning, organising, actuating and controlling, performed to determine and accomplish the objectives by the use of people and resources**."
        - Process = systematic way of doing things.
        - Planning: thinking actions in advance (method, plan, logic).
        - Organising: coordinating human/material resources.
        - Actuating: motivating/directing subordinates.
        - Controlling: ensuring no deviation from norm/plan, taking remedial action.
        - Uses people and other resources (finance, equipment).
        - Involves achieving organization's objectives (which vary by org type - hospital vs. university).
- **Role of Management (Implicit in Definition & Functions):**

    - To combine and coordinate resources (men, money, material, machines) effectively and efficiently to achieve organizational goals. To lead, guide, and direct the efforts of people. To adapt to and shape the environment.
- **Functions of Managers (Management Functions or The Process of Management) (p. 3-6):**
    - Disagreement among writers on classification (four, five, six, or seven). Terminology also varies.
    - Newman & Summer: Organising, Planning, Leading, Controlling.
    - Henri Fayol: Planning, Organising, Commanding, Coordinating, Controlling.
    - Luther Gulick: **POSDCORB** (Planning, Organising, Staffing, Directing, Coordinating, Reporting, Budgeting).
    - Haynes & Massie: Decision-making, Organising, Staffing, Planning, Controlling, Communicating, Directing.
    - Koontz & O'Donnell: Planning, Organising, Staffing, Directing, Controlling.
    - **For this text (p. 4):**
        1. **Planning (p. 4):** Determines in advance *what* should be done. Looking ahead, preparing for future. Deciding objectives, charting methods. "Determination of what is to be done, how and where it is to be done, who is to do it and how results are to be evaluated." For whole org and every sub-unit. Performed by managers at all levels. Top mgmt plans longer term (5-10 yrs), lower levels shorter (next day, two-hour meeting).
        2. **Organising (p. 4):** Providing business with everything useful to its functioning (personnel, raw materials, tools, capital). Designing and developing a human organization to carry out plans. Allen: "the structure which results from identifying and grouping work, de□ning and delegating responsibility and authority, and establishing relationships." Includes Staffing (finding right person for job, recruiting, ensuring enough manpower, selection/training of future mgrs, discipline, compensation). Staffing is ongoing (people leave, retire, etc.).
        3. **Directing (p. 5):** Moving towards defined objectives after planning/organizing/staffing. Also called "leading," "motivating," "actuating." Manager explains what to do, helps them do it. Three sub-functions:
            - Communication: Process of passing information and understanding.
            - Leadership: Process by which manager guides/influences subordinates' work.
            - Motivation: Arousing desire in workers to give their best. Stimulating/inspiring. Financial (salary, bonus) and Non-financial (job security, advancement, recognition).
        4. **Controlling (p. 5):** Ensuring performance conforms to plans, instructions, principles. Three elements: Establishing standards, Measuring current performance & comparing, Taking corrective action. Compels events to conform to plans.
    - Additional functions (Ernest Dale - p. 4):
      5. **Innovating (p. 5):** Constantly growing *better*. Creating new ideas (product, process, practice). (Examples: HUL shampoo sachets, Eureka Forbes direct sales, ITC e-Choupals).
      6. **Representing (p. 6):** Spending time representing org before outside stakeholders (govt

officials, unions, financial institutions, suppliers, customers). Winning their support by managing social impact.

- Note: Every function has substantive (what) and procedural (how) dimensions. Management process is a circular continuous movement of sub-processes (planning, organizing, directing, controlling, innovating, representing) that blend into each other. (**Fig. 1.1, p. 6**).

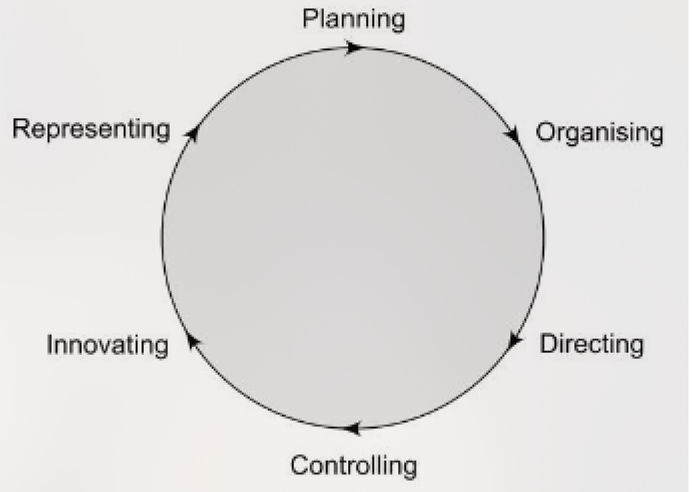


Fig. 1.1 Management process

- **Levels of Management (p. 6, 10-11):**
  - While all managers perform the same core functions (planning, organizing, directing, controlling, innovating, representing), the **emphasis on each function, the scope of their responsibilities, and the skills required** vary significantly across different levels in the organizational hierarchy. There are generally three recognized levels:
  - **1. Top Level Management (p. 6, 10):**
    - **Who they are:** Board chairman, company presidents, executive vice-presidents, CEO (handwritten notes - e.g., CEO of ICICI Bank). They are the individuals who **coordinate all the specialities and make policies for the company as a whole**.
    - **Functions / Responsibilities:**
      - **Administrative > Managerial:** Spend **more time in "administrative activity" (thinking)**, which centers around the determination of overall plans, policies, and objectives for the entire enterprise (p. 10). They spend less time in "management activity" (doing/execution).
      - **Strategic Planning & Objective Setting:** Primarily responsible for establishing **verifiable long-term goals** and **planning premises** for the organization (p. 72). They are concerned with the overall direction and survival of the organization.
      - **Policy Formulation:** Develop broad policies that guide the organization (p. 6).
      - **Unstructured Problem Solving:** Deal with complex, non-routine, and unstructured problems that have wide implications for the organization (handwritten notes).
      - **Environmental Scanning & Adaptation:** Must take a broad and farsighted view of the organization and its future, assessing the environment and the changes taking place

within it (p. 9 - conceptual skill). They manage the organization's relationship with its external environment.

    - **Accountability:** Primarily accountable to the owners of the organization (e.g., shareholders, board of directors) for the overall performance and success of the enterprise (handwritten notes).
    - **Resource Mobilization:** Make high-level decisions regarding the acquisition and allocation of major organizational resources.
    - **Overall Direction & Vision:** They set the new direction for the firm and determine the nature of the relationship between the organization and its external environment (handwritten notes).
  - **Skills Emphasis:** Require a **very high degree of conceptual skill** (to see the organization as a whole and understand how different parts interrelate) and strong human relations skills. Technical skills are least important at this level (p. 9, 16).
- **2. Middle Level Management (p. 6, 10):**
  - **Who they are:** A vast and diverse group including sales managers, plant managers, personnel managers, department heads, divisional heads, project leaders (handwritten notes). They act as a **link between top management and first-line management**.
  - **Functions / Responsibilities:**
    - **Balancing Administration & Management:** Their time is more evenly split between administrative activities (planning and policy interpretation for their units) and managerial activities (directing and overseeing implementation) compared to top or first-line managers (Fig. 1.4, p. 10).
    - **Translating Top-Level Plans:** Receive goals and broader directives from top management and translate them into specific plans and programs for their respective units or departments (handwritten notes).
    - **Departmental Planning & Organizing:** Responsible for planning, organizing, and controlling the activities of their departments to achieve the objectives set by top management. They are concerned with the *near future* and hence set short-term goals for their departments (handwritten notes).
    - **Resource Allocation within Departments:** Distribute resources within their departments and manage their efficient utilization.
    - **Coordination:** Coordinate the activities of different workgroups and first-line managers within their purview. They ensure smooth functioning between various parts of their department.
    - **Monitoring & Reporting:** Monitor the performance of their units and report progress and problems to top management.
    - **Implementing Policies:** Ensure that policies and procedures set by top management are implemented effectively by first-line managers and their teams.
    - **Motivation & Guidance:** Motivate and guide first-line managers.

        - **Skills Emphasis:** Require a balanced mix of conceptual, human relations, and technical skills. Human relations skills are particularly crucial for liaising between top and first-line management and managing diverse teams (p. 9).
    - **3. First-line / Lower Level / Frontline Management (p. 6, 10):**
        - **Who they are:** Foremen, white-collar supervisors, shift managers, office managers (handwritten notes). They are only **one step above the rank and file employees** and directly oversee the work of non-managerial staff.
        - **Functions / Responsibilities:**
            - **Managerial > Administrative:** Spend **more time in "management activity" (doing/execution)**, which is concerned with the direct execution and direction of policies and operations for their specific teams or work units (p. 10). They are primarily involved in operative management.
            - **Direct Supervision:** Directly supervise and guide operative employees in their day-to-day tasks. They ensure that work is done according to plans and standards.
            - **Task Assignment & Instruction:** Assign specific jobs to workers and provide detailed instructions on how to perform them.
            - **Maintaining Discipline & Quality:** Responsible for maintaining discipline among workers and ensuring the quality of output. They often deal with structured problems and implement established rules and procedures relating to safety and health (handwritten notes).
            - **Short-Term Planning:** Their planning horizon is very short, often daily or weekly (p. 4).
            - **Resource Management (Operational):** Manage day-to-day resources like materials, tools, and time for their teams.
            - **Feedback & Reporting:** Provide feedback to middle management on operational performance and any issues faced by employees.
            - **Motivation of Operatives:** Play a key role in motivating non-managerial employees.
        - **Skills Emphasis:** Require a **high degree of technical skill** (to understand and guide the work being done) and strong human relations skills (for direct interaction with workers). Conceptual skills are less critical at this level (p. 9, 16).
- **Organizational/Business Functions (p. 7):** It is important to distinguish management levels from organizational functions like finance, production, sales, and personnel. A manager at any level (e.g., a first-line production supervisor or a top-level VP of Finance) will still perform all the core *management functions* (planning, organizing, directing, controlling) relevant to their area and level of

responsibility. (Fig. 1.2, p. 7 illustrates this relationship).

Representative organisational or business functions

Management functions	Production ↓	Sales ↓	Finance ↓	Personnel ↓
Planning →				
Organising →				
Directing →				
Controlling →				
Innovating →				
Representing →				

Fig. 1.2 The relationship between organisational functions and management functions

- **Roles of a Senior Manager (Mintzberg) (p. 7-8):** Pattern of actions expected of a person in a position involving others. Ten different roles:
  - **Interpersonal Roles (p. 7):**
    - Figurehead: Ceremonial duties (greeting dignitaries, attending weddings).
    - Leader: Motivate and encourage employees, reconcile individual needs with org goals.
    - Liaison: Cultivate contacts outside vertical chain of command for useful information.
  - **Informational Roles (p. 8):**
    - Monitor: Perpetually scan environment, interrogate contacts/subs, receive unsolicited info.
    - Disseminator: Pass privileged info to key subordinates.
    - Spokesman: Represent org to outside groups (shareholders, consumers, government). Manage social impact.
  - **Decisional Roles (p. 8):**
    - Entrepreneur: Proactively look for innovation, new ideas, new outlets/products.
    - Disturbance Handler: Work reactively (firefighter). Seek solutions to unanticipated problems (strike, bankrupt customer).
    - Resource Allocator: Divide work, delegate authority, decide who gets what.
    - Negotiator: Spend considerable time in negotiations (union issues, grievance problems).
- **Management Skills and Organizational Hierarchy (p. 8-9):**
  - **Skill:** Individual's ability to perform physical/mental tasks with specified outcome. Developed through practice, translating knowledge/experience into action.
  - Three Major Skills:

        - **Conceptual Skill (p. 9):** Ability to take broad, farsighted view of org/future. Think in abstract, analyze forces, creative/innovative ability, assess environment/changes. Set appropriate goals. *Increases in importance moving up hierarchy*.
        - **Technical Skill (p. 9):** Understanding nature of job people under mgr perform. Knowledge/proficiency in any process/technique. *More important at lower levels*, diminishes at higher. Conceptual component related to functional areas becomes more important higher up.
        - **Human Relations Skill (p. 9):** Ability to interact effectively with people at all levels. Recognize feelings, judge reactions, examine own concepts/values. *Consistently important at all levels*.
    - **Skill-Mix at Different Management Levels (p. 9):** At top level, technical skill least important. Human/conceptual skills make up for unfamiliarity. (**Fig. 1.3, p. 9**).

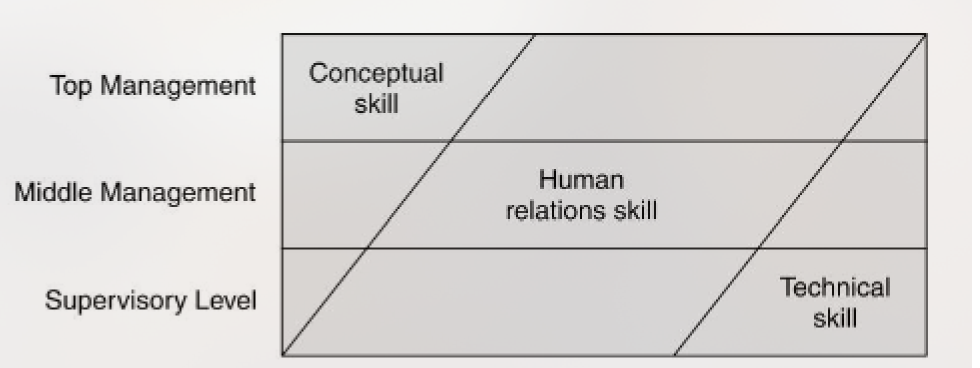


Fig. 1.3 Skill-mix at different management levels

- **Managerial Effectiveness (p. 9):**
    - Measured by two concepts (Peter Drucker):
        - **Efficiency:** Ability to do something **correctly** (lowest possible/acceptable cost).
        - **Effectiveness:** Ability to do **correct things** (achieve high levels of value - quality/price).
    - Maximizing both often creates conflict (e.g., customer service efficiency vs. effectiveness). No amount of efficiency compensates for lack of effectiveness. **Effectiveness is critical**.
- **Management and Administration (p. 10):** Lack of unanimity.
    - **View 1 (Sheldon, Spriegal, Milward):**
        - Administration: "Thinking". Top-level function (determination of plans, policies, objectives).
        - Management: "Doing". Lower-level function (execution/direction of policies/operations).
        - Each manager does both. Top level spends more time on admin, lower level on management. (**Fig. 1.4, p. 10**).

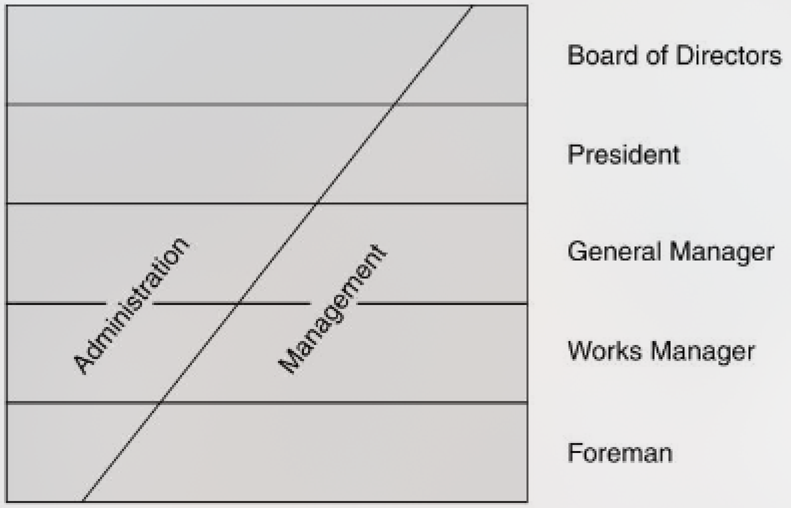


Fig. 1.4 Time spent in administrative and managerial functions at different levels

- **View 2 (E.F.L. Brech):**
  - Management: Comprehensive generic term *including* administration.
  - Administration: Branch of management (planning and controlling functions).
  - Management functions: Administrative management (upper level) and Operative management (lower level).
- **View 3 (Peter Drucker):**
  - Difference lies in field of use. Administration for non-business institutions (govt, army, church - military security first, econ secondary). Management for business enterprises (economic performance first). Reason why successful administrators sometimes fail as managers.

- **Management—A Science or An Art? (p. 11-12):**
  - **Management as a Science (p. 11):** Discipline is scientific if: methods of inquiry systematic/empirical, info ordered/analyzed, results cumulative/communicable. Management meets these (systematic, unbiased, empirical inquiry, data analysis, results allow repetition, cumulative knowledge).
    - Not an "exact" or "natural" science (like physics, chemistry). It's a **behavioural science** (or inexact). Cannot study effects of single factor individually (multiplicity of factors affecting humans, e.g., monetary incentives on productivity mixed with leadership, needs, peer pressure). Findings are tendencies/probabilities, not as accurate/dependable as physical sciences.
  - **Are Management Principles Culture-bound? (p. 12):** Principles do **not** have universal application in practice; their *applicability* varies by culture. But *management theory, concepts, and principles remain the same everywhere*. (Harbison & Myers study). Distinguish theory from practice.
  - **Management as an Art (p. 12):** Science = "why", Art = "how". Art concerned with how work accomplished. Management is art of getting things done in dynamic, non-repetitive situations. Coordinating resources (men, machine, money) against constraints for objectives. Manager analyzes, determines obj, seeks alternatives, implements, coordinates, controls, evaluates.

Theoretical knowledge not enough without skill (art) of applying it. Knowledge is aid/kit, not replacement for skills/qualities. Applied/practiced. Like musician/painter using own skill.

- **Conclusion:** Management involves **both elements** - science (body of knowledge) and art (application of skill).

- **Management—A Profession? (p. 13):**
  - McFarland's characteristics of a profession: Organised/systematic knowledge, Formalised training/experience methods, Professional association, Ethical code, Fees based on service (priority of service over monetary reward).
  - Management does **not possess all** these. No fixed norms of behavior, no uniform code/licensing. Entry not restricted by academic degree. So, **cannot be called a profession**.
  - **Trends towards professionalization:** Increasingly essential to acquire professional knowledge/training. Not just intuition/family ability. Studied/taught as subject (e.g., IIMs, MBA programs).
  - Drucker's view: Holding degree should *not* be condition for entry. Essence is achievement, not knowledge; results, not logic. Insisting on degree overemphasizes knowledge, overlooks skill. People certified as professionals based on degree would remain so even if knowledge obsolete.
- **Professional Management vs Family Management (p. 13-14):**
  - "Professional management" sometimes antithesis to "family management" (managers by birth yield to managers by profession).
  - View not totally correct: Nothing wrong in perpetuating family dynasty if it's dynamic and system-driven. Many family firms (75% worldwide) successful for centuries (Kikkoman). Progress of Ford, Exxon, IBM, Du Pont. Growth of Indian corporate sector (Tata, Gujarmal Modi).

2. Social and Ethical Responsibilities of Management

- **Meaning of Social Responsibility (p. 43):**
  - Nebulous idea, defined variously.
  - **Adolph Berle:** Manager's **responsiveness to public consensus**. Set of responsibilities not same for all countries/times (depends on customs, religions, traditions, industrialization level, public consensus).
  - **Keith Davis:** Two types of business obligations:
    - Socio-economic obligation: Ensure economic consequences of actions don't adversely affect public welfare (promote employment, maintain competition, curb inflation).
    - Socio-human obligation: Nurture and develop human values (morale, cooperation, motivation, self-realisation).
  - Business is part of total system, network of relationships. Consider impact on all. Operate as trustee for employees, investors, consumers, government, public. Mediate interests, ensure square deal.
- **Origin and Growth of the Concept (p. 43-44):**

    - Traced to evolution of **welfare state**.
    - Industrialization -> concern for lost efficiency (sickness, accident, bad relations) -> idea of welfare state. Strengthened by democracy, respect for human dignity (last 150 yrs). Extension of democracy -> popular education.
    - Enfranchised people demand social security, protection from hazards, help for destitute. Rules provide for aged, disablement compensation, sickness/unemployment relief, wage legislation.
    - **Changing image of business** (p. 44): US polls (1960s/70s) -> businessman viewed negatively (doesn't care, ignores social problems, preys, exploits, selfish). Businessman's self-image was positive (practical, hard-working, progressive, community leader). Indian businessman also under attack (Mahalanobis, Dasgupta, Hazari, Dutta Committee reports).
- **Different Views on Social Responsibility (p. 44-45):** Four views:
    - **Communist View (p. 44):** Advocates imposition of social responsibilities by State. Free industrial civilization bad (wrong values, material gain only). Business is evil. Advocates legislation/force.
    - **Capitalist View (p. 44):** Economic expediency alone is just standard. Unbridled right to make money free from social responsibilities. Maximizing profit gratifies desires, satisfies society's needs. Obey legal codes only. Welfare not corporation's business; business is to make money. (Levitt: social responsibility -> neofeudalism, paternalistic/autocratic ills). (Milton Friedman: business should produce goods/services efficiently, leave social problems to govt/individuals; focus on profit).
    - **Pragmatic View (p. 45):** Acknowledges profit importance but stresses need for social responsibility. Cannot make social contribution if not profitable. Profit = test of efficiency. Sick org is social liability. First responsibility: keep business solvent. *Voluntarily assume* social responsibilities beyond legal minimum. Three levels: cater to public expectations, anticipate expectations, create new expectations (loftiest standards).
    - **Trusteeship View (p. 45):** Retain for personal use only what's necessary for honorable livelihood. Rest for community welfare. "Enjoy thy wealth by renouncing it." Wealth belongs to people. Origin in Gita (aparigraha, sambhawa), M.K. Gandhi. Code and principle of accountability. Demands radical changes.
- **Social Responsibilities of Business Towards Different Groups (Social Stakeholders) (p. 45-47):**
    - Businessman at centre of network of relationships (workers, employees, consumers, shareholders, other businesses, community, government).
    - **Towards the Consumer and the Community (p. 45-46):**
        1. Production of cheap/better quality goods/services (new skills, innovations, techniques, proper location, rational use of capital/labor).
        2. Levelling out seasonal variations (accurate forecasts, production scheduling, product diversification).
        3. Deciding production priorities in country's interest, conserving natural resources.

4. Providing for social audit.
5. Honoring contracts, honest trade practices (avoid misleading ads, misbranding, selling rebuilt as new, espionage, restraining competition, false claims, misleading names, declaring insolvency).
6. Making *real consumer needs* criterion for ads (not creating wants). Avoiding over-consumption promotion, negative comparisons, dissatisfaction with old.
7. Preventing creation of monopolies (avoid high prices, short supply, inferior quality, wealth inequalities, public morality deterioration).
8. Providing for after-sale servicing.
9. Ensuring hygienic disposal of smoke/waste, voluntarily assisting in town environment.
10. Achieving better public relations (true, adequate, intelligible info about working).
11. Supporting education, slum clearance, etc.

- **Towards Employees and Workers (p. 46):**
  1. Fair wage (not just market forces, voluntary ceiling on own profits).
  2. Just selection, training, promotion (no discrimination).
  3. Social security measures, good quality of work life.
  4. Good human relations (industrial peace, collective bargaining, worker leadership, participative management).
  5. Freedom, self-respect, self-realisation. Make worker's life more affluent *and* satisfying/rewarding. Awareness: quality of life = quantity of material wealth.
  6. Increase productivity/efficiency by recognition of merit, opportunities for creative talent/incentives.
- **Towards Shareholders and Other Businesses (p. 47):**
  1. Promoting good governance (internal accountability, transparency).
  2. Fairness with competitors (ethics, fair play, not warfare/malicious propaganda).
- **Towards the State (p. 47):**
  1. Shunning active participation/direct identification with any political party.
  2. Observing all laws of land (objectives: provide direction, harmony, safeguard, compel fairness, prevent oppression, enforce production, allocate resources, enforce distributive justice, implement rural uplift).

Arguments FOR Corporate Social Responsibility (CSR) - 6 Points:

1. **Enhanced Reputation and Public Image:**
   - Actively engaging in CSR improves a company's reputation among consumers, investors, and the community. A positive public image can lead to increased customer loyalty, better brand recognition, and an advantage in attracting talent. (Reflects pragmatic view - catering to public expectations, p. 45, 20).
2. **Increased Employee Morale and Productivity:**

    - When employees see their company acting ethically and contributing to societal well-being, it boosts their morale, sense of pride, and motivation. This can lead to higher productivity and lower employee turnover. (Reflects socio-human obligation & pragmatic view p. 43, 45, 20; employee welfare aspect p. 46).
3. **Long-Term Business Sustainability and Profitability:**
    - Addressing social and environmental issues can lead to more sustainable business practices, resource efficiency, and innovation, ultimately contributing to long-term profitability. A healthy society and environment provide a stable context for business operations. (Pragmatic view - company cannot make social contribution if not profitable, p. 45, 20; conserving natural resources p. 46).
4. **Meeting Stakeholder Expectations and Building Trust:**
    - Modern businesses operate within a network of stakeholders (consumers, employees, community, government, shareholders) who increasingly expect companies to be socially responsible. Fulfilling these expectations builds trust and stronger relationships. (Social Stakeholders p. 45-47, 20-22; Trusteeship view p. 45, 20).
5. **Proactive Risk Management and Problem Prevention:**
    - By addressing social and environmental concerns proactively, companies can mitigate potential risks such as negative publicity, consumer boycotts (like the Indian carpet industry example p. 50), regulatory scrutiny, and legal liabilities. It's often more cost-effective to prevent problems than to fix them later.
6. **Ethical Imperative and Moral Obligation:**
    - Many argue that businesses, as powerful entities in society, have a moral obligation to contribute positively beyond just making profits. This aligns with the idea that businesses should operate as trustees for the benefit of society and adhere to high ethical standards. (Trusteeship View p. 45, 20; Business Ethics p. 49-50).

Arguments AGAINST Corporate Social Responsibility (CSR) - 6 Points:

1. **Primary Goal is Profit Maximization:**
    - The fundamental purpose of a business is to maximize profit for its shareholders. Diverting resources (time, money, effort) to social issues detracts from this primary economic objective and can make the business less competitive. (Capitalist View - Friedman, Levitt p. 44-45, 19-20).
2. **Costs of CSR are Passed to Consumers:**
    - The expenses incurred by companies for CSR initiatives (e.g., environmental protection, community programs) are often passed on to consumers in the form of higher prices, making products and services less affordable.
3. **Lack of Expertise and Accountability in Social Areas:**

- Business managers are primarily skilled in economic and operational matters, not in solving complex social problems. They may lack the expertise to effectively address social issues, and there are often no clear lines of accountability for social performance. (Capitalist View - leave social problems to government agencies p. 45, 20).

4. **Dilution of Business Purpose and Focus:**
   - Engaging in a wide range of social activities can dilute the primary purpose of the business and distract management from its core competencies and economic mission, potentially leading to inefficiency. (Similar to Friedman's argument about focusing on what they know best: making a profit p. 45, 20).
5. **Potential for "Greenwashing" or Superficial Engagement:**
   - Some companies may engage in CSR activities superficially as a public relations stunt ("greenwashing") without genuine commitment, misleading the public and undermining the credibility of true CSR efforts. This can be seen as an unethical use of CSR.
6. **Risk of "Neofeudalism" and Managerial Overreach:**
   - If businesses assume too much social responsibility, especially for employee welfare beyond reasonable limits, it could lead to a paternalistic and autocratic system where managers wield excessive power over individuals' lives, which Theodore Levitt described as "neofeudalism" (p. 45, 20). This can be socially less desirable than a system where such responsibilities lie with other institutions.

- **Social Performance of Business in India (p. 47-48):**
  - Many progressive orgs playing social role.
  - Business-centric activities (directly relevant, pays): ITC (afforestation), Nestle (farmer assistance for milk quality), Cadbury/Glaxo/Richardson (helping crop growers), Lipton (vet hospitals), Coca-Cola (donations linked to sales).
  - Philanthropic activities (making a difference): Lupin, Canara Bank, Indal, Gujarat Ambuja, Wipro (community development, roads, schools, hospitals). ACC (5 decades service - schools, health, bunds, agro-based industries). BHEL (welfare of surrounding communities -> goodwill). Many companies encourage sports (ONGC).
  - FICCI/Business World award for CSR (Lupin, TISCO, TELCO, HINDALCO). India topped 7-nation survey (2003) on CSR work.
- **Social Audit (p. 48-49):**
  - **Definition:** Systematic study and evaluation of organization's social performance (distinguished from economic). "Social performance" = any org activity affecting general welfare of society.
  - Benefits (p. 48): Supplies data for comparison with social policies/standards (how well living up to obj). Develops social awareness among employees. Data for comparing effectiveness of different programs. Data about cost of social programs (relate to budgets, resources, obj). Info for effective response to external groups.

    - Limitations (p. 48): Process audit, not results audit. Determines *what* org is doing, not *amount of social good* resulting. Results not audited because: difficult to measure (e.g., crime rate fall after SC/ST employment program), classification "good"/"bad" not universal, most occur outside org (difficult to secure data).
    - Even if results unproven, audit of *what is being done* desirable (shows effort). Can be by internal experts, outside consultants, or combination. Outside auditor more credibility if released to public.
    - Public release of social performance report: Some say reports imprecise/inconcrete, can increase social conflict. Others say contribute to public understanding (replace rhetoric with facts).
    - Tata Iron and Steel Company (TISCO) first in India (1979). Justice S.P. Kotval committee. Examined fulfillment of social/moral responsibilities (consumers, employees, shareholders, society, local community). Report praised TISCO's welfare, made suggestions.
- **Business Ethics (p. 49-50):**
    - **Definition:** Application of moral principles to business problems. Ethics extend beyond legality, involve goodness/badness of act. Action may be legal but ethically wrong (single grocer exorbitant price example).
    - Other issues: Sexual harassment, discrimination (pay/promotion), right to privacy.
    - Sexual harassment: Unwelcome sexual advances/favors/conduct. Mandatory duty to prevent (Vishaka case). Negative aspects: costly lawsuits, decreased productivity, absenteeism, lower morale, higher turnover.
    - Discrimination against women: Pay/promotion unethical (despite Equal Remuneration Act). Glass ceiling effect.
    - Employees' right to privacy: Questions like hiring smokers, drug tests.
    - Corporate "shield" doesn't protect from public condemnation for unethical/immoral actions. Credibility depends on high ethics/integrity.
    - Factors affecting ethical/unethical decision (p. 50): Government legislation, Business codes (often voluntary/ignored), Pressure groups (child labor boycott), Personal values of manager (dilemma if unethical action only choice for goal; need to remain true to convictions). "Under-promise over-deliver" (Infosys motto).
- **Corporate Governance (p. 51-53):**
    - **Definition:** Extent to which companies run in an **open and honest manner** in the best interest of **all stake-holders**.
    - Key elements: Transparency and accountability, projected through a code (system of checks/balances between board, auditors, stakeholders).
    - Cadbury Committee (Britain, 1991) recommendations (p. 51): Non-executive directors (independent judgment, formal selection), Remuneration committees (non-execs recommend exec emoluments), Audit committees (min 3 non-execs, report on financial mgmt), Audit partners rotated, fuller disclosure of non-audit work. Voluntary code, moral pressure.

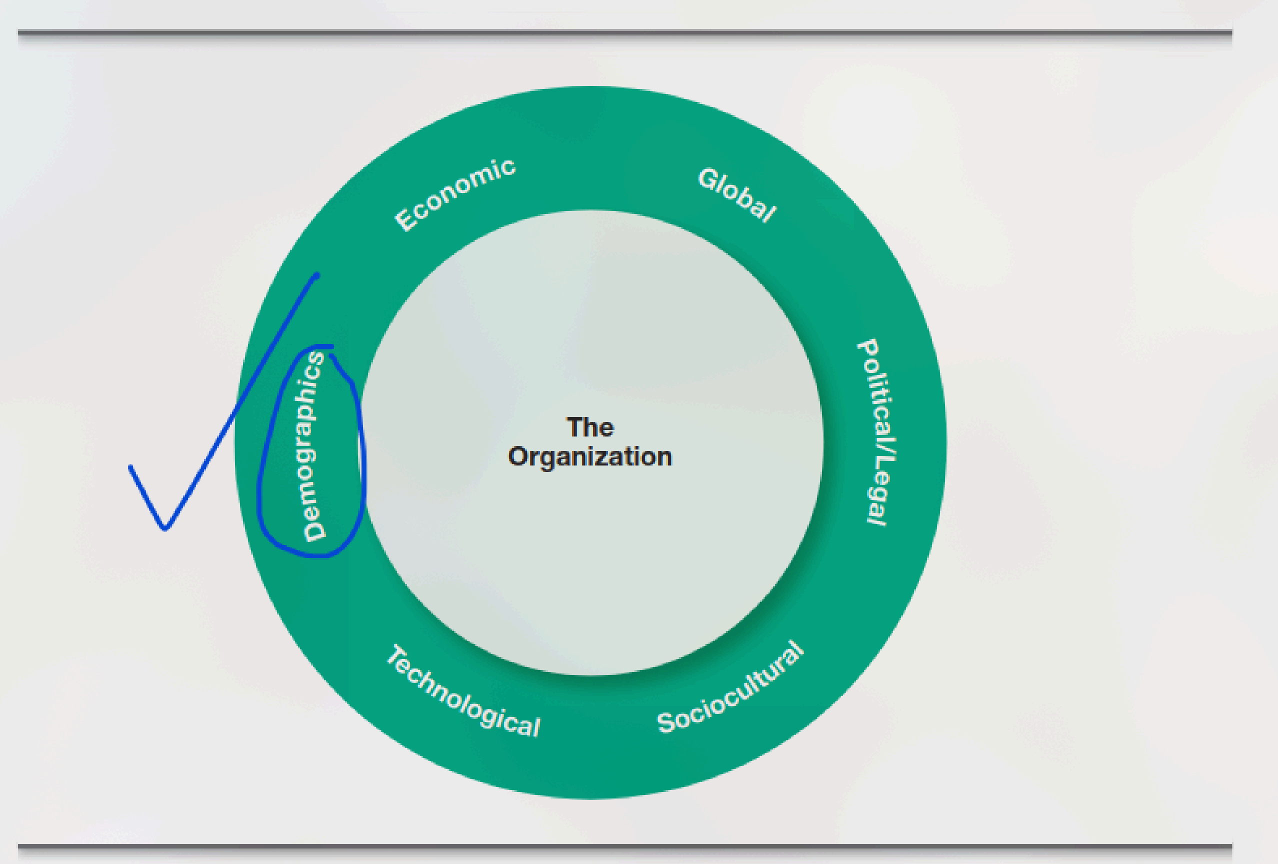
- Benefits of Good Corporate Governance (p. 51): Creates market confidence/long-term trust. Increases share prices. Ensures integrity of financial reports. Maximizes corporate security (whistle blower). Limits top mgmt liability (articulating DM process). Improves strategic thinking (independent directors bring experience/new ideas).
- **Need for a Corporate Whistle Blower Protection Act (p. 53):** Whistle-blowing recent term. Honest/conscientious individual discloses gross corruption, mismanagement, abuse of authority, grave injustice. Origin: coal-miners carrying canaries. US: Whistleblower Protection Act (retaliation -> imprisonment). India can have one with Freedom of Information Act. SEBI Committee (2003) recommended personnel observing unethical/improper practice approach audit committee, company protect from unfair termination.

3. Understanding Management's Context (The External Environment & Organizational Culture)

- **The Manager: Omnipotent or Symbolic? (p. 44-45):** How much difference does a manager make?
  - **Omnipotent View of Management (p. 44-45):** Dominant view. Managers **directly responsible** for organization's success or failure. Good managers anticipate change, exploit opportunities, correct poor performance. If profits up, mgrs take credit/rewarded. If profits down, mgrs fired ("new blood"). Consistent with "take-charge" executive stereotype. Explains turnover in sports coaches.
  - **Symbolic View of Management (p. 45):** Argues much of success/failure due to **external forces outside managers' control**. Unreasonable to expect mgrs significantly affect performance. Performance influenced by economy, customers, govt policies, competitors, industry conditions, previous mgr decisions. Managers **symbolize control and influence** (develop plans, make decisions to make sense of random/confusing situations). Actual part in success/failure is limited.
  - Reality (p. 45): Managers neither all-powerful nor helpless. Decisions/actions constrained by external (environment) and internal (culture) factors. (**Exhibit 2-1, p. 45** shows Constraints on Managerial Discretion).

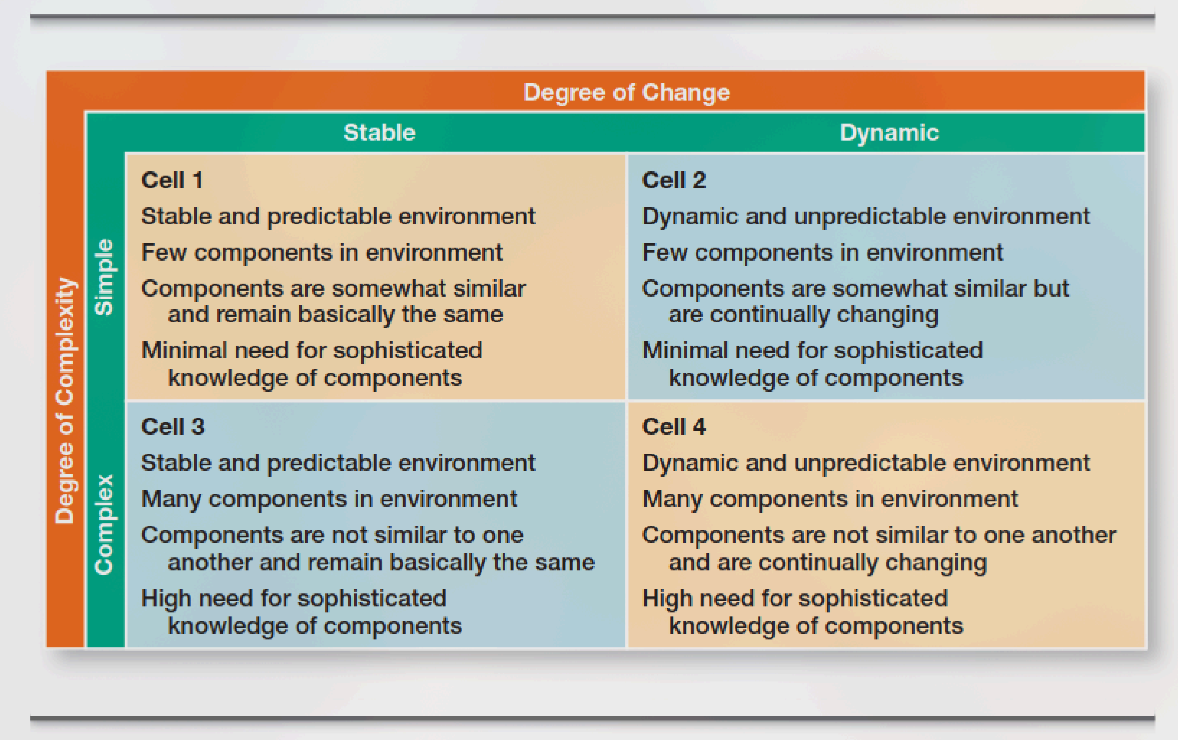
- **The External Environment: Constraints and Challenges (p. 46-51):**
  - **Definition (p. 46):** Factors and forces **outside the organization** that affect its performance. (Whirlpool example - p. 46). Decade 2000-2009 challenging (acquisitions, disappearances of companies).

- **Components of External Environment (p. 46):** (**Exhibit 2-2, p. 46** - Diagram):



  - Economic: Interest rates, inflation, disposable income changes, stock market fluctuations, business cycle stages.
  - Demographic: Trends in population characteristics (age, race, gender, education, geographic location, income, family composition).
  - Political/Legal: Federal, state, local laws; global laws; country's political conditions/stability.
  - Sociocultural: Societal/cultural factors (values, attitudes, trends, traditions, lifestyles, beliefs, tastes, patterns of behavior).
  - Technological: Scientific or industrial innovations.
  - Global: Issues associated with globalization and world economy.
- Focus on Economic and Demographic aspects (p. 46).
- **How the External Environment Affects Managers (p. 48-51):** Three ways:
  1. **Impact on Jobs and Employment (p. 48):** Powerful constraint. Recession -> job elimination, unemployment. Some jobs won't return, replaced by new types in growing industries. Challenges for mgrs to balance work demands with right people/skills. Affects *how* jobs created/managed (flexible work arrangements - freelancers, temporary, job sharing).
  2. **Assessing Environmental Uncertainty (p. 49):** Degree of change and complexity. (**Exhibit 2-3, p. 49** - Environmental Uncertainty Matrix).
     - Degree of Change: Dynamic (components change frequently, unpredictably) vs. Stable (minimal change, predictable). Department store sales predictable drop Jan-Dec is NOT dynamic. Change = unpredictable change.

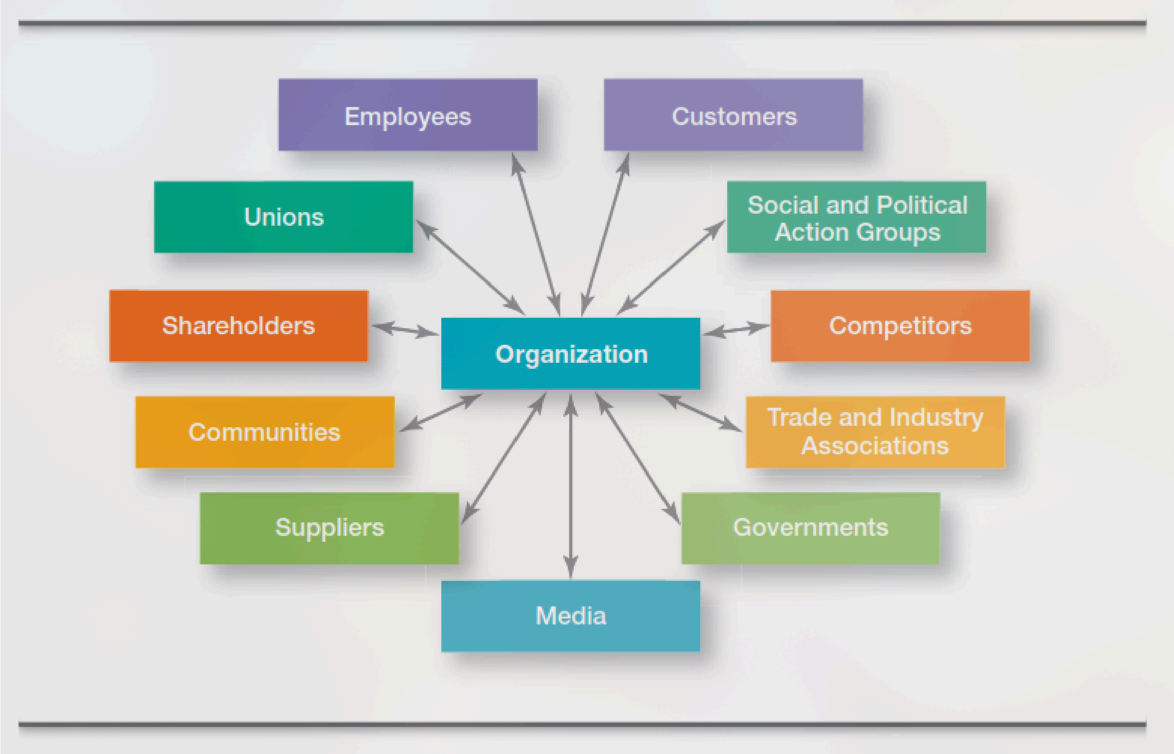
- Degree of Environmental Complexity (p. 49): Number of components in environment and extent of org's knowledge about them. Fewer components -> less complex.
- Matrix (Exhibit 2-3): Cell 1 (Stable/Simple - lowest uncertainty, greatest mgr influence). Cell 4 (Dynamic/Complex - highest uncertainty, least mgr influence). Managers try to minimize uncertainty. Most industries today face more dynamic change.



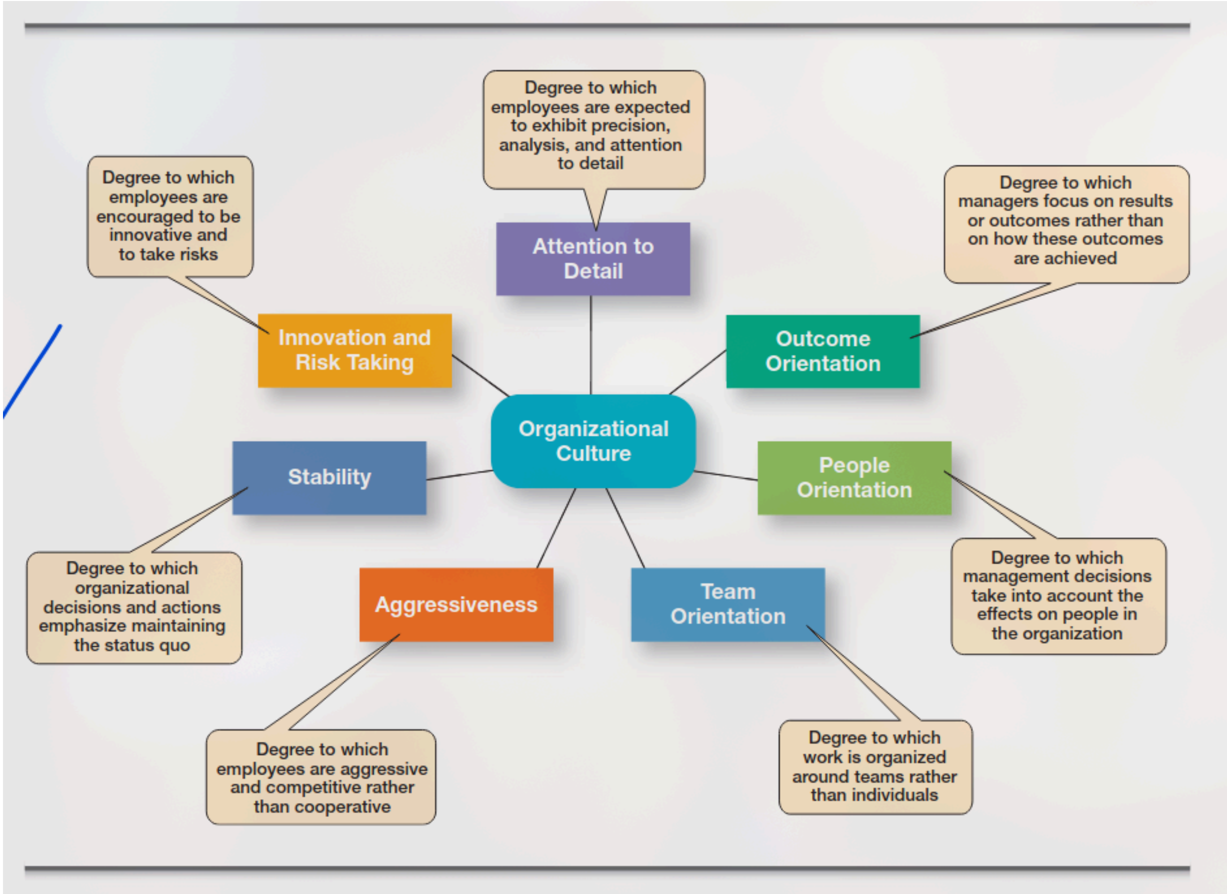
3. **Managing Stakeholder Relationships (p. 50-51):** (Leader Difference Box on Betsy McLaughlin, CEO Hot Topic - p. 50). Nature of stakeholder relations influences mgrs. More obvious/secure -> more influence.

   - Stakeholders (p. 50): Any constituencies in organization's environment affected by its decisions/actions. Have stake in/significantly influenced by org. Can influence org. (Example: Starbucks stakeholders - bean farmers, employees, competitors, local communities). Includes internal/external groups. (**Exhibit 2-4, p. 51** - Diagram of Organizational Stakeholders: Employees, Unions, Shareholders, Communities, Suppliers, Media, Governments, Trade/Industry Assoc, Competitors, Social/Political

Action Groups, Customers).



- **Organizational Culture: Constraints and Challenges (p. 51-57):**
  - **What Is Organizational Culture? (p. 51):** Like individual personality. Influences way employees act/interact. (W.L. Gore example - innovative, non-hierarchical culture, p. 51).
    - **Definition (p. 52):** The **shared values, principles, traditions, and ways of doing things** that influence the way organizational members act. Evolves over time, determines "how things are done around here."
    - Implies 3 things (p. 52): Culture is a **perception** (not physically touched, but perceived via experience). Culture is **descriptive** (how members perceive/describe it, not if they like it). Culture is **shared** (members describe in similar terms despite different backgrounds/levels).
    - **Dimensions of Organizational Culture (p. 52):** Research suggests 7 dimensions (range low to high) giving composite picture. (**Exhibit 2-5, p. 52** - Diagram of Dimensions):



Innovation and Risk Taking, Attention to Detail, Outcome Orientation, People Orientation, Team Orientation, Aggressiveness, Stability. Often one dimension emphasized more. (Sony - product innovation; Southwest Airlines - people orientation). Exhibit 2-6 (p. 53) contrasts cultures (Org A vs Org B).

Organization A

This organization is a manufacturing firm. Managers are expected to fully document all decisions, and "good managers" are those who can provide detailed data to support their recommendations. Creative decisions that incur significant change or risk are not encouraged. Because managers of failed projects are openly criticized and penalized, managers try not to implement ideas that deviate much from the status quo. One lower-level manager quoted an often-used phrase in the company: "If it ain't broke, don't fix it."

Employees are required to follow extensive rules and regulations in this firm. Managers supervise employees closely to ensure that there are no deviations. Management is concerned with high productivity, regardless of the impact on employee morale or turnover.

Work activities are designed around individuals. There are distinct departments and lines of authority, and employees are expected to minimize formal contact with other employees outside their functional area or line of command. Performance evaluations and rewards emphasize individual effort, although seniority tends to be the primary factor in the determination of pay raises and promotions.

Organization B

This organization is also a manufacturing firm. Here, however, management encourages and rewards risk taking and change. Decisions based on intuition are valued as much as those that are well rationalized. Management prides itself on its history of experimenting with new technologies and its success in regularly introducing innovative products. Managers or employees who have a good idea are encouraged to "run with it," and failures are treated as "learning experiences." The company prides itself on being market driven and rapidly responsive to the changing needs of its customers.

There are few rules and regulations for employees to follow, and supervision is loose because management believes that its employees are hardworking and trustworthy. Management is concerned with high productivity but believes that this comes through treating its people right. The company is proud of its reputation as being a good place to work.

Job activities are designed around work teams, and team members are encouraged to interact with people across functions and authority levels. Employees talk positively about the competition between teams. Individuals and teams have goals, and bonuses are based on achievement of outcomes. Employees are given considerable autonomy in choosing the means by which the goals are attained.

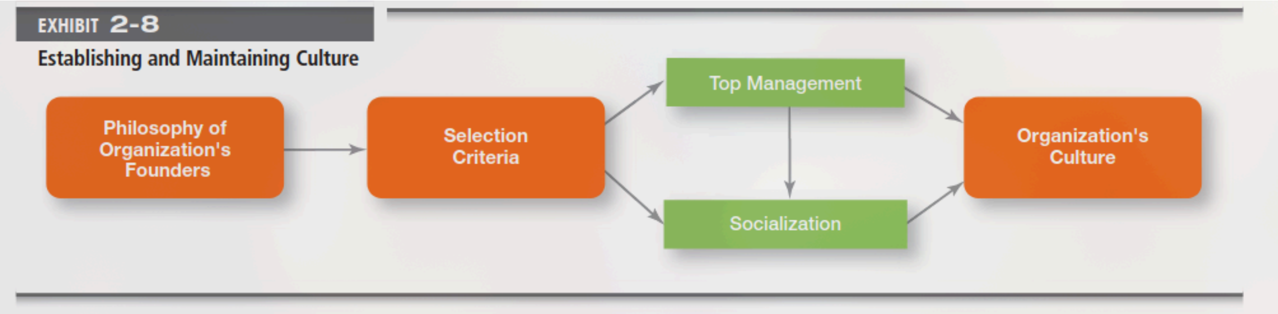
- **Strong Cultures (p. 52):** Key values are **intensely held and widely shared**. Greater influence on employees than weak cultures. (Exhibit 2-7, p. 53 - Strong vs Weak Cultures table). More employees accept key values/greater commitment -> stronger culture. Affects way managers plan, organize, lead, control.

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

- Importance of Strong Culture (p. 54): Employees more loyal. Associated with high organizational performance. Values clear/widely accepted -> employees know what to do/expected -> act quickly. Drawback: might prevent trying new approaches in changing conditions.

- **Where Culture Comes From and How It Continues (p. 54):** (**Exhibit 2-8, p. 54** - Diagram: Philosophy of Founders -> Selection Criteria -> Top Management & Socialization -> Org Culture).



  - Original source: usually reflects **vision of the founders**. Not constrained by previous customs. Small size makes vision instillation easier.
  - Maintaining culture:
    - Employee selection process: Judge candidates on job reqs AND how well they **fit** into org. Candidates also assess fit.
    - Actions of top managers: What they say/how they behave establish norms, filter down. (IBM CEO teamwork example - p. 54). Can also lead to undesirable outcomes (ethics scandals).
    - Socialization (p. 54): Process that helps new employees learn the organization's way of doing things. (Starbucks barista training example). Benefit: employees understand culture, enthusiastic/knowledgeable with customers. Minimizes disruption by new employees.
- **How Employees Learn Culture (p. 55):**
  - Stories (p. 55): Narratives of significant events/people (founders, rule breaking, past mistakes). Convey what's important, provide examples. (Southwest Airlines heroic employees, 3M innovation stories - Scotchgard, Post-It). Anchor present in past, explain/legitimize practices, exemplify importance, provide compelling pictures.
  - Rituals (p. 55): Repetitive sequences of activities expressing/reinforcing important values/goals. (Facebook mural/chant, Mary Kay Cosmetics annual awards - publicly acknowledge performance, reinforce determination/optimism). Establish desired motivation/behavioral expectations.
  - Material Artifacts and Symbols (p. 55-56): Layout of facilities, employee dress, exec perks, office size/furnishings, fitness centers, reserved parking. Create "feel" of work env. Convey who is important, expected behavior. (WorldNow dented drill symbol - p. 56).
  - Language (p. 56): Unique terms for equipment, personnel, customers, processes, products. Acronyms/jargon. Learning language attests to acceptance/willingness to preserve. Acts as common denominator, bonds members. (Cranium "chiff", Build-A-Bear "Strive for Five").
- **How Culture Affects Managers (p. 56-57):** Culture constrains what they can/cannot do, how they manage. Constraints rarely explicit/written. Managers quickly learn. (List of unwritten values - p. 57). Link between values and managerial behavior is straightforward. ("Ready-aim-fire" vs

"Ready-fire-aim" culture). Culture establishes appropriate/expected behavior. (**Exhibit 2-9, p. 57** - lists Managerial Decisions Affected by Culture: Planning, Organizing, Leading, Controlling aspects).

Planning

- The degree of risk that plans should contain
- Whether plans should be developed by individuals or teams
- The degree of environmental scanning in which management will engage

Organizing

- How much autonomy should be designed into employees' jobs
- Whether tasks should be done by individuals or in teams
- The degree to which department managers interact with each other

Leading

- The degree to which managers are concerned with increasing employee job satisfaction
- What leadership styles are appropriate
- Whether all disagreements—even constructive ones—should be eliminated

Controlling

- Whether to impose external controls or to allow employees to control their own actions
- What criteria should be emphasized in employee performance evaluations
- What repercussions will occur from exceeding one's budget

- **Current Issues in Organizational Culture (p. 58-60):**
  - Creating an Innovative Culture (p. 58): (IDEO, Apple examples). Supportive culture is most important driver of innovation. Goran Ekvall characteristics: Challenge/involvement, Freedom, Trust/openness, Idea time, Playfulness/humor, Conflict resolution (org good vs personal interest), Debates (express opinions), Risk-taking (mgrs tolerate uncertainty, employees rewarded).
  - Creating a Customer-Responsive Culture (p. 58): (Harrah's Entertainment example - service translates to revenue). **Exhibit 2-10 (p. 59)** describes characteristics/suggestions: Type of employee (hire friendly, attentive, good listeners), Type of job env (empowerment, less rigid rules), Role clarity (training on product/skills), Consistent desire to satisfy/delight customers

(commitment to do whatever it takes).

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 doing whatever it takes, even if it's outside an employee's normal job requirements

- Nurturing Workplace Spirituality (p. 58-60): (Southwest, Chick-fil-A, Ford examples). Culture where organizational values promote sense of purpose through meaningful work in context of community. Recognizes people have mind/spirit, seek meaning/purpose, desire connection. Important now: cope with stress, contemporary lifestyles (lack of community).

- **Relevance of Political, Legal, Economic, and Cultural Environments to Global Business (International Management) (p. 14-16, 72-82):**
  - **Management of International Business (p. 14):** Business activities involving transfer of resources, goods, services, knowledge, skills, information across national boundaries. Often extension of domestic, but differences in political, legal, cultural envs make it more difficult/costly.
  - **Skills of International Manager (p. 14-16):**
    1. Conceptual, Human Relations, Technical Skills (p. 14): Conceptual (strategic capabilities - unique/difficult-to-imitate resources like patents, product dev). Human Relations (global HRM - recruiting, evaluating, motivating, training overseas employees, networking with foreign govts; e.g. US supervisor berating Indonesian). Technical (products meet intl standards, align tech/business strategies, efficient use of tech, find solutions for local market).
    2. Ability to Evaluate Host Country Risk (p. 15): Economic risk (openness, inflation, exchange rate, profit repatriation). Political risk (instability, conflict, changes in labor/env laws, disruption by nationalist sentiment, arbitrary govt decision - expropriation, operational curbs like Amway in Japan). While foreign investment encouraged, govt policy diverse.
    3. Ability to Manage Country Risk (p. 15): Proactively manage economic/political risks. Methods: Minimising outright resource commitment, bilateral/multilateral treaties, reciprocal settings for expropriation, avoiding high visibility assets, host country financing, accelerating profit repatriation, staggered tech transfer, strategic alliances with local partner, pacifying nationalist sentiments, OPIC insurance, political support at home/host (lobbying, PR, CSR),

monitoring development. Political risk mgmt: coalition building, advocacy ads, local industry investment.

4. Ability to Exert Pressure on Home Government (p. 15): Assist MNE via dumping, pricing, tied aid/scholarships.
5. Ability to Obtain Legitimacy (p. 15): Acceptance as natural organ in local env. Convince constituencies firm operates as domestic, contributes to local economy, socially responsible. (Airbus ads in US highlighting US suppliers).
6. Knowledge of Legal Environment (p. 15-16): Helps identify key constituencies. "Rules of the game". Concern: competition, marketing/distribution, patent laws, IP rights treaties. Vary in principles, independence, transparency, enforcement.
7. Familiarity with the Host Country's Culture (p. 16): Importance cannot be overemphasized. Influences org design, strategy, mgmt style, HRM, alliances, mergers. (BPO industry language/cultural difficulties).
8. Familiarity with International Monetary System and International Accounting (p. 16): Answers to currency fluctuations. Accounting fundamental (success reflected). Faces different systems (econ, political, legal, cultural, tax). Need to harmonize systems.
9. Knowledge of Human Capital Available in the Host Country (p. 16): Argued more important for service than mfg. Lack -> negative FDI impact. 5 dimensions: availability, experience, quality, compensation level, cultural distance.

- **Global Attitudes (p. 72):**
  - Ethnocentric: Belief home country approaches/practices are best.
  - Polycentric: View that employees in host country know best approaches/practices. Foreign ops different/hard to understand. Let locals figure it out.
  - Geocentric: World-oriented view. Uses best approaches/people from around globe. Requires eliminating parochial attitudes, understanding cross-cultural differences. Type needed for successful global managers. (Carlos Ghosn example).
- **Understanding the Global Environment (p. 72):** Shaped by Regional Trading Alliances and Global Trade Mechanisms.
  - **Regional Trading Alliances (p. 72-75):**
    - European Union (EU) (p. 72-73): Economic/political partnership (27 democratic European countries - Exhibit 3-1 Map p. 73).

Motivation: reassert economic position vs US/Japan. Removed border controls, taxes, subsidies -> economic efficiencies. Euro common currency (16/27 use). Lisbon Treaty to strengthen/unify. Debt crisis (Greece) major issue. Largest unified economy after US.

- North American Free Trade Agreement (NAFTA) (p. 74): Mexican, Canadian, US. Largest trade bloc by combined GDP. Eliminated barriers (tariffs, import licensing, customs fees). Strengthened all three, but Mexico struggled to prosper despite export increase. Still powerful force.
- Other Latin American Agreements (p. 74): Colombia/Mexico/Venezuela pact. US-Central America FTA (CAFTA). US-Colombia deal. FTAA (Free Trade Area of the Americas) - future uncertain. Mercosur (10 S. American countries) exists.
- Association of Southeast Asian Nations (ASEAN) (p. 75): Trading alliance (10 SE Asian nations - Exhibit 3-2 Map p. 75).

EXHIBIT 3-2

ASEAN Map

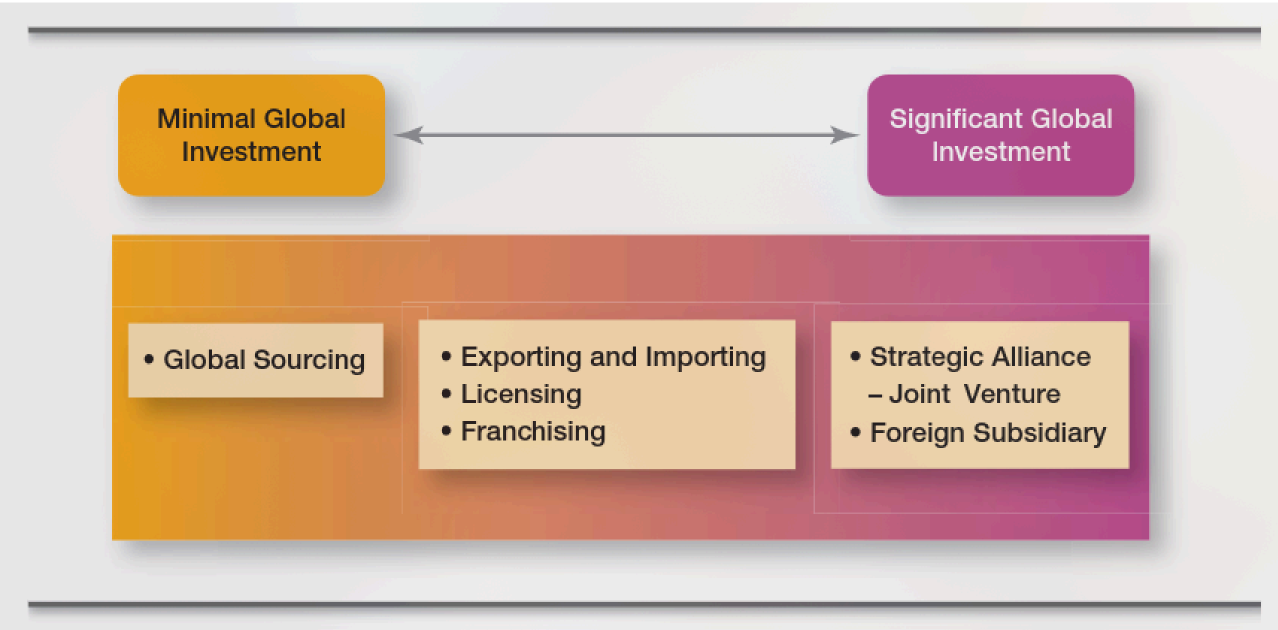
Source: Based on J. McClenahen and T. Clark, "ASEAN at Work," *IW*, May 19, 1997, p. 42.

ASEAN+3 (China, Japan, S.Korea). ASEAN+3 + India/Australia/NZ. Issue: lack of push for regional integration. Closer integration would help economic growth. China-ASEAN FTA (world's 3rd largest). Hope for ASEAN economic community by 2015.

- Other Trade Alliances (p. 76): African Union (AU - 53 nations, vision of integrated/prosperous Africa). East African Community (EAC - common market). South Asian Association for Regional Cooperation (SAARC - 8 states, eliminating tariffs).

- **Global Trade Mechanisms (p. 76-77):** Ensure trade continues efficiently. Interdependence of countries.
  - World Trade Organization (WTO) (p. 76): Global org (153 countries) dealing with rules of trade. Evolved from GATT. Goal: help countries conduct trade via rules. Monitors, promotes, protects global trade. (Airbus subsidy ruling example). Played pivotal role in keeping trade active during global crisis.
  - International Monetary Fund (IMF) (p. 77): Org (185 countries) promoting intl monetary cooperation, provides policy advice, temporary loans, technical assistance (establish/maintain financial stability, strengthen economies).
  - World Bank Group (p. 77): Group of 5 institutions providing financial/technical assistance to developing countries. Goal: promote long-term econ development, poverty reduction. (Helped nations respond/recover from recession).
  - Organization for Economic Cooperation and Development (OECD) (p. 77): Paris-based. Helps 30 member countries achieve sustainable econ growth/employment, raise living standards, maintain financial stability, contribute to world economy development. Negotiates "rules of the game" for intl coop. Shares expertise with developing economies.

- **How Organizations Go International (Structures & Techniques) (p. 78-80):** (Exhibit 3-3, p. 79 - Diagram "How Organizations Go Global")



  - Different Types of International Organizations (p. 78): Multinational Corporation (MNC - maintains ops in multiple countries).

        - Multidomestic Corporation: Decentralizes mgmt/decisions to local country. Reflects polycentric attitude. Local employees manage, strategies tailored. (Nestle, Frito-Lay examples).
        - Global Company: Centralizes mgmt/decisions in home country. Reflects ethnocentric attitude. World market as integrated whole, focus on global efficiency/cost savings. (Sony, Deutsche Bank examples).
        - Transnational or Borderless Organization: Eliminates artificial geographical barriers. Reflects geocentric attitude. (IBM, Ford "One Ford" examples). Increase efficiency/effectiveness.
    - Techniques to Go International (Exhibit 3-3, p. 79):
        - Global Sourcing (Minimal Investment): Purchasing materials/labor from wherever cheapest. Take advantage of lower costs. (MA General Hospital using radiologists in India).
        - Exporting/Importing: Making products domestically/selling abroad (Exporting). Acquiring products abroad/selling domestically (Importing). Minimal investment/risk.
        - Licensing: Org gives another org right to make/sell its products using its tech/specs for lump sum/fee. Primarily manufacturing. (Anheuser-Busch Budweiser licensing to Kirin/Crown Beers).
        - Franchising: Org gives another org right to use its name/operating methods. Primarily service. (Pollo Campero, Dunkin' Brands, Shakey's Pizza).
        - Strategic Alliance (Significant Investment): Partnership btw org & foreign company partner(s). Share resources/knowledge for new products/production facilities.
            - Joint Venture: Specific type of strategic alliance. Partners form separate, independent org for some business purpose. (Honda/GE for jet engine).
        - Foreign Subsidiary: Directly invest in foreign country by setting up separate, independent facility/office. Greatest commitment/risk. Managed as multidomestic (local control) or global (centralized control). (United Plastics Group in China).
- **Managing in a Global Environment (Political/Legal, Economic, Cultural Environments) (p. 80-82):**
    - The Political/Legal Environment (p. 80): US mgrs used to stable system. Changes slow, procedures well-established. Not true for all countries. Must stay informed of specific laws. (Zimbabwe forcing foreign co. sale, China's less welcoming climate, Ikea halting Russia investment due to red tape). Risky political climates. Aon political risk assessment. Political interference fact of life. Differences important.
    - The Economic Environment (p. 80-81): (Parmesan cheese collateral example). Must understand country's type of economic system (Free market vs. Planned economy - no economy purely one or other). Constrains decisions. Other issues: currency exchange rates (MNC profits vary), inflation rates (affect interest, exchange, cost of living, confidence), tax policies (differ, need accurate info).

- The Cultural Environment (p. 81-82): Managing global workforce challenging. (Mexican plant fiesta example, US/French engineer e-mail miscommunication). National culture (values/attitudes shared by individuals shaping behavior/beliefs). More impact than org culture on employees (German employees at IBM reflect German culture more). Difficult for natives to explain own culture. (Exhibit 3-4, p. 82 - "What Are Americans Like?" lists characteristics).

Some topics added some removed...