

#### FACULTATEA de INGINERIE ELECTRICA

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# Management and communication

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## **CHAPTER I**

## MANAGEMENT AND MANAGERS

- 1.1. Management concept
- 1.2. Managerial functions
- 1.3. Managers:
  - Who are the managers?
  - Types of managers
  - Managerial roles
  - Managerial skills
- 1.4. Challenges facing contemporary management



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## 1.1. The concept of management

*Management* = polysemantic concept

- Latin: manus (hand, to maneuver, to manipulate)
- Italian: maneggiare (to maneuver) and maneggio (handmade)
- French: manege (special place where horses are trained, where one can learn how to ride a horse etc.)
- *English: to manage* (be successful; achieve a goal; be in charge of, act on, or dispose of; come to terms or deal successfully with; watch and direct; carry on or manage; achieve something by means of trickery or devious methods (see <a href="http://www.dictionary30.com/meaning/Manage">http://www.dictionary30.com/meaning/Manage</a>)

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### Some common definitions::

- set of leading, organizational and managerial techniques;
- all leaders of an organization;
- the process of coordinating human, informational, physical and financial resources in order to achieve the organization's goals;
- the process of gathering and combining human, financial and physical resources in order to achieve the primary goal of the organization;
- the combination of policy and administration, on the one hand and people who decide and supervise the achievement of the company's objectives and its stability and growth, on the other hand

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- to conduct a complex activity towards a particular purpose;
- the act or art of leading; judicious use of resources to achieve goals;
- the science of organizing and managing a company;
- organizational and managerial activities in order to adopt the optimal decisions in the design and regulation of microeconomic processes;
- the planning, organization, coordination and control process of the resources deployed in order to achieve the proposed performance;



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- (P. Drucker) 'Management is a useful knowledge just like engineering or medicine, and as such, must first be developed as practice'
- Contemporary management is a practice which combines art and science

It is an art because it is based on the experience accumulated over time and the personal qualities of managers

It is a science because it is based on the principles, methods and management styles developed by the scientific discipline of management.



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## A synthetic definition:

Management is a complex and dynamic process, of coordinating through decisions the group effort in order to achieve effective and efficient predetermined goals, taking into account the internal and external organization's environmental changes.



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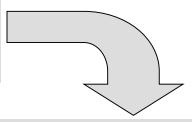
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### 1.2. Management functions

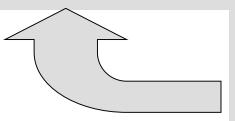
## **Planning**

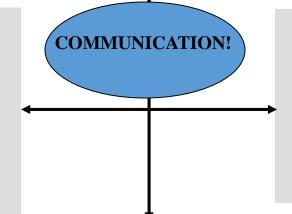
Planning involves defining a goal and determining the most effective course of action needed to reach that goal.



## **Controlling**

Controlling involves
establishing performance
standards and monitoring the
output of employees to ensure
each employee's performance
meets those standards



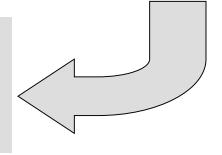


## **Organizing**

Organizing involves
designating tasks and
responsibilities to employees
with the specific skill sets
needed to complete the tasks.

## **Coordinating**

Coordinating controls all the organizing, planning and staffing activities of the company.





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## Planning

■ The planning function of management controls all the planning that allows the organization to run smoothly. Planning involves defining a goal and determining the most effective course of action needed to reach that goal. Typically, planning involves flexibility, as the planner must coordinate with all levels of management and leadership in the organization. Planning also involves knowledge of the company's resources and the future objectives of the business.

## 3 steps to successful planning:

- a) What goals should be set and tracked?
- b) How can the goals be achieved?
- c) How should the resources be allocated?



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## Organizing

■ The organizing function controls the overall structure of the company. The organizational structure is the foundation of a company; without this structure, the day-to-day operation of the business becomes difficult and unsuccessful. Organizing involves designating tasks and responsibilities to employees with the specific skill sets needed to complete the tasks. Organizing also involves developing the organizational structure and chain of command within the company.



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## Coordinating

The coordinating function controls all the organizing, planning and staffing activities of the company and ensures all activities function together for the good of the organization. Coordinating typically takes place in meetings and other planning sessions with the department heads of the company to ensure all departments are on the same page in terms of objectives and goals. Coordinating involves communication, supervision and direction by management.



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## Controlling

The controlling function of management is useful for ensuring all other functions of the organization are in place and are operating successfully. Controlling involves establishing performance standards and monitoring the output of employees to ensure each employee's performance meets those standards. The controlling process often leads to the identification of situations and problems that need to be addressed by creating new performance standards. The level of performance affects the success of all aspects of the organization.



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## Communication

■ Effective communication is one in which the message is complete, concise, clear, concrete, courteous, correct and shows consideration for the receiver (*The 7 Cs of effective communication*, http://www.managementstudyguide.com/seven-cs-of-effective-communication.htm)



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## 1.3. Managers of organizations

The manager is the person carrying out the activities required by the management process

Types of managers

- 1. Based on the organizational level they are situated on:
- first-line managers
- *middle* managers
- top managers
- 2. Based on the nature of the activity they coordinate:
- functional managers
- general managers

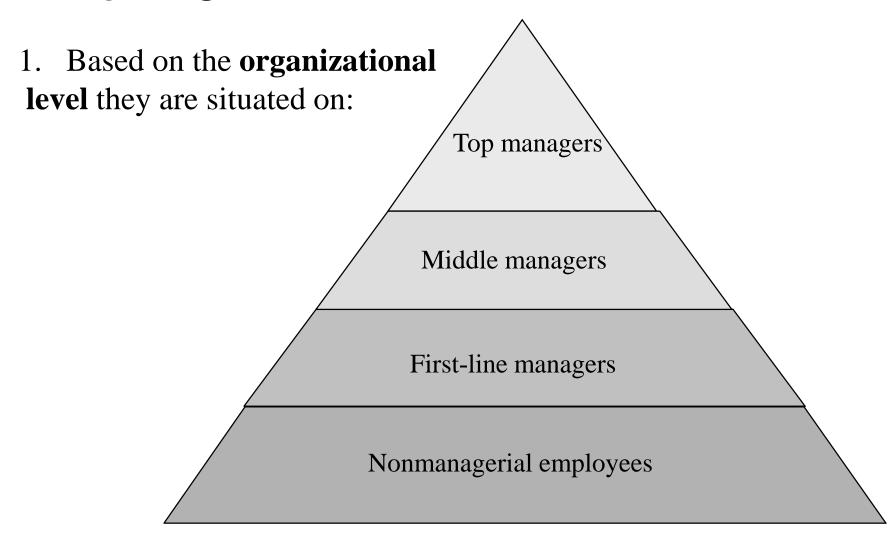


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## Managerii organizației





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- First-line managers: foreman, team leader, supervisor, head of department
- are directly responsible of the production of goods and services
- Middle managers: dean of faculty, division manager, plant manager, head of subsidiary
- responsible for departments, divisions; have knowledge, skills to develop and implement plans, strategies and relevant global policies
- **Top managers:** CEOs
- establish objectives, strategies and policies throughout the organization; represents the organization in relations with partners, local government; are responsible for the overall decision-making processes of the organization



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Types of managers

Organizational level	Position	Title
Top managers	Executives	Chairman Vice President, Production Vice President, Sales Vice President Human Resources Chief accountant
Middle managers	Managers/Directors	Production manager Sales manager Human Resources manager
First-line managers	Supervisor	Head of office Head of shop Regional Sales Manager



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## The main responsibilities of first-line management

1.	Schedule meetings and draw up work schedules
2.	Clarifies goals and tasks, collecting ideas for improvement
3.	Evaluates the performance of the group members and gives them tips
4.	Recommends wage growth and distribution of new tasks for their group
5.	Recruits, trains and develops the group members
6.	Encourages high performance and teamwork
7.	Inform members of the group on the goals and expectations of the organization
8.	Inform higher levels of management on the needs and achievements of their group



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## The main responsibilities of middle management

1.	Establish department / division goals in order to achieve the vision of the organization
2.	Meet with top executives to communicate the successes / failures of the departments and suggest strategic alternatives for achieving the organization's goals
3.	Advises and supports first-line managers
4.	Motivate first-line managers
5.	Participate in the recruitment and selection process of first-line managers
6.	Name first-line managers
7.	Introduce the first-line managers to the other employees
8.	Make proposals and participate in the dismissal of ineffective first-line managers

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## The main responsibilities of top management

- 1. Create and maintain the organization's values and norms
- 2. Secure strategic objectives and set the directions of action
- 3. Procure, develop and allocate rationally material, financial, informational and human resources
- 4. Negotiating with shareholders or owners of the organization
- 5. Inform employees and control activities / operations



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For example, The Charter of UTCN provides that the management structures of the Technical University of Cluj-Napoca is:

- a) University Senate and the Board of Directors at the university level;
- b) Faculty Council;
- c) Department Council;

and the management functions are:

- a) rector, vice-rectors, general administrative director at the university level;
- b) dean, vice-deans at the faculty level;
- c) head of department at department level (Art. 74 and 75, Charter UTCN, http://old.utcluj.ro/download/2012\_CARTA\_UTCN.pdf).



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### 2. Based on the nature of the activity they coordinate:

- Functional manager is a person who has management authority over an organizational unit—such as a department—within a business, company, or other organization.
- General manager: is responsible for all areas and oversees all of the firm's functions and day-to-day business operations. The general manager has to communicate with all departments to make sure the organization performs well. He performs a hard, stressful and demanding work characterized by:
- a) importance to the organization their decisions and actions have important consequences on the state of the organization
- b) knowledge complexity unpredictability and lack of order in tackling and solving problems



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## Some examples of functional managers and their main responsibilities / duties:

*Production managers* have responsibilities for creating the most efficient systems for planning, production of the goods and services, utilization of production capacity, productivity tracking and control, quality, stocks etc.

*Financial / accounting managers* exercise management functions relating to the conduct of the limited resources of the organization.

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*Marketing managers* coordinate the activities through which supply and demand meet, ie, the activities in which:

- organization "is" about the needs and desires of their market and as such develop products / services;
- potential and actual customers of the organization analyze, compare and decide to buy and use the products and services of the organization Examples of coordinated activities: research and development of new products, market research, developing strategies and tactics related to the marketing mix: product, price, distribution, promotion.

*HR managers* have roles and responsibilities related to recruitment, selection employment and development of human resources, motivating them, using the most efficient evaluation systems etc.

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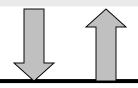


The nature of business has an impact on the number and names of the functional areas.

Thus, if functional areas such as human resources and finance/accounting are present in all types of organizations, and the marketing in most of them, the production area is not generally found in other organizations than those producing goods.

Typically, in large organizations, there are other functional areas than those mentioned above. For example, IT, procurement, import/export, research and development or public relations.

## **CUSTOMERS** – final beneficiaries of the organization's efforts



Nonmanagerial employees— directly affect customer satisfaction

**First-line and middle managers**– support employees in tasks and solving problems

**Top managers** – ensures the mission and goals of the organization

Inverted managerial pyramid



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## Managerial roles

- A role is a set of specific tasks performed by a person, in accordance with the position he/she holds
- The roles are fulfilled in relationships with the inside and outside of the organization
- There are three categories of managerial roles:
  - interpersonal
  - informational
  - decisional



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**INTERPERSONAL** MANAGERIAL ROLES **INFORMATIONAL** (H. Mintzberg, The Nature of Managerial Work) **DECISIONAL** 



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## **Interpersonal roles**

- The managerial roles in this category involve **providing** information and ideas.
  - *Figurehead:* As a manager, you have social, ceremonial and legal responsibilities. You're expected to be a source of inspiration. People look up to you as a person with authority, and as a figurehead.
  - Leader: This is where you provide leadership for your team, your department or perhaps your entire organization; and it's where you manage the performance and responsibilities of everyone in the group.
  - *Liaison:* Managers must communicate with internal and external contacts. You need to be able to network effectively on behalf of your organization.



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## Informational roles

- The managerial roles in this category involve **processing** information.
  - *Monitor:* In this role, you regularly seek out information related to your organization and industry, looking for relevant changes in the environment. You also monitor your team, in terms of both their productivity, and their well-being.
  - *Disseminator:* This is where you communicate potentially useful information to your colleagues and your team.
  - **Spokesperson:** Managers represent and speak for their organization. In this role you're responsible for transmitting information about your organization and its goals to the people outside it.



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## **Decisional roles**

- The managerial roles in this category involve **using** information.
  - Entrepreneur: As a manager, you create and control change within the organization. This means solving problems, generating new ideas, and implementing them.
  - *Disturbance handler:* When an organization or team hits an unexpected roadblock, it's the manager who must take charge. You also need to help mediate disputes within it.
  - **Resource allocator:** You'll also need to determine where organizational resources are best applied. This involves allocating funding, as well as assigning staff and other organizational resources.
  - *Negociator:* You may be needed to take part in, and direct, important negotiations within your team, department, or organization.



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## Skills of an effective manager

Skills - qualities, innate and acquired characteristics of the manager, which determines the efficiency of the management process

- Conceptualization skills the ability to analyze and diagnose situations, decisional problems, to distinguish between cause and effect, to perceive the organization as a whole
- **Technical skills** knowledge and specific skills that allows operation with concrete methods, techniques and specialized equipment
- Skills of initiation, development and completion of human relationships



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## 1.4. Challenges facing contemporary management

- Increasing number of global organizations
- Creating competitive advantage through high-efficiency, quality, innovation and proactive attitude
- Increased importance of the ethical dimension of managerial behavior
- Diversification of the workforce
- Expanding the use of new technologies
- Enrichment of work: broadening the responsibilities of employees



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## The impact of information systems and technologies:

- ✓ Flattening organizations
- ✓ Horizontal flows of information

## Barriers in the implamentation of modern information systems:

- ➤ Technological difficulties most devices use different technology standards, making communication difficult between them
- > Resistance from individuals
- ➤ The political opposition from managers who see their authority threatened by horizontal flows of information and the flattening of the organization



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## CHAPTER II ORGANIZATION'S ENVIRONMENT

- 2.1. Internal organizational environment
- 2.1.1. Organizational culture
- 2.1.2. Company's social responsability
- 2.2. External organizational environment
- 2.2.1. General environment(macroenvironment)
- 2.2.2. Specific environment(microenvironment)



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## GOOGLE:

https://www.youtube.com/watch?v=rWlHtvZHbZ8

http://www.youtube.com/watch?v=9No-FiEInLA



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## 2.1. Internal organizational environment

The internal environment within the organization include the elements that characterize relations between employees and between these and the managers of the organization; relationships that can be controlled by managers:

- mission of the organization (identity and purpose of its existence)
- human resources (employees, managers)
- infrastructure (buildings, artifacts)
- organizational culture ("atmosphere" in which work is carried out)
- the organization's resources (other than humans)
- policies and rules of the organization, its structures and formal and informal networks
- philosophy and management & leadership styles
- social responsibility of the organization
- etc.



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## Organizational culture:

- is embodied in a set of values, concepts, beliefs shared by members, social networks, myths, rituals and organizational climate ("atmosphere") in which work is carried out in the organization
- defines the manner (accepted by itself / taken for granted) in which an organization sees itself and its environment (Schein, 1985)
- Confers personality to it's organization; distinguishes it from all other organizations



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## Examples for a technical university:

- stimulating, motivating teachers to produce inventions, innovations, patents; can be a value which characterizes the organizational culture
- the custom to give honorary titles, medals etc. to teachers with outstanding achievements (see Handbook of UTCN: <a href="http://www.utcluj.ro/universitatea/despre/informatii-publice/">http://www.utcluj.ro/universitatea/despre/informatii-publice/</a>)
- creating social networks where employees learn about and pass on myths, values and beliefs shared by the university



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Morals and employees' attitudes make relationships and daily interactions work and create a positive or negative climate ("atmosphere") within the organization

- for example, if competition and individualism are dominant the relations between members and the climate is a stressful one, while if there is cooperation, empathy and assertiveness, the climate is a relaxed and pleasant one
  - Some elements of culture are *visible* (e.g, symbols, practices or artifacts), others are *invisible*, hard to identify (assumptions, beliefs, shared values)

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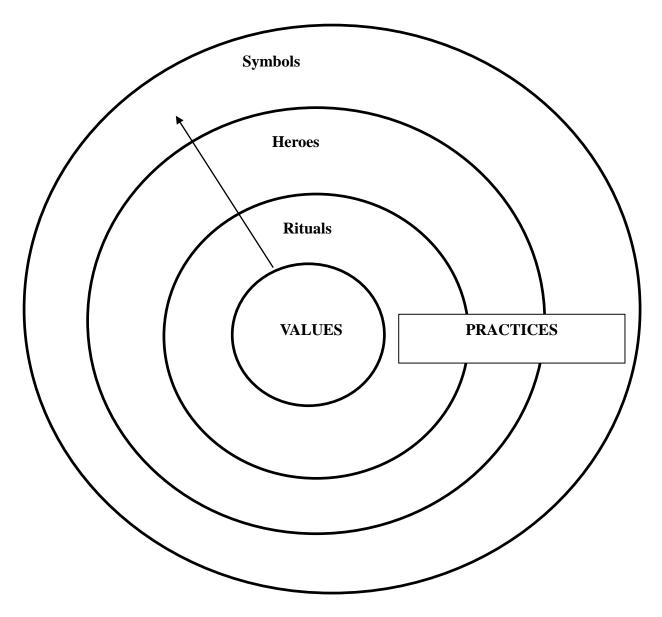
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Based on the research funded by IRIC (Institute for Research on Intercultural Cooperation, the Netherlands) from 1985 to 1987, Geert Hofstede, states:

if national cultures are distinguished based on the values shared by individuals of that nation, organizational cultures are distinguished based on the practices learned by employees at their working place and abandoned once they leave the organization.

When employed, individuals bring with them values already learned.



Geert Hofstede's components of the organizational culture / The "onion diagram"

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Symbols are words, gestures, pictures or objects that carry a particular meaning which is only recognized by those who share the culture. The words in a language or jargon belong to this category, as do dress, hairstyles, flags. New symbols are easily developed and old ones disappear.

Heroes are persons, alive or dead, real or imaginary, who possess characteristics which are highly prized in a culture, and who thus serve as models for behavior.

Rituals are collective activities, technically superfluous in reaching desired ends, but which, within a culture, are considered as socially essential: they are therefore carried out for their own sake. Ways of greeting and paying respect to others, social and religious ceremonies are examples.

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Symbols, heroes, rituals can be subsumed under the term *practices*.

The core of culture is formed by *values*. Values are broad tendencies to prefer certain states of affairs over others. Values are feelings with an arrow to it: they have a plus and a minus side.

They deal with: evil vs. good; dirty vs. clean; ugly vs. beautiful; unnatural vs. natural; abnormal vs. normal; paradoxical vs. logical; irrational vs. rational.

Because values are acquired so early in our lives, many values remain unconscious to those who hold them.

Therefore they cannot be discussed, nor can they be directly observed by outsiders. They can only be inferred from the way people act under various circumstances.

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In 1965 Hofstede founded the personnel research department of IBM Europe (which he managed until 1971). Between 1967 and 1973, he executed a large survey study regarding national values differences across the worldwide subsidiaries of this multinational corporation: he compared the answers of 117,000 IBM matched employees samples on the same attitude survey in different countries. He first focused his research on the 40 largest countries, and then extended it to 50 countries and 3 regions, "at that time probably the largest matched-sample cross-national database available anywhere." The theory was one of the first quantifiable theories that could be used to explain observed differences between cultures.

This initial analysis identified systematic differences in national cultures on four primary dimensions: power distance (PDI), individualism (IDV), uncertainty avoidance (UAI),masculinity (MAS) and later discovered a fifth dimension long term orientation (LTO)

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## Hofstede's cultural dimensions

Power distance index (PDI): The Power Distance Index is defined as "the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally." In this dimension, inequality and power is perceived from the followers, or the lower level. A higher degree of the Index indicates that hierarchy is clearly established and executed in society, without doubt or reason. A lower degree of the Index signifies that people question authority and attempt to distribute power.



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Uncertainty avoidance index (UAI): The Uncertainty Avoidance Index is defined as "a society's tolerance for ambiguity," in which people embrace or avert an event of something unexpected, unknown, or away from the status quo. Societies that score a high degree in this index opt for stiff codes of behavior, guidelines, laws, and generally rely on absolute Truth, or the belief that one lone Truth dictates everything and people know what it is. A lower degree in this index shows more acceptance of differing thoughts/ideas. Society tends to impose fewer regulations, ambiguity is more accustomed to, and the environment is more free-flowing

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Masculinity vs. femininity (MAS): In this dimension, masculinity is defined as "a preference in society for achievement, heroism, assertiveness and material rewards for success." Its counterpart represents "a preference for cooperation, modesty, caring for the weak and quality of life." Women in the respective societies tend to display different values. In feminine societies, they share modest and caring views equally with men. In more masculine societies, women are more emphatic and competitive, but notably less emphatic than the men. In other words, they still recognize a gap between male and female values. This dimension is frequently viewed as taboo in highly masculine societies



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Individualism vs. collectivism (IDV): This index explores the "degree to which people in a society are integrated into groups." Individualistic societies have loose ties that often only relates an individual to his/her immediate family. They emphasize the "I" versus the "we." Its counterpart, collectivism, describes a society in which tightly-integrated relationships tie extended families and others into in-groups. These in-groups are laced with undoubted loyalty and support each other when a conflict arises with another in-group



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Long-term orientation vs. short-term orientation (LTO): This dimension associates the connection of the past with the current and future actions/challenges. A lower degree of this index (short-term) indicates that traditions are honored and kept, while steadfastness is valued. Societies with a high degree in this index (long-term) views adaptation and circumstantial, pragmatic problem-solving as a necessity. A poor country that is short-term oriented usually has little to no economic development, while long-term oriented countries continue to develop to a point



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## Hofstede's types of organizational culture:

## 1. Process-oriented versus result-oriented

As the name implies the foundation of a process-oriented culture is generally an elaborate system of technical and bureaucratic routines. In contrast, a result-oriented culture focuses primarily on achieving the desired results or outcomes and is not terribly concerned with the process that are used to meet the goals and objectives of the organization.



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## 2. Job-oriented versus employee-oriented

An organization with job-oriented culture limits its responsabilities towards employees to their job performance while an organization that is employee-oriented takes a broader view of its responsibility to employee including an obligation to watch out for their overall well-being.



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## 3. Professional versus parochial

In organizations with a professional culture the members, who typically are highly educated with degrees in organized professional, scientific and engineering disciplines, tend to identify primarily with their professions. In contrast, the members of parochial organizations are reliant on the organization itself for their identity.



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## 4. Open systems versus closed systems

This dimension focuses on identifying and classifying the styles commonly used with the organization for internal and external communications and the ease with which outsiders and newcomers are admitted and integrated into the organization



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## 5. Tight versus loose control

This dimension focuses on the level of importance given by the organization and its members to formality and punctuality and appears to be influenced, at least in part, by the technology deployed within the organization.

Tighter control are found among banks and pharmaceutical companies and looser control among research laboratories and advertising agencies.



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## 6. Pragmatic versus normative

The dimension focuses on the methods most commonly used by organization in dealing with its environment in general and with customers in particular.

Organizations involved in the sales of services tend to be more pragmatic while those that are engaged in the application of laws and rules are more normative.



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**GLOBE's cultural dimensions** (Global Leadership and Organizational Behavior Effectiveness) (House et al, 2004; Chhokar et. Al, 2007):

- 1. Power Distance: The degree to which members of a collective expect power to be distributed equally.
- 2. Uncertainty Avoidance: The extent to which a society, organization, or group relies on social norms, rules, and procedures to alleviate unpredictability of future events.
- 3. Humane Orientation: The degree to which a collective encourages and rewards individuals for being

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**4. Collectivism I: (Institutional)** The degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action.

- **5. Collectivism II: (In-Group)** The degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families.
- **6. Assertiveness:** The degree to which individuals are assertive, confrontational, and aggressive in their relationships with others

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7. Gender Egalitarianism: The degree to which a collective minimizes gender inequality.

**8. Future Orientation:** The extent to which individuals engage in future-oriented behaviors such as delaying gratification, planning, and investing in the future.

**9. Performance Orientation:** The degree to which a collective encourages and rewards group members for performance improvement and excellence.

Cameron Kim's & Quinn Robert's (Cameron, K.S. and Quinn, R.,E.,1999, Diagnosing and Changing Organizational Culture. Reading, MA: Addison Wesley) cultural dimensions:

- 1. dominant characteristics
- 2. organizational leadership
- 3. management of employees
- 4. organization glue
- 5. strategic emphases
- 6. criteria of success

These dimensions are measured with the instrument (questionnaire) Organizational Culture Assessment Instrument (OCAI). The questionnaire allows one to characterize the present and the desired culture.



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Watch: <a href="http://www.ocai-online.com/downloads/videos/Organizational-Culture-Assessment-Instrument">http://www.ocai-online.com/downloads/videos/Organizational-Culture-Assessment-Instrument</a>

You can fill the OCAI out: <a href="http://www.ocai-online.com/ocai/one/introduction">http://www.ocai-online.com/ocai/one/introduction</a>

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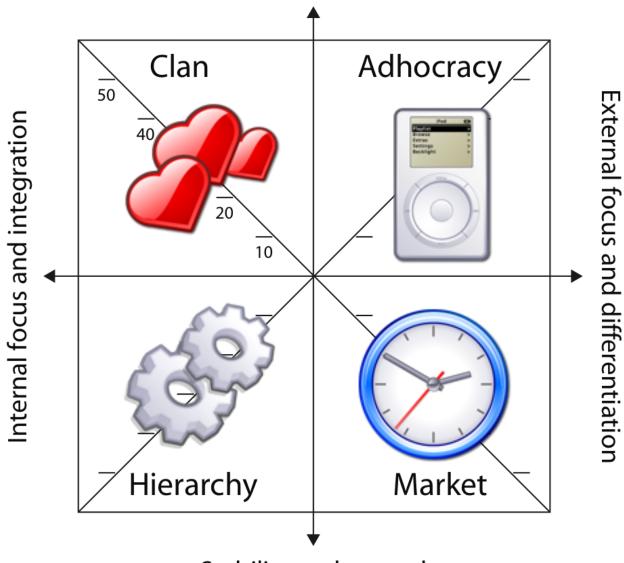


From a list of thirty-nine indicators of effectiveness for organizations, two vital dimensions were discovered by statistical analysis.

Cameron and Quinn made four quadrants corresponding with the four organizational cultures that differ deeply on these two dimensions:

- a) Internal focus and integration vs External focus and differentiation
- b) Stability and control vs Flexibility and discretion

## Flexibility and freedom to act



Stability and control

Sursa: <a href="http://www.ocai-online.com/category/competing-values-framework">http://www.ocai-online.com/category/competing-values-framework</a>



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## The Clan Culture

are effective

This working environment is a sociable one. People have a lot in common, and it's like one big family. The executives are seen as mentors or maybe even as father figures. The organization is held together by commitment and tradition. There is great involvement. The organization emphasizes durable Human Resource development and connects fellow workers by morals. Success is identified within the framework of addressing the needs of the clients and caring for the people. The organization encourages teamwork, participation, and consensus. Leader Type: facilitator, mentor, team builder Value Drivers: Commitment, communication, development Theory of Effectiveness: Human Resource development and involvement

Quality Improvement Strategy: Empowerment, team building, employee participation, Human Resource development, open communication

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## **The Adhocracy Culture**

This is a energetic and creative working environment. Employees take risks. Leaders are innovators and risk takers. Experiments and innovation are the bonding materials within the organization. Prominence is emphasized. The long-term goal is to grow and treate new resources. The availability of new products or services is seen as an achievement. The organization encourages individual ingenuity and freedom.

Leader Type: Innovator, entrepreneur, visionary

Value Drivers: Innovative outputs, change, agility

Theory of Effectiveness: Innovativeness, vision and new resources are effective

Management Theory: Surprise and delight, creating new standards, anticipating needs, continuous improvement, finding creative solutions

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## **The Market Culture**

This is a results-based organization that highlights completing work and getting things done. People are competitive and concentrated on goals. Leaders are hard drivers, producers, and competitors at the same time. They are tough and have high expectations. The importance of winning keeps the organization together. Reputation and success are the most important. Long-term focus is on rival activities and reaching goals. Market penetration and stock are the definitions of success. Competitive prices and market leadership are key. The organizational style is based on competition.

Leader Type: Hard driver, rival, producer

Value Drivers: Market share, goal achievement, profitability

Theory of Effectiveness: Aggressively competing and customer focus are effective Quality Improvement Strategy: Measuring client preferences, improving productivity, creating external partnerships, improving competiveness, getting customers and suppliers to participate

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## **The Hierarchy Culture**

This is a formalized and structured work environment. Procedures decide what people do. Leaders are proud of their efficiency-based coordination. Keeping the organization functioning effortlessly is most crucial. Formal rules and policy keep the organization together. The lasting goals are stability and results, paired with efficient and smooth execution of tasks. Trustful delivery, smooth planning, and low costs are the characterization of success. The personnel management has to guarantee work and values predictability.

Leader Type: Coordinator, monitor, organizer

Value Drivers: Efficiency, timeliness, consistency, and uniformity

Theory of Effectiveness: Control and efficiency with capable processes are effective

Quality Improvement Strategy: Error detection, measurement, process control, systematic problem solving, quality tools



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## For a better understanding watch:

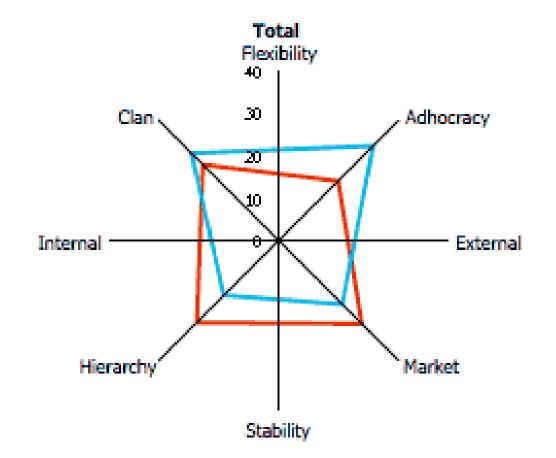
<a href="http://www.ocai-online.com/downloads/videos/4-Culture-Types-in-Competing-Values-Framework">http://www.ocai-online.com/downloads/videos/4-Culture-Types-in-Competing-Values-Framework</a>

The test taker must split 100 points over a total of four descriptions that matches the four culture types

Based on these scores, OCAI allows tou to see the profile of the "actual" and the "preferred" organizational culture:

A culture profile illustrates the following:

- 1. The dominant culture
- 2. The strength of the dominant culture (the amount of points given)
- 3. Discrepancy between present and preferred culture
- 4. The congruency of the six features. Cultural incongruence frequently leads to a desire to change, because different values and goals can take a lot of time and debate
- 5. Evaluation of the culture profile with the average for the sector
- 6. Comparison with average tendencies; in what phase of development is the organization?



	now	preferred
clan	25.23	29.04
adhocracy	19.78	31.48
market	27.68	21.20
hierarchy	27.30	18.27

Existing versus preferred cultural profile



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Harrison and Stokes (Harrison, R. & Stokes, H. 1992, Diagnosing Organizational Culture. Amsterdam: Pfeiffer & Company) define the four dimensions of organisational culture as follows:

- a) Power dimension: Describes an organisational culture that is based on inequality of access to resources. It has a single source of power from which rays of influence spread throughout the organisation. This means that power is centralised and organisational members are connected to the centre by functional and specialist strings.
- b) Role dimension: This type of culture focuses mainly on job description and specialisation. In other words, work is controlled by procedures and rules that underlie the job description, which is more important than the person who fills the position.

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- c) Achievement dimension: This often refers to a task culture, which entails organisational members focusing on realising the set purpose and goals of the organisation. The main strategic objective of this culture is to bring the right people together, in order to achieve the organisational goals.
- d) Support dimension: Describes an organisational climate that is based on mutual trust between the individual and the organisation. A support-oriented organisation exists solely for the individuals who comprise it, and may be represented diagrammatically as a cluster in which no individual dominates.



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Watch: It is all about culture – what is organizational culture?

https://www.youtube.com/watch?v=sO2vNyBroco
(5.45 min)

RECOMMENDATION: Dorin Bodea, Values of Romanian employees, 2013

**Publisher: Result** 

### Romanians core values, shared mostly by self and others are:

- financial gain
- power
- recognition of the other
- fame
- promotion
- freedom
- peace
- •competition.

In todays cultural context Romanians value "who I am" rather than "what I do"

The ideal values, symbolizing personal and professional success are:

- privacy,
- honesty
- excellence

**Structural values**, that mostly influence all others, are:

- excellence and perfectionism,
- honesty and integrity,
- affiliation and interdependence,
- power and fame,
- adventure and experimentation

Work and morality are among the least valued by most of Romanians.



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Within large organizations different group cultures (subcultures) develop. These cultures reflect the values, beliefs, principles and behaviors accepted and appropriated by members of a department, business unit, etc., giving that group a particular identity.

These cultures have to be known, so as not to contradict the mission of the organization and not reduce the efficiency and effectiveness of the organization

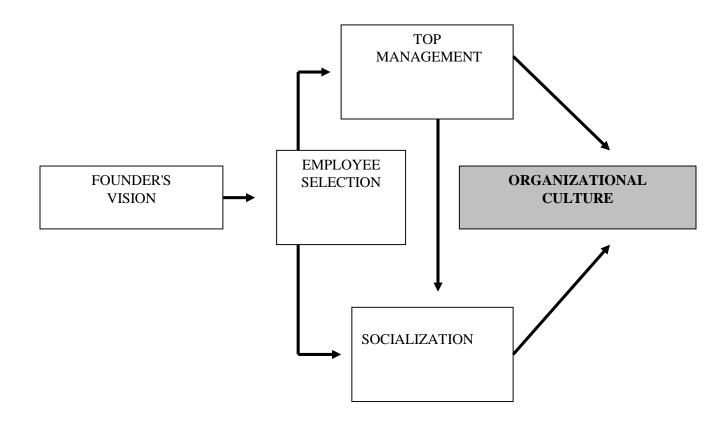


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# Creating an organizational culture is a long process that involvs many factors





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### Culture is not static, immutable !!

- The culture has to be adjusted or changed when the beliefs, values and ways of behavior learned stop to give results or when the external environment demands different reactions and attitudes of the organization

**Example:** in the case of a merger with another organization in the event of absorption by another organization in case of major crises etc.



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### Manager's role in shaping the organizational culture

- The founder lays the foundation for the company's culture; the dominant traits of his personality; the values he believes in; the attitude towards others and work; their emotional intelligence

- All members contribute to the preservation and development of culture, but managers through the multiple roles they fulfill within the organization play an important role in this regard. They predetermine and shape the culture through the values and norms they promote. For example, some encourage and promote risk taking, innovativeness, others, strict compliance, conservatism

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- The ability of top management to effectively communicate the need for change and its effects on employees; to play the role of mentor, coach; to design and implement a reward system; identify and harness the opportunities that appear during any crisis; overcome some resistance to change etc. determines the success of organizational culture change

- Culture is formed, develops and is transmitted to the members of the organization through values, ceremonies, rituals, language, specific facts or myths about their heroes (see, eg. Stories of McDonald's founder, Ray Kroc)



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Watch: Bourne, H., Jenkins, M, Organizational values: A dynamic perspective (2013), Organization Studies, 34 (4), 495-514

https://dspace.lib.cranfield.ac.uk/bitstream/1826/8011/1/Organizational\_values.pdf



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## **Corporate social responsability**

Growing number of scandals about companies that have legitimate businesses, but that act socially irresponsible: false advertising; illusory price discounts; unresolved warrantees; toxic spills into the soil, air, rivers, lakes etc.

### **Business ethics and CSR**

The term "ethics" comes from the Greek "ethos" = character, custom (Shaw and Barry, op.cit, p.3).

### **Ethics** is defined in various ways:

- -"Study of morality" (Velasquez 1998, p.7);
- -"Insight into the nature and foundations of morality, morality is understood as moral judgment, standards and rules of conduct of business" (Ferrell and Fraedrich 1997, p.5);
- -"Code of moral principles and values that govern the behavior of a person or group, in relation to what is good or evil" (Daft, op.cit, p. 326)

Business ethics "principles and moral standards that guide the behavior in the business world" (Ferrell and Fraedrich, op.cit, p. 6)

Corporate social responsibility (CSR) is: "an organization's obligation to maximize its positive impact, and minimize its negative impact, on society" (Ferrell and Fraedrich, p. 67).

Corporate social responsibility is a multidimensional construct comprising four subsets of (Carroll, 1989, pp 30-33; Ferrell and Fraedrich, ibid, p.6):

- *economic*: The economic responsibilities of a business are to produce goods and services that society needs and wants at a price that can perpetuate the business and satisfy its obligations to investors. Thus social responsibility, as it relates to the economy, encompasses a number of specific issues including how businesses relate to competition, shareholders, consumers, employees, the local community and the physical environment
- ethical: Ethical responsibilities are those behaviours or activities expected of business by society -- yet not codified in law. This subset of corporate social responsibilities may be interpreted as expressing the 'spirit of the law' vis-à-vis the 'letter of the law' in the previous case

- *legal*: The legal responsibilities of businesses are simply the laws and regulations they must obey. It is the bare minimum required of business organizations by society in return for allowing them to obtain the inputs they need from the environment, transform inputs into outputs and dispose of outputs -- in the form of goods and services acquired by consumers in order to satisfy their individual needs and wants. The legal dimension of corporate social responsibility thus refers to obeying local, national and international law regulating competition (procompetitive legislation) and protecting: workers' human rights (equity and safety legislation); the consumer (consumer protection legislation); and the natural environment (environmental protection laws).
- voluntary philanthropic responsibilities are those behaviours and/or activities desired of business by society and referring to business contributions to society in terms of quality of life and society's welfare - for example, giving to charitable organizations and/or supporting community projects.

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**Bowen** (1953) – "its refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society".(Bowen H, 1953, Social Responsibilities of the Businessmen, Harper/Row, New York).

**Drucker** (1954) impactul fiecărei politici şi acţiuni asupra societăţii Drucker explicitly included the public responsibility among the fundamental elements of a company's objectives. He believes that along with the responsibility of the management towards society to make profit, it needs to take into consideration the impact of each policy and actions on the society (Drucker, P.F.,1954, The Practice of Management, Harper & Row, New York)

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**Friedman** (1970): "The Social Responsibility of Business is to Increase its Profits" (Friedman, M., 1970, The Social Responsibility of Business Is to Increase its Profits, New York Times, p. 122-126)

**Carroll** (1983): "corporate social responsibility involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive. To be socially responsible then means that profitability and obedience to the law are foremost conditions when discussing the firm's ethics and the extent to which it supports the society in which it exists with contributions of money, time and talent" (Carroll, A. B. 1983, Corporate social responsibility: Will industry respond to cutbacks in social program funding? Vital Speeches of the Day, 49, p. 604-608).

- ! CSR is a comprehensive set of policies, practices and programs integrated in the activity and decision-making process of the company, designed to maximize the positive, long-term impact on the organization for all its social partners (internal environment: shareholders, managers and non-managers, unions and external environment: customers, suppliers, allies, competitors, local and national community, natural environment etc.)
- "Social partners" stress the fact that the organization's relations with all of these must be a "win-win" one. In these relationships, the partners "do good" through their contribution in the work process and organization "does good" through products, services, profit.

CSR means doing well by doing good!



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EXAMPLES: PETROM, VODAFONE



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A socially responsible behavior implies that in the decision-making process the managers should adopt ethical decisions, taking into account the expectations of all its social partners

Rules of an ethical decision (T. M. Jones, 1991, Ethical decision making by individuals in organization: An issue contingent model, Academy of Management Journal, 16, 366-395):

• rule utilitarianism is a form of utilitarianism that says an action is right as it conforms to a rule that leads to the greatest good, or that "the rightness or wrongness of a particular action is a function of the correctness of the rule of which it is an instance".

 rule of respecting moral rights: even if the decision favors and protects a social partner / group, it must respect the fundamental rights of the other partners

 rule of justice: an ethical decision should distribute benefits and damages in an impartial, fair, equitable, non-discriminatory (eg salary for the same position should not differ by gender, ethnicity or religion; as, promotion opportunities should be accessible to all who have the same level of qualification and skills)

• practice rule (advertising): a decision consistent with the values and standards accepted and approved by the company, should be communicated inside and outside the organization without hesitation.

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Compliance with these rules make the decision between social partners to be based on trust, mutual respect and reputation.

Violation of these rules leads to long-term serious consequences for the organization and its partners. Each social partner whould try to influence the balance of decision in their favour, using as such, unethical means, which will lead to loss of confidence and reputation of each and everyone within the organization (everyone will lose on the long run). Example: on the long run, unethical decisions of a top manager will force shareholders to lose confidence in him, to sell their shares, leading to reduced share value, making it them unattractive for other investors; dropping reputation of the company and manager etc.

### 2.1. Internal organizational environment

All components of the organization are influenced by forces of its external environment. The explanation?

- all factors of production employed by the organization come from the environment (commodity markets, energy, labor, equipment, technologies etc.)
- the result of the organization's activity is oriented towards consumers / users forming specific markets, parts of its external environment
- many aspects of the transformation of inputs into results, are forced to, or regulated by environmental factors (legal regulations, administrative etc.)

The concept of the organization's external environment

"Take the universe, extracted the subsystem that represents the organization and what remains is the external environment of that organization".

(R. H. Miles, Macro Organizational Behavior, Santa Monica, Calif. Goodyear Publishing, 1980)

**The organizational environment** = a set of forces and circumstances outside the organization (beyond the control of management) that could affect the organization's survival and growth

 Understanding all the dimensions of the external environment is essential to assess the degree of certainty or uncertainty of the environment

 Environmental uncertainty comes from lack of complete information about events (states of nature) that will occur in the future (making it difficult to forecast future size of the business and understand their consequences)

 The more uncertain the external environment, the more important is the flexibility and adaptability of structures and organizational practices

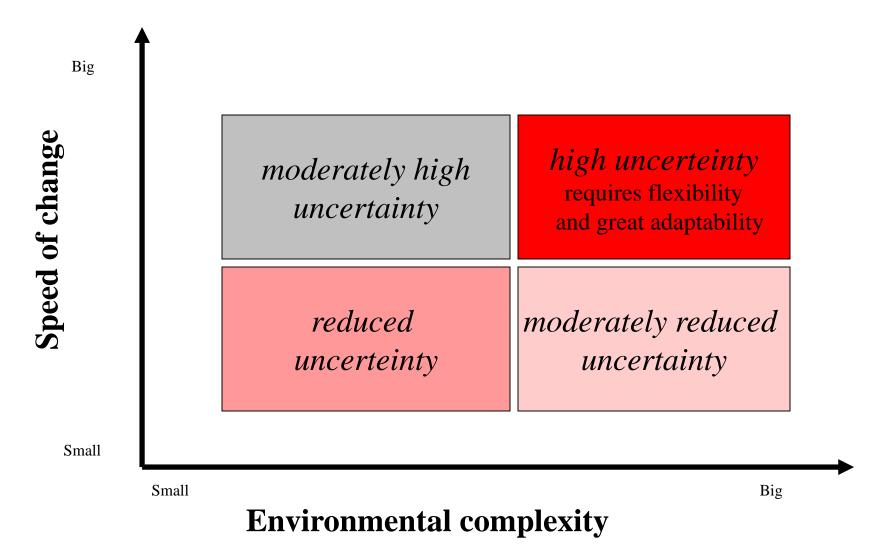
### **Environmental** uncertainty is directly proportional to:

➤ lack of information on environmental components and their dynamics

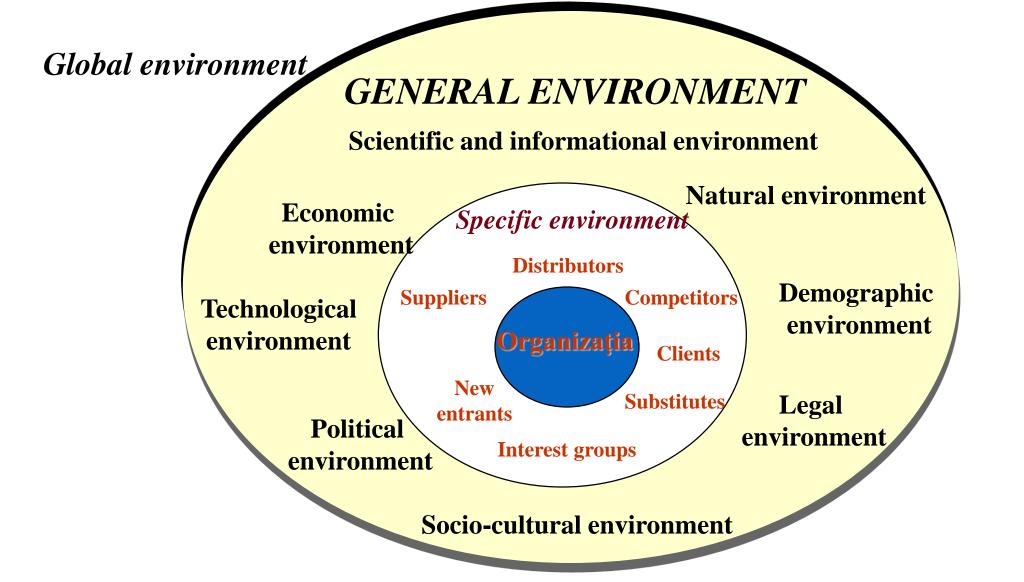
➤ lack of ability to evaluate the likelihood that environmental factors can affect the organization

➤ insufficient information on the cost of incorrect decisions

### Dimensiuni ale incertitudinii mediului extern



### Components of the external environment of the organization



### **General external environment (macroenvironment)**

• It includes economic, scientific-technical, political, social, legal, ecological, cultural conditions which may have an impact upon the organization.

### Components:

- economic environment
- technological environment
- demographic environment
- scientific and informational environment
- political environment
- legal environment
- natural environment
- socio-cultural environment

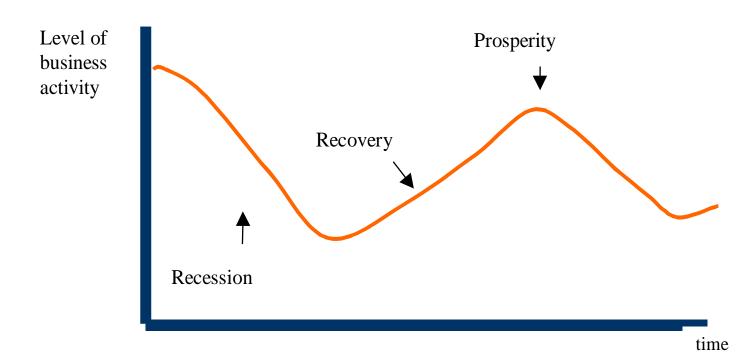
#### **Economic environment:**

- > Level and trends of GDP, GNP total and per capita
- > The business cycle (business) of the economy
- > Interest rates, credit conditions
- Inflation, money supply size
- Unemployment rate
- Exchange rate
- Availability and cost of energy and raw materials
- > The budget deficit, tax rate etc.

### Economic cycle:

- expansion (increase in production and prices, low interestrates)
- crisis (stock exchanges crash and multiple bankruptcies of firms occur)
- recession (drops in prices and in output, high interest-rates)
- recovery (stocks recover because of the fall in prices and incomes)

## Business cycle stages



### Major changes occurred in economy

### **Economy in the past**

- National borders used in restricting competition
- The technology requires rigid hierarchies and limited access to information
- Employment opportunities especially for industrial workers
- Relatively homogeneous population
- The environment does not concern organizations
- The economy dominated by giant companies
- The market belongs to sellers (customers buy what producers offer)

#### **Economy today**

- National borders no longer define the space of work for organizations
- The technology requires decentralization and makes information more accessible
- Employment opportunities especially for workers with high knowledge
- Culturally diverse population
- Accepted and assumed social responsibility of the business world
- The economy dominated by small firms, entrepreneurs
- The market belongs to buyers (customers dictates what needs to be produced)

**Technological environment** - a combination of equipment and skills used for creating, designing, producing and distributing products, services:

- > Type of the dominant technology
- > The share of new products in the total offer
- > Trends in technology transfer from research laboratories towards users
- > The share of R & D spending within the total industry expenditures
- Average creativity rate
- > Fixed capital replacement rate
- > The degree of physical and moral depreciation of production equipment

- ➤ Technology: any equipment, tools or methods of operation used to streamline work
- ➤ Tehnologia informaţională (TI)

### Benefits of IT

- Cost savings (for example, inventory control)
- Flexibility in the choice of venue operations (depending on the location of terminals)

### IT Challenges

- Grow claims concerning abilities and skills in employment
- Differentiation in terms of IT toughens the competition

### Internet and organizations

#### • E-commerce

 the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the Internet.

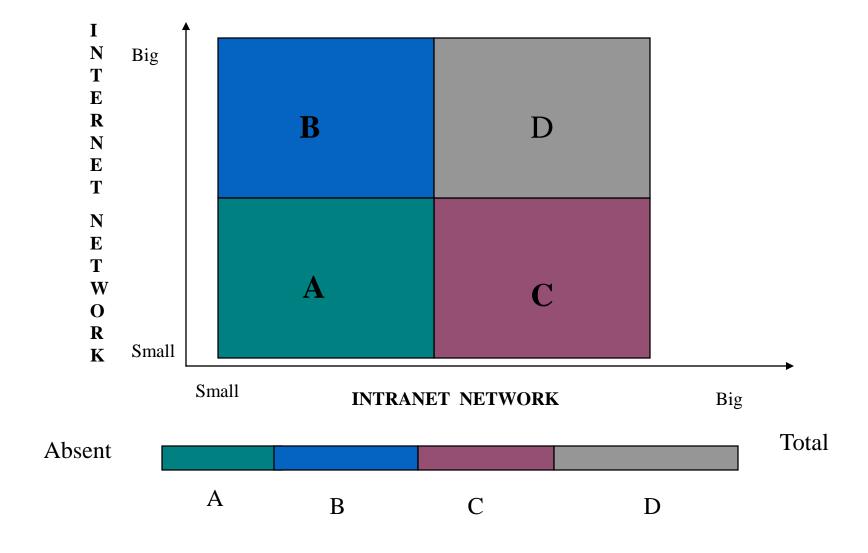
### E-organization

 are organizations established and operated, based on the Internet and other related technologies in an environment referred to as Internet Culture - whereby organizations will be placing the Internet at the centre of their business and encouraging ubiquitous use of network technologies

#### E-business

 is the application of information and communication technologies (ICT) in support of all the activities of business.

### Characteristics of an E-organization



## The influence of technology on the managers' work

- Efficiency and effectiveness
  - managers have access to more complete and clear information, enabling them to improve their performance
- Flexibility regarding the place of activity
  - telecommuting; network computers and modems between departments

**Demographic environment** - the forces resulting from the changes in the number and structure of a population (age, sex, urban / rural, occupations, marital status, etc.)

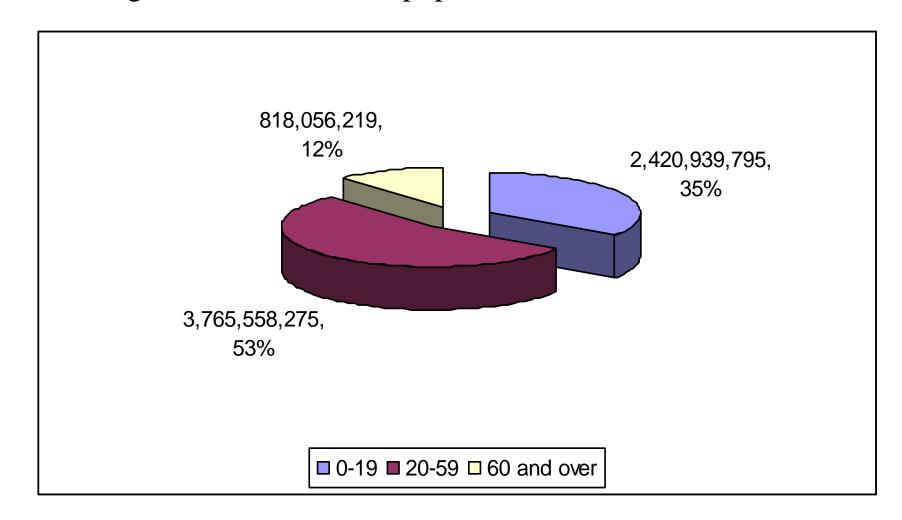
#### Trends:

- changing family size and structure
- aging population
- female population larger than the male population
- higher age at marriage
- reducing the birth rate
- better education
- increase of working women and female business owners
- increase of immigration

http://www.census.gov/ipc/www/idb/worldpopinfo.php World population: 7.119.740.650 Top ten countries by population

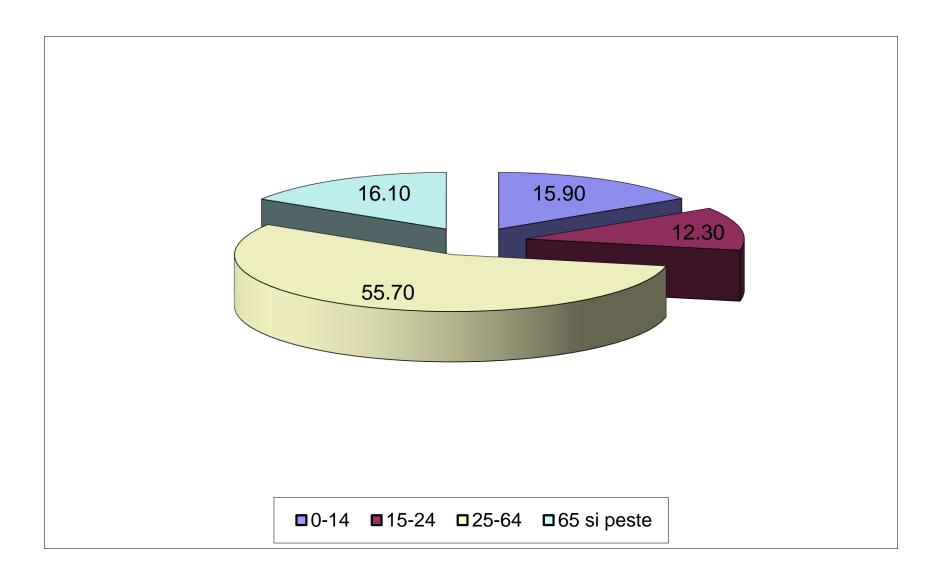
Countries and areas ranked by population, 2012		
1.	China	1,343,239,923
2	India	1,205,073,612
3	United States	316,265,537
4	Indonesia	248,216,193
5	Brazil	205,716,890
6	Pakistan	190,291,129
7	Bangladesh	161,083,804
8	Nigeria	158,222,828
9	Russia	138,082,178
10	Japan	126,102,403
Source: US Census Bureau, 2012 ( <a href="http://www.census.gov/ipc/www/idb/ranks.php">http://www.census.gov/ipc/www/idb/ranks.php</a> )		

## The age structure of world population



Source: http://www.census.gov/ipc/www/idb/worldpopinfo.php

#### ROMANIA: STRUCTURE BY AGE, CENSUS 2011



#### Scientific and informational environmet

- > The number of research institutes, university departments, libraries
- ➤ The development of media
- ➤ Number and type of dominant computers
- ➤ The level of Internet usage

#### **Political environment**

- ➤ Government stability
- > State involvement in the economy, the influence of foreign powers
- ➤ Belonging to different forms of regional integration
- ➤ The number and size of political parties
- ➤ The color of the ruling party

**Political risk** - the probability that events / political actions adversely affect the long-term profitability of an investment made in a foreign country;

- Method PRI (Political Risk Index) the assessment of 10 political risk factors:
  - Dependence of a higher power
  - The negative influence of regional political forces
  - Division of political power and political factions
  - Division by language, ethnicity or religion
  - Repressive measures taken by governments to maintain power
  - Attitudes towards foreigners, nationalism or tendency towards compromise
  - The social situation: population density, living standards
  - Social conflicts (frequency demonstrations, violence, general strike)
  - Political instability (rebellion, subversion, turmoil and political unrest)

The **legal environment** includes forces and conditions resulting from changes in:

- > property law
- ➤ competition law
- > customs legislation
- > tax legislation
- > environmental protection law
- ➤ labor legislation and social protection
- > Industrial property law
- ➤ legislation repatriation of foreign investments etc.

The natural environment: natural resources available to organizations and affected by their work (air, water, soil)

#### Aspects:

- physical limitations of most natural resources
- the "greenhouse effect" of pollution / excessive industrialization
- the effort of conservation and environmental protection
- the need to rationalize the use of natural resources (reducing the size of products, quality control / reduce waste / scrap etc.)
- the need to create substitutes for scarce resources
- the need for recycling and reuse natural resources

# About the changes in the natural environment, watch NASA: "This will show the Earth in 2099" (3.5 min)

http://www.descopera.ro/dnews/11416069-nasa-asa-va-arata-terra-in-2099-video

**Socio-cultural environment** - includes forces that reflect the national culture and social structure of a country

**Social structure** – stratifying the society in groups and individuals, their relative importance and the relationship system developed between groups and individuals

**National culture** - shared values and characteristics which distinguish members of one nation from those of another nation

A **system of values** – the whole compatible and interdependent values related to the behavior of a group (ambition, cleanliness, courage, forbearance, trustworthiness etc.) and it's goal (wealthy life, happiness, freedom etc.)

## Required features an international manager must have

- cross-cultural sensitivity
- thorough knowledge of business
- courage
- ,otivational skills
- integrity
- motivation to achieve profit
- risk-taking

- requesting feedback
- cultural curiosity
- desire to learn
- open to criticism
- using feedback
- maintaining flexibility

# Specific external environment (microenvironment)

**Specific environment** - that part of the external environment that has direct relevance to achieving the organization's goals

- it is very particular to each organization as it is directly related to their domain of activity
- each component appreciates the organization's performance using specific criteria; top management give importance coefficients to each criterion, taking those into account when formulating its strategies
- components: competitive forces, political forces, national and global forces, cultural forces

# Specific criteria for assessing the performance of the organization

Components	Criteria for assessing performance	
shareholders	⇒Increasing the share ⇒The amount of dividends	
suppliers	⇒Size of orders ⇒Speed and manner of payment ⇒Continuity of relations	
clients	⇒Continuity of relations  ⇒Product availability  ⇒Warranty  ⇒Payment system  ⇒Price-value ratio (cost-benefit)  ⇒After-sales service  ⇒Compliance with agreed quality	

	⇒Increase in market share	
competition	⇒Brand name of competitor	
	⇒Innovation level of competitors	
branch unions	⇒Competitive salaries	
	⇒Employment security	
	⇒Promotion opportunities	
	⇒Working conditions	
special interest	⇒Reducing pollution	
groups	⇒Hiring people with disabilities	
government	⇒Regulatory compliance of the industry	
agencies	⇒Supporting government programs	
l agentical		
local community	⇒Contribution to community development (taxes, sponsorships, less polluting)	

## **Competitive forces**

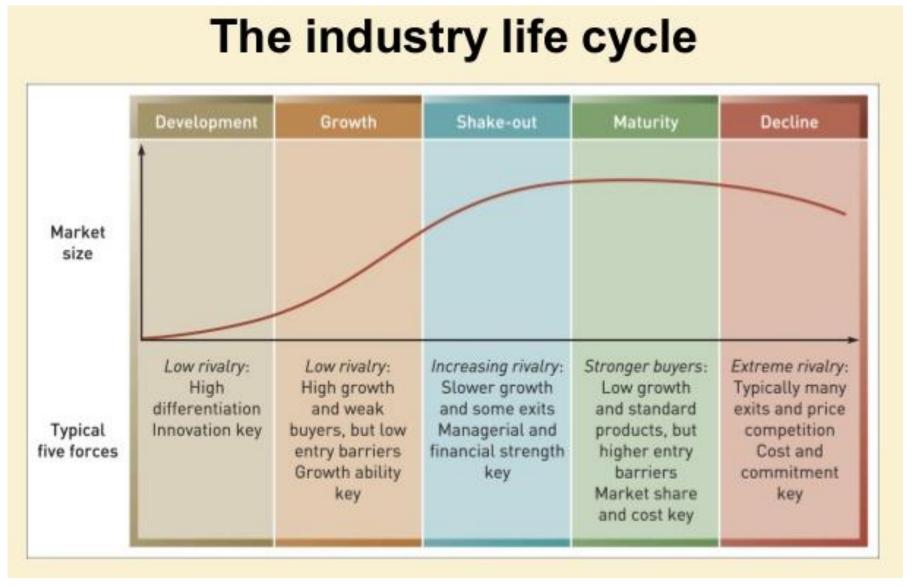
- elements that determine the intensity of competition and therefore the profitability of an industry
- Components (*M.Porter*):
- A. Intensity of competitive rivalry
- B. Threat of new entrants
- C. Threat of substitute products or services
- D. Bargaining power of customers (buyers)
- E. Bargaining power of suppliers

## A. Intensity of competitive rivalry

## Intensity of Rivalry is High if:

- √ Competitors are numerous
- √ Competitors have equal size
- √ Competitors have equal market share
- ✓Industry growth is slow
- √ Fixed costs are high
- ✓ Products are undifferentiated
- ✓ Brand loyalty is insignificant
- √ Consumer switching costs are low
- ✓ Competitors are strategically diverse
- √There is excess production capacity
- ✓ Exit barriers are high

The life cycle of an industry reflects the changes taking place in the industry over time



Source: Johnson, Whittington and Scholes "Exploring Strategy", Pearson Education Limited, 2011

## Life cycle stages of an industry

- **1. Development**: new industry / new technologies for producing and or sale of goods / services:
- fierce competition to develop the "winning" technology
- (eg. During the beginning of the industry in producing VCRs three technological standards have competed: Betamax (Sony), VHS (Matsushita) and V2000 (Phillips NV); Today, when the industry is mature only VHS is used
- the organization's relations with suppliers, distributors and customers are fluid and changeable, uncertain environment, making it impossible to predict or control

- 2. Growth: begins when the product starts to gain customer confidence
- ◆ there are many new organizations, emphasizing the intensity of competition
- experimenting with new versions of the product / new ways of producing and marketing it
- ♦ the tendency to reduce the cost

- 3. Shake-out: near the end of the growth phase, falling demand leads to increased competition
- reducing product prices leads sometimes to true price wars (some organizations go to for product differentiation)
- most inefficient players are eliminated from the industry
- uncertainty is high until the end of the phase

#### 4. Maturity:

- demand is growing slowly or stagnating
- relationships with suppliers, distributors and customers are more predictable; specific environment is more stable
- purchasing decisions are increasingly based on the ratio between price and quality; customers are loyal to certain brands
- few large firms dominate the industry; level of competition decreases, or at least is more predictable
- surviving organizations can protect themselves through high entry barriers
- ♦ low entry barriers attract new competitors, that have a competitive advantage (example: entry on the US market of the Japanese car producers)

- **5. Rebirth through innovation:** avoid entering the declining phase of the industry through innovative solutions; technological innovation or innovation in the marketing mix (product, price, distribution, communication). The industry can thus reborn, entering a new growth phase
- **6. Decline:** the final phase of the life cycle of an industry
- demand falls below supply
- efforts to keep market share by reducing product prices, intensified competition.
- most inefficient companies are eliminated, the industry is consolidating around a small number of large competitors.

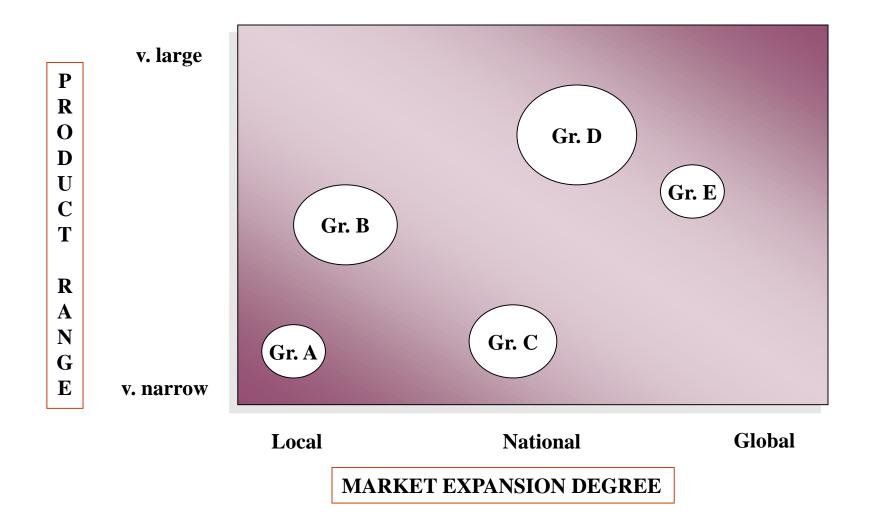
A strategic group is a concept used in strategic management that groups companies within an industry that have similar business models or similar combinations of strategies.

**Strategic group mapping** is a mechanism for understanding the other players that operate in your field

#### Steps:

- identify the main distinguishing characteristics of firms in an industry
- represents each company on a graph with two variables
- determine strategic companies belonging to the same group

# Strategic group mapping



## There are a number of benefits to strategic group mapping:

- It can help you identify who your direct and indirect competitors (or possible partners) are
- It can illustrate how easy it might be to move from one strategic group to another
- It may help identify future opportunities or strategic problems
- It ensures you take your customers' or beneficiaries' views into account when developing or assessing your strategy

## Types of competitors (R.E. Miles, C.C. Snow):

- **Defenders** Rather than seeking new growth opportunities and innovation, an organization that follows a defender strategy concentrates on protecting its current markets, maintaining stable growth, and serving its current customers. BIC Corporation used defender strategies, despite its history as an innovative firm (the original BIC "crystal" and the BIC "biro" pen were significant innovations in the writing instruments industry). Since the late 1970's, with the maturity of the market for writing instruments, BIC has adopted a less aggressive, less entrepreneurial style of management and has chosen to defend its substantial market share in the industry. It has done this by emphasizing efficient manufacturing and customer satisfaction
- Prospector An organization that follows a prospector strategy is a highly innovative firm that is constantly seeking out new markets and new opportunities and is oriented toward growth and risk taking. 3M is an excellent example of a firm that uses prospector strategies. Over the years, it has prided itself on being one of the most innovative major corporations in the world. Employees at 3M are constantly encouraged to develop new products and ideas in a creative and entrepreneurial way. This focus on innovation have led 3M to develop a wide range of products and markets, including invisible tape and antistain fabric treatments.

• Analyzer - An organization that follows an analyzer strategy both maintains market share and seeks to be innovative, although usually not as innovative as an organization that uses a prospector strategy. Most large companies fall into the third category, because they want both to protect their base of operations and to create new market opportunities. IBM uses analyzer strategies. Thousands of customers have purchased IBM computers over the last several decades. It is in IBM's interest to keep these customers satisfied and to introduce new products and services that update their computer facilities. Whenever IBM introduces a new computer system, for example, it develops procedures that help its customers to move from the older system to the new system. In this way IBM maintains its customer base. However, IBM also tries to create new markets. Its line of personal computers represents an effort to expand beyond its traditional base of mainframe computers. IBM has also invested in biotechnology, superconductivity technology, and other projects which are very innovative.

• Reactor - According to Miles and Snow, an organization that follows a reactor strategy has no consistent strategic approach; it drifts with environmental events, reacting to but failing to anticipate or influence those events. Not surprisingly, these organizations usually do not perform as well as organizations that implement prospector, defender, or analyzer strategies. Most organizations would probably deny using reactor strategies. However, International Harvester (IH) during the 1960s and 1970s followed this approach. At a time when IH's market for trucks, construction equipment, and agricultural equipment was booming, IH failed to invest in research and development, in improvements in manufacturing, or in improvements in distribution. By the time a recession cut demand for its products, it was too late for IH to respond, and the company lost millions of dollars. Indeed, at one time IH had the largest annual loss of any company in the history of the world. In the last ten years, IH has had to sell off virtually all of its businesses, except its truck manufacturing business. IH has moved from being a dominant firm in trucking, agriculture, and construction to a medium-sized truck manufacturer because it failed to anticipate changes in its environment.

## Global competitiom

- Multinational corporations: are companies with operations in two or more countries simultaneously, parent company belonging to one of them. In general, any company or group of companies that get a quarter of their revenue from outside their home country are being considered as multinationals.
- Transnational corporation differs from a traditional multinational corporation in that it does not identify itself with one national home. While traditional multinational corporations are national companies with foreign subsidiaries, transnational corporations spread out their operations in many countries to sustain high levels of local responsiveness.
  - Examples: Nestlé who employ senior executives from many countries and try to make decisions from a global perspective rather than from one centralized headquarters.
  - Royal Dutch Shell, whose headquarters are in The Hague, Netherlands, but whose registered office and main executive body are headquartered in London, United Kingdom.

A **strategic alliance** is an agreement between two or more parties to pursue a set of agreed upon objectives needed while remaining independent organizations. This form of cooperation lies between mergers and acquisitions and organic growth. Strategic alliances occurs when two or more organizations join together to pursue mutual benefits. Partners may provide the strategic alliance with resources such as products, distribution channels, manufacturing capability, project funding, capital equipment, knowledge, expertise, or intellectual property. The alliance is a cooperation or collaboration which aims for a synergy where each partner hopes that the benefits from the alliance will be greater than those from individual efforts. The alliance often involves technology transfer (access to knowledge and expertise), economic specialization,[1] shared expenses and shared risk.

#### **B.** Threat of New Entrants

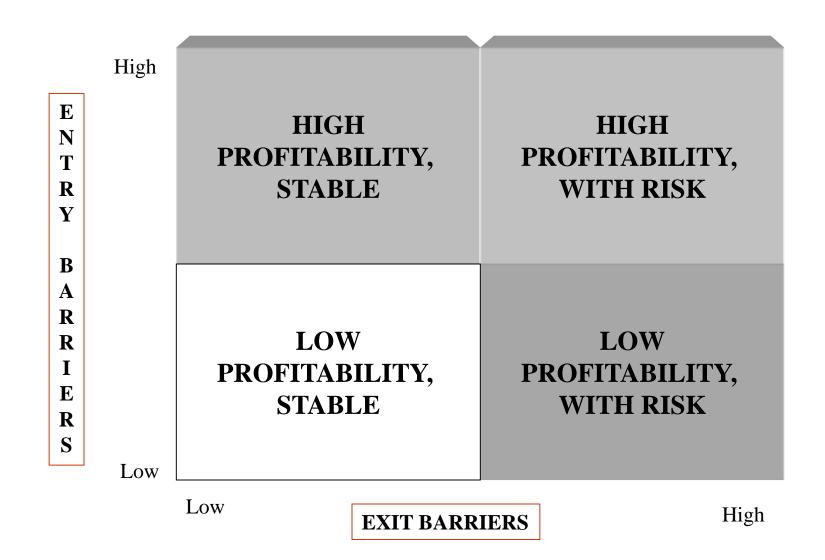
## High Threat of entry of new competitors when:

- Profitability does not require economies of scale
- Products are undifferentiated
- Brand names are not well-known
- Initial capital investment is low
- Consumer switching costs are low
- Accessing distribution channels is easy
- Location is not an issue
- Proprietary technology is not an issue
- Proprietary materials is not an issue
- Government policy is not an issue
- Expected retaliation of existing firms is not an issue

## Threat of New Entry is Low if:

- Profitability requires economies of scale
- Products are differentiated
- Brand names are well-known
- Initial capital investment is high
- Consumer switching costs are high
- Accessing distribution channels is difficult
- Location is an issue
- Proprietary technology is an issue
- Proprietary materials is an issue
- Government policy is an issue
- Expected retaliation of existing firms is an issue

#### Profitability and entry and exit barriers



## C. Threat of substitute products or services

Are products that satisfy the same need; pose a threat to the organization that can change existing patterns of use (reorienting request)

Examples: sugar - artificial sweeteners; coal - gas, oil; yarn, natural fibers - artificial fibers; Cable TV - DVD / video, satellite dish, Internet

organization adopt defense strategy, improving product quality and depositing efforts, particularly in the sphere of marketing

## D. Bargaining power of customers (buyers)

## Can get critical if:

- Customers are few in number but strong (market type Oligopsony)
- Customers threaten to produce the product themselves

Example: Dacia-Renault used to buy a certain subset from provider X. For various reasons (failure to deliver on time, quality defects), Dacia-Renault threated the supplier that they will produce that subset themselves.

## E. Bargaining power of suppliers

## Can get critical if:

- Suppliers are few but powerful (oligopolistic market)
- Customers have relatively equal bargaining power

Example: Rompetrol had a contract with a certain gas station that was supposed to sell exclusively their product. Because they violate this clause, ROMPETROL started to buit its own petrol stations, becoming their own client.

#### Types of competition/ market structure:

- Pure competition- similar (standardized) products are offered (ex. wheat, copper, or financial securities), seller &buyers are familiar with and can easily enter the market; marketing research, product development, pricing, advertising, and sales promotion play little or no role; sellers in these markets do not spend much time on designing marketing strategies
- Pure monopoly: a single firm produces a product, for which there are no close substitutes; there are significant barriers to entry; some are regulated (the government sets ceiling prices which allow a fair profit margin; ex. electricity, natural gas) while others, unregulated (the company is free set the price at what the market will bear)

Note: in some cases we speak about natural monopoly

- Monopolistic many sellers (having small market share) and many buyers of a product; there is a range of prices because sellers can differentiate their offers to buyers; sellers try to differentiate through cost, quality, targeted segments, branding, advertising, etc.
- Oligopoly few sellers of a differentiated product, who are highly sensitive to each other's pricing and marketing strategies; there are high entry barriers; each seller is alert to competitor's strategies and move
- Oligopsony- a small number of buyers for a product/service; the buyers have power over the seller (recall the bargaining power of customers from Management classes)
- Monopsony: one buyer in the market

## Attitudes towards competitive forces:

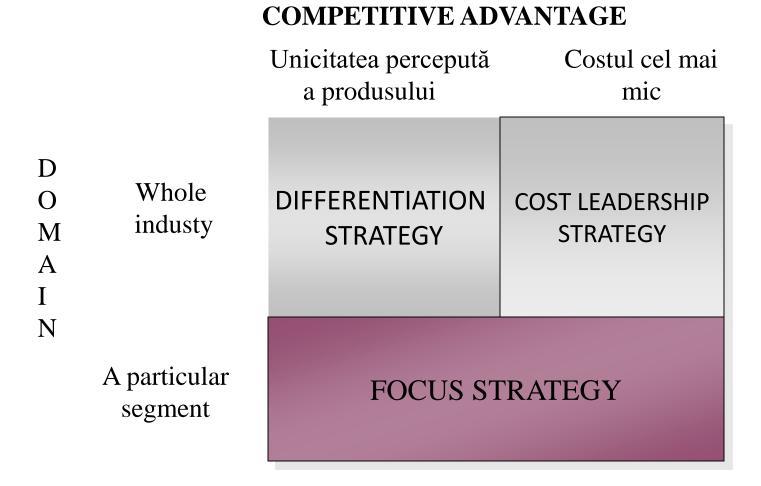
- No response (or slow response) possible attitude for a dominant market leader (who can afford to ignore threats) or a very weak competitor.
- Quick response the most efficient and profitable way, because the threat is removed faster, the faster it the threat is removed, the quicker the company can regain profit (several organizations such as Procter & Gamble, have a policy of immediate and substantial response)
- Targeted response some competitors respond only to specific types of challenges (usually those related to price), refusing to accept or not recognizing other forms of challenge, such as the emergence of a new product.

## Generic strategies (Michael Porter, 1980)

#### Cost Leadership strategy:

- Increasing profits by reducing costs, while charging industry-average prices.
- Increasing market share through charging lower prices, while still making a reasonable profit on each sale because you've reduced costs.
- ❖ Differentiation strategy involves making your products or services different from and more attractive than those of your competitors. How you do this depends on the exact nature of your industry and of the products and services themselves, but will typically involve features, functionality, durability, support, and also brand image that your customers value.
- ❖ Companies that use *Focus strategies* concentrate on particular niche markets and, by understanding the dynamics of that market and the unique needs of customers within it, develop uniquely low-cost or well-specified products for the market. Because they serve customers in their market uniquely well, they tend to build strong brand loyalty amongst their customers. This makes their particular market segment less attractive to competitors.

## Competitive strategies



Source: after M.E. Porter, *Competitive strategy*, New York, The free Press, 1980, p.39

#### **Political forces**

Certain **interest groups**: shareholders, organizations defending the environment, branch trade unions, government agencies, local communities, etc.

In confronting them, the organization may adopt following political strategies:

- Megotiation suitable in case of disagreement with certain political forces
- **Cooptation** attracting formal representatives of political forces in its decision-making process for creating a positive image, getting a fair treatment etc.
- **Lobby** influencing governmental agencies through persuasion and offering of information
- Coalition joining efforts to increase its influence on the environment (eg, opposing to a particular law)
- Representation promoting the interests of various groups by their representatives
- Organizational specialization formal / informal attempts to influence workers attitudes and work relations

#### **Cultural forces**

There are certain values / behaviors / traditions, specific to the activity of each organization. They affect how *managers:* 

- ✓ Relate to the other members of the organization
- ✓ Perceive situations and issues
- ✓ Solve problems
- ✓ Distinguish between ethical and unethical behavior
- ✓ Coordinate and control subordinates
- ✓ Structure organizational tasks

## PLANNING FUNCTION

- 1. Content and forms of planning
- 2. Strategic planning: content and stages

## I. Content and forms of planning

#### PLANNING:

- Management function having as a goal defining the organization's objectives and policies, as well as developing a set of plans, which help integrate and coordinate the work within the organization
- Formal planning-written
  - clearly defines goals
  - develop specific action plans to achieve goals
- Informal planning—unwritten
  - goals are not shared (or are poorly shared)
  - is too general and discontinuous

## The major purpose of planning:

The organization's survival and growth by enhancing its adaptive capacity to the shifts in the external environment

## The necessity of planning:

- Managers involvement in the organization's decision-making process of goals and strategies
- Finding a sense and a direction for the evolution of the organization; without them, managers subjectively interpret their role and tasks, which might lead to conflicts between them and to a lack of cooperation

- "Constrain" to an efficient use of the resources allocated to each component of the organization
- Provides correlation of various functions or divisions, so as to ensure correspondence between supply and demand
- Provides the most important tool to control the activities of managers, given the fact that besides specifying the organization's goals and strategies it also indicates the responsible person for the implementation of strategies

Planning is the first function of management; all the other functions rely on it. It prepares the organization today for the future by assessing of what it wants to achieve and how it can achieve that goal.

## Good planning ensures:

- participation: by involving all managers in setting future goals
- sense of direction and goals: by setting goals and strategies of interest to all managers
- *coordination*: by providing an understanding the role of each party within the organization
- control: by specifying the responsibilities for achieving the goals

# Criticism to planning

- 1. Planning may create rigidity (it is not wise to force the implementation of a strategy when the environment is fluid)
- 2. No plans can be developed under a dynamic (a dynamic environment requires flexibility)
- 3. Formal planning can not replace intuition and creativity (the system requires routine and does not stimulate vision) jhjj
- 4. Planning focuses managers' attention on the competition today and not on tomorrow's survival
- 5. Formal planning exacerbates success, which can lead to failure (success can power failure in an uncertain environment)

## Planning **efficiency** depends on::

- benefits obtained (the ratio between the benefits and the planning cost)
- understanding that planning can reduce risk and uncertainty
- key managers' ability to generate and explore new business ideas

## **Decisions** taken during the planning process concern:

- *general organizational* objectives on the long and short term
- *special objectives*: departmental, divisional and individual objectives
- *strategies* (courses of action) aiming at achieving the organization's goals
- resources allocated to achieve the objectives

## The role of managers in the planning process

The planning function involves the manager to take the roles of an entrepreneur and the distributor of resources:

- *Top managers* define future directions of development and alternative strategies
- Middle level managers (having the support of first line managers) participate in developing strategic plans and putting them into tactical plans.
- First line managers implement plans

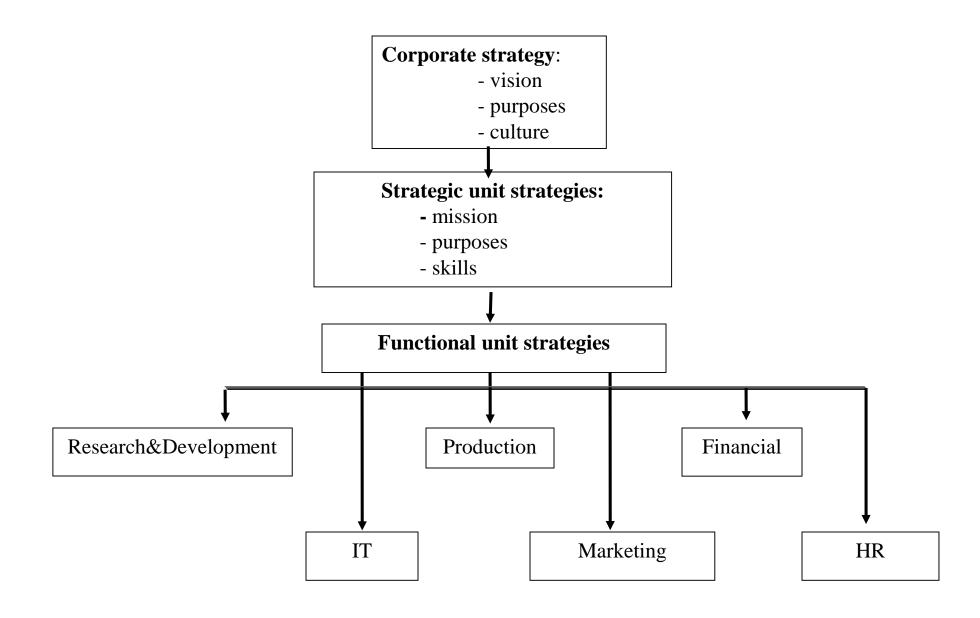
# The influence of the planning process on the activity and behavior of managers:

- ✓ enhances the ability to search and discover new business opportunities
- ✓ stimulates critical thinking
- ✓ increases the involvement of managers in the business
- ✓ improves the communication system within the organization

## Who plans?

- *At the corporate level:* top managers
  - they also approved plans on decision-making and functional level
  - ask all level managers for their opinion regarding corporate related problems
- Divisional / business / strategic and functional unit level: the functional division and subdivision managers
  - both categories seek information from other levels
  - The responsibility for designing the plans belongs to a certain level, but all managers are involved in the process

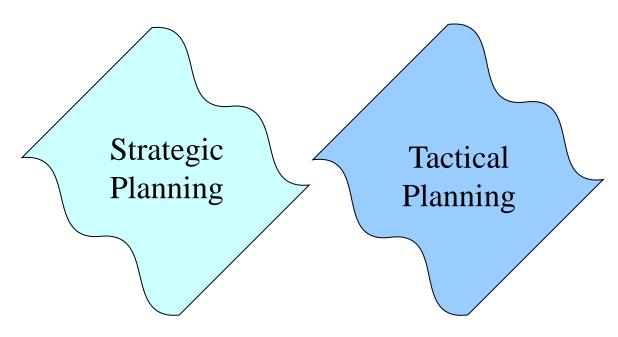
## The levels at which planning is conducted within corporations



## The levels at which planning is conducted within corporations

- Corporation (large organization, many products) decisions are taken by top managers
  - concern operating areas or markets
  - provides the general framework of the other planning activities
- Strategic business unit / division: details long-term goals and structure at the divisions / business unit level
  - specifies how the division's activity corresponds to the corporate goals
  - Specifies the division's competitive strategies
- Funcţional: acţiunile managerilor departamentelor de cercetaredezvoltare, producţie, marketing, financiar-contabil etc. Funcțional: the actions of the department managers
  - specifies the practical way of implementing strategies at department level

Based on the content and the time horizon of planning, we have:



**Contingency Planning** 

#### Strategic Planning:

- concerns the entire organization
- secures the organization's global and long-term objectives
- sets general strategies to fulfilling the objectives
- influences the behavior of all members of the organization

#### Tactical Planning:

- splits the global objective into specific objectives, particular to each department, divisions, sub-divisions of the organization
- changes the general strategy into detailed strategies (development of budgets, departmental action plans, proposals to amend the organizational structure, control techniques)
- refers to the short term
- influences only the behavior of the staff of the sub-unit which it refers to (R&D, manufacturing, marketing, finance etc.)

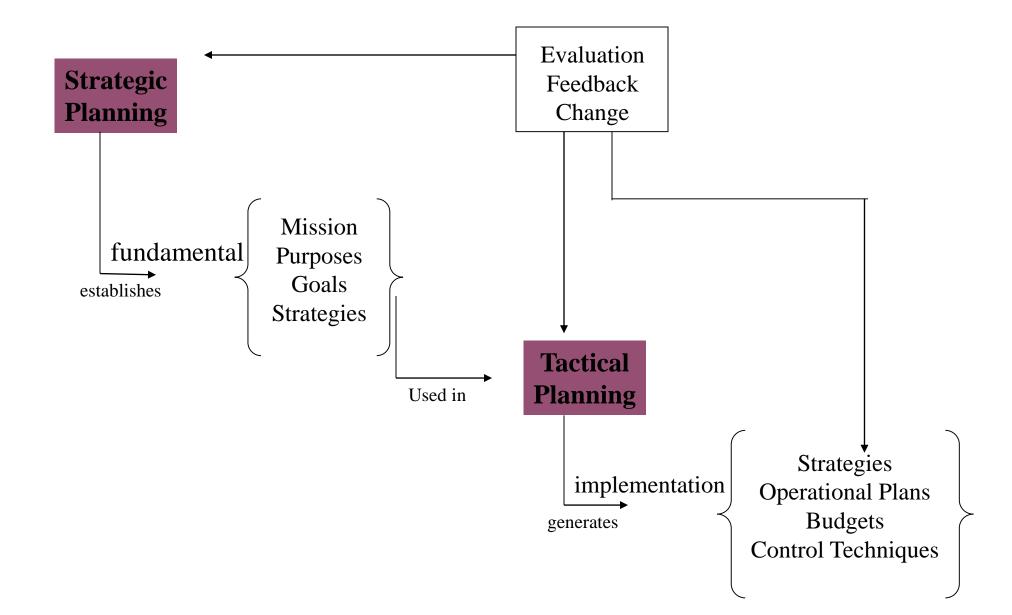
## Contingency or Situational Planning:

A contingency plan is a course of action designed to help an organization respond effectively to a significant future event or situation that may or may not happen.

A contingency plan is sometimes referred to as "Plan B," because it can be also used as an alternative for action if expected results fail to materialize. Contingency planning is a component of business continuity, disaster recovery and risk management.

For example, moving to another location in case a disaster damaged the current location. Or a pizzeria can plan an to implement an aggressive advertising campaign if a new pizzeria has opened next door

## Connection between strategic and tactical planning

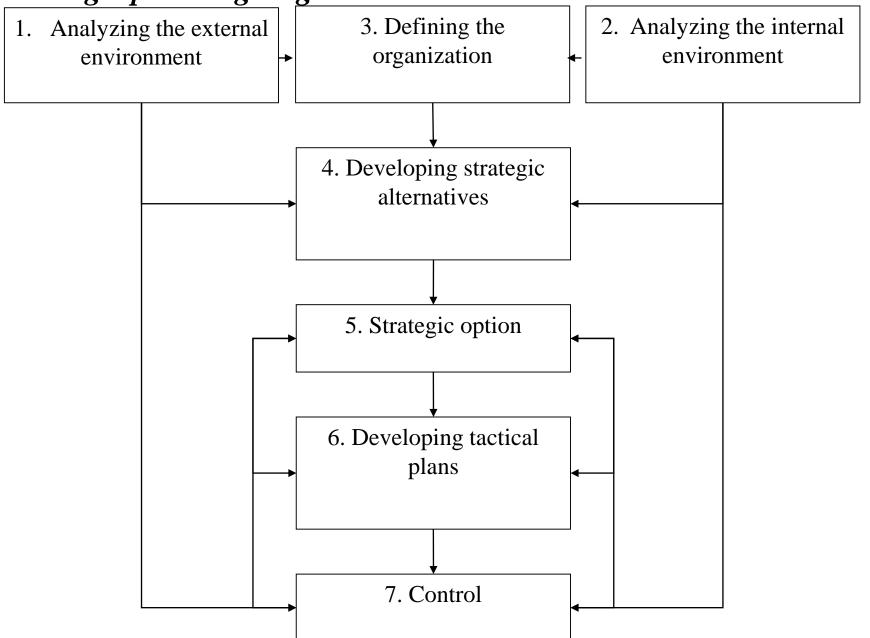


# Differences between strategic and tactical planning

Distinction object	Tactical Planning	Strategic Planning	
Decision type	Routine and adaptive	Adaptive and innovative	
Terms of developing decisions	Certainty and risc	Risc and uncertainty	
Level of plan development	First line managers and middle managers	Middle managers and top managers	
Temporal horizon	Short term (< 2 years)	Long term (> 3 years)	
The intent of action	Means for implementing the strategic plans	Ensuring long-term survival and / or growth	

## II. Strategic planning: content and stages

Strategic planning stages



## **Strategic planning stages**

# 1. Organization's external environment analysis. Identifying threats and opportunities

- analysis of the general external environmental components (macroenvironment); identifying major trends / trends of strategic importance
- analysis of the specific environmental components, in particular the 5 competitive forces (competition between producers of the same product; potential threat of new entrants, bargaining power of customers, bargaining power of suppliers, threat of substitute products); identify the main trends, with strategic implications for organization

- 2. Organization's internal environment analysis. Identifying the strengths and weaknesses of the organization:
  - analysis of the organizational culture
  - analysis of the organizational structure
  - analysis of the current strategy

The purpose of the stage: identifying of social and organization skills compared to its current and potential competitors (strengths) and identifying weaknesses (weak points, vulnerabilities) compared to its current and potential competitors

One can represent the results from the analysis of the external and internal environment through the SWOT analysis

- Strenghts: production capacity, marketing skills
- Weaknesses: high fluctuation of the labor force, weak financial indices
- Opportunities: new markets, demographic growth
- Threats: economic recession, new competitors

# Sample questions for the SWOT analysis

POSSIBLE STRENGHTS	POSSIBLE WEAKNESSES	POSSIBLE OPPORTUNITIES	POSSIBLE THREATS
Well designed strategy?	Poorly developed strategy?	Extends the core business?	Attacks on the basic business domains?
Strong production lines?	Obsolete and narrow production lines?	Exploiting new segments?	Increases of domestic competition?
Competence in production?	Rising production costs?	Extends the demand?	Increases of external competition?
Broad market?	Market collapses?	Extends the advantage of cost and differentiation strategy?	Changes in preferences / tastes?
Good marketing skills?	Weak marketing plan?	Diversifying its activity into new areas?	Appear competing products?
Effective management systems?	Outdated management systems?	It can transfer managerial know-how?	Changing efficiency indicators?

POSSIBLE STRENGHTS	POSSIBLE WEAKNESSES	POSSIBLE OPPORTUNITIES	POSSIBLE THREATS
Competent human resources?	Inadequate human resources?	Possible import of labor force?	Demographic resources are reduced?
Appropriate managerial style?	Overdated managerial style?	International management units?	Possible mergers?
There are skills needed to do strategic changes?	Internal conflicts?	Lack of entry barriers?	Possible increase of the labor cost?
Control systems are adequate?	Loss of control?	Looking for new areas with rapid growth?	Possibility of an economic crysis?

#### 3. Defining the organization

Based on the recognition and measurement of information about opportunities and constraints of the internal and external environment one can establish:

- Mission
- Purpose / goals
- **X** Objective / objectives.

## A. Mission of the organization (identity)

- What is the purpose of the organization?
- Whom serves her presence?
- What are the elements that are being remembered or are ought to be remembered by her customers?

#### How to establish or amend the mission

#### Stages:

→ Form a group responsible for formulating the mission (top manager, Chairman of the Board, representatives of subunits eager to participate in this process, the moderator)

## **♦** First meeting of the working group:

- a) criteria that the statement must satisfy are being established:
- short and focused
- comprehensive
- clear and understandable
- must show why the organization does what it does

- does not refer to means
- refers to the organization's opportunities
- responds to the organization's distinctive competencies
- indicates the direction towards which the organization's actions are headed
- reflects employee commitment to the organization
- serves as a benchmark to identify the organization

- b) formulate several versions
- c) compare each version with the established criteria
- d) choose the versions that satisfy the established criteria

# **♦** Second meeting of the working group:

- e) judging the versions previously selected,
- f) searching for outside feedback
- g) Analyze the responses

# **♦** Third meeting of the working group:

h) making recommendations for the final version

## Mission of the organization

#### Examples

Organization

Mission

General Electric (http://ww w.gecitizen ship.com/) As a 130-year-old technology company, sustainability is embedded in our culture and our business strategy. Working to solve some of the world's biggest challenges inspires our thinking and drives our actions. We are committed to finding sustainable solutions to benefit the planet, its people and the economy

AT&T
(http://ww
w.corp.att.c
om/attlabs/
about/missi
on.html)

Our mission is to exploit technical innovations for the benefit of AT&T and its customers by implementing next-generation technologies and network advancements in AT&T's services and operations.

# B. Purpose of the organization - a general statement of direction

#### **SHORT TERM**

- Problems that require immediate attention are urgent and must be achieved in 1-2 years.
  - Should be consistent, realistic and achievable with the available resources



#### **LONG TERM**

- Follows the growth and expansion of the organization
  - Must be compatible with each other, realistic and achievable in 3-5 years

Exemple de scopuri ale unei organizații furnizoare de servicii telefonice:

### • Official purposes:

• Serving customers in a certain area in the most efficient manner

#### Decision-making purposes:

- Providing at least 95% of the information requested by customers
- Setting telephone within one week after filling the application
- *Increasing the profit by 10%*

#### Operational purposes:

- Replacing defective devices on the exact same day of notice
- Increasing the number of installed telephones by 1000 pcs. until the end of the year

### C. Objective

Details the purpose / goal of the organization

Characteristics of a well formulated objective:

- It is measurable (quantifiable) in physical / value
- It refers to a single element
- It refers to a result (not an activity)
- It is time-bound
- It is challenging but achievable

(SMART: Specific, Measurable, Attainable, Relevant, Time-bound)

#### ITEMS TO WHICH OBJECTIVES CAN REFFER

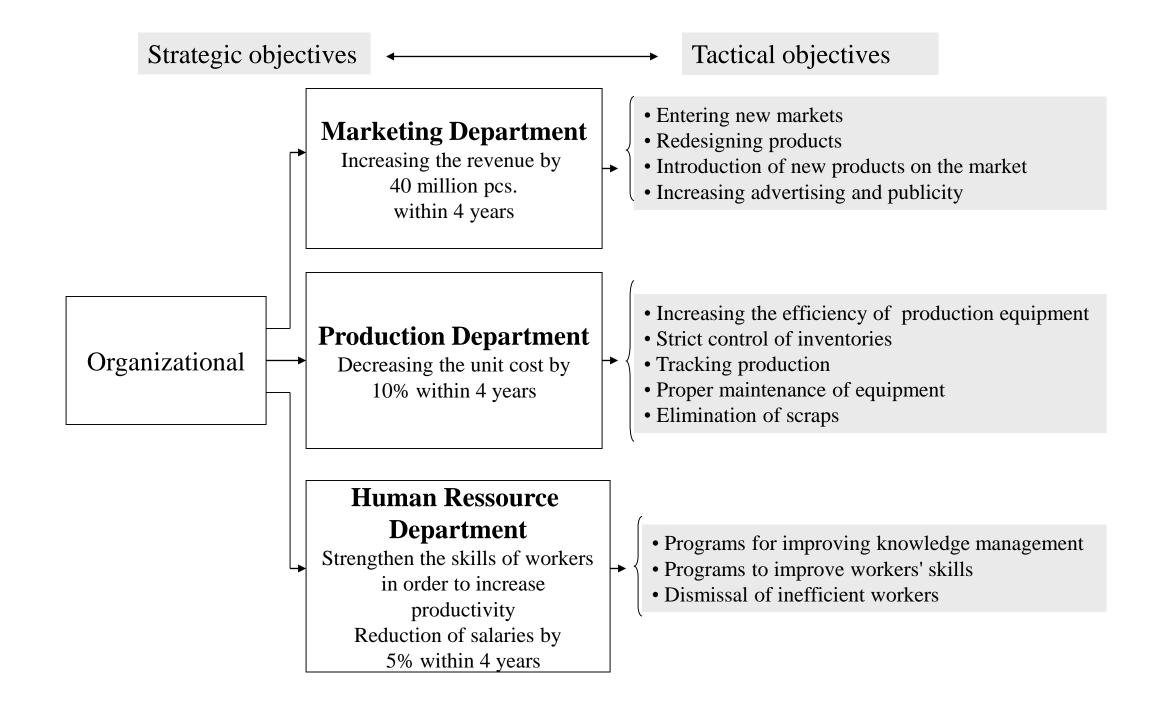
MARKET SHARE
PRODUCTIVITY
PROFITABILITY
INNOVATION
MATERIAL RESOURCES
FINANCIAL RESOURCES
DEVELOPMENT OF MANAGEMENT
SOCIAL RESPONSABILITY
CUSTOMER SATISFACTION

# **EXAMPLE OF OBJECTIVES**

DOMAIN	INDICATORS	OBJECTIVE
Sales	Proceeds from sales	6000/month
Production	Productivity	10 parts/hour
Quality	Waste	Zero defects
Financial	Profitability	5% turnover increase
Expenses	Raw materials	25% of turnover
Employee behavior	Fluctuation	Maximum 4%
Client satisfaction	Complaints	No complain

# Relation between goals and objectives within an organization LEVEL

	Organizational	Departamental	Functional
Purposes	Increasing the profit	Increasing the sales	Territorial expansion of the market
Obiectives	Increase the sales so as to increase the net profit by 5% per year	Increase the sales by 10% per year	Increase the market share with 2% by the end of 2018



### 4. Developing strategic alternatives

Common criteria on which strategic alternatives can be developed

A.

- Product life cycle
  - > Introduction
  - > Growth
  - > Maturity
  - > Decline
- The competitive position of the organization established through diagnosis of:
  - > market share
  - > level of used technology
  - > managerial capacity
  - > financial strength
  - image of the product
  - > consumer loyalty towards the product

# Organization's strategic alternatives according to criterion "A"

Competitive position

		1 1			
		Strong	Average	Weak	Liquidation
	Introduction	Strategy to increase the market share			
C					Strategies to
	Growth	Strategy to maintain the market share on an		return to the	
		expanding market		market or liquidation	
	Maturity	Strategies of			strategy
) )		increasing the efficiency	G		
1			Strate	egies	
	Decline	of market concentration and reduction of assets (closure or sale of subunits)			
		assets (CI	osure or sare or	subamis)	

Product life cycle stage

### Common criteria on which strategic alternatives can be developed

В.

• Industry attractiveness based on the industry life cycle phase

- The competitive position of the organization established through diagnosis of:
  - > market share
  - > level of used technology
  - > managerial capacity
  - > financial strength
  - image of the product
  - > consumer loyalty towards the product

# Organization's strategic alternatives according to criterion "B" COMPETITIVE POSITION

		STRONG	AVERAGE	WEAK
	STRONG	1. GROWTH	2. CONCENTRATION	3. RESTRICTION
		vertical Integration	horizontal Integration	Turnover strategy
		4. STABILITY	5a. GROWTH horizontal Integration	6. RESTRICTION
7	AVERAGE	Stationary / advancing cautiously		Captive company / desinvestment
			5b.STABILITY Passivity	
	WEAK	7. GROWTH	8. GROWTH	9. RESTRICTION
		Concentric Diversification	Conglomerate Diversification	Judicial reorganization bankruptcy

### *Vertical integration* (cell 1) – through:

• taking over functions previously performed by a supplier (upstream integration) or distributor (downstream integration)

### Example:

- a) upstream vertical integration: an organization builds new capacity, which manufactures components previously purchased from a supplier
- b) downstream vertical integration: an organization open several stores to sell their products directly to end users

## *Horizontal integration* (cell 2) – through:

- Expanding the organization's activity in other geographical areas and / or expanding the range of products / services offered to existing customers (thus remaining the same industry).
- It is practiced by:
  - organizations located in industries of high or average attractiveness, having an average competitive position
  - organizations in an industry highly attractive that are looking to increase sales and profits (by increasing economies of scale in production and marketing, reduce existing or future competition)

#### Concentric diversification (cell 7):

Concentric diversification involves adding new products or services that are related to your current offerings -- either because they appeal to the same market or because they can be offered without much investment in new resources (or both.) If you own a bakery, for example, you might add a deli counter and start serving sandwiches. If you produce table linens, you might start making curtains. If you clean carpets for commercial customers, you might add services for the residential market. You can achieve concentric diversity with acquisitions, but often it's a natural outgrowth of what you're already doing.

#### **Conglomerate diversification** (cell 8):

In business, a conglomerate is a company involved in multiple lines of business that have little relationship to one another. One well-known example is Warren Buffett's Berkshire Hathaway, which owns companies as varied as utilities, newspapers, food processors and furniture stores. Conglomerate diversity, then, refers to diversification by entering entirely new and unrelated lines of business. If you owned, say, a hardware store and then bought a car wash, you'd be engaged in conglomerate diversification. Typically, companies achieve conglomerate diversity through acquisitions -- buying existing businesses -- rather than starting new operations from scratch.

### Stability startegy

• Generally, the stability strategy is adopted by the firms that are risk averse, usually the small scale businesses or if the market conditions are not favorable, and the firm is satisfied with its performance, then it will not make any significant changes in its business operations. Also, the firms, which are slow and reluctant to change finds the stability strategy safe and do not look for any other options.

## Stationary / advancing cautiously strategy (cell 4)

• Without strategic growth or restriction movement (after a long growth in an industry facing uncertainty)

- b) Passivity strategy (cell 5): continuing its course with small adjustments of the financial targets
- in the industry there are no opportunities, no obvious threats, and the organization does not have any outstanding strengths or weaknesses. Industry leaders keep themselves from investments while the weaker competitors are striving to reduce the cost (to stay profitable), potential new entrants are very few (industry being unattractive)
- the industry is in the maturity phase, tending to become of average attractiveness or unattractive, an average competitive position may impose temporary a profit stability strategy by reducing expenses (R&D, maintenance, advertising)
- followed a longer period of time this strategy affects the competitive position of the organization

#### Restriction strategies

**Turnaround strategy** (cell 3): if the industry attractiveness is high and the problems which are facing the organization are not serious:

- **contraction:** rapid reduction of some activities and costs (to stop the decline)
- **consolidation:** implementing a stabilization program, notably by improving productivity (at the end of the consolidation phase the organization will have a better competitive position and can start business expansion)

Captive company (cell 6): the industry is not attractive enough to justify the effort of streamlining and restructuring; the organization thus opts for a big client (75% of sales)

Disinvestment strategy (cell 6): selling the assets and leaving the industry

Judicial reorganization or liquidation strategy (cell 9): organization got in the weakest competitive position and the industry is less attractive

- in case of judicial reorganization, after the justice establishes the claims of third parties, the organization can reinvent itself and compete in other attractive industries
- in case of liquidation, the organization is too weak to attract a buyer; as such assets are sold and with the money collected obligations to creditors and shareholders are being payed

#### 5. Strategic option (strategic plan)

- choosing the alternative that leads to the best result in terms of mission, purpose and goals of the organization
- **6. Developing tactical plans (implementation of the strategic plan)** the detailed, short term decision-making process regarding the actions for implementing the strategy / strategies chosen

#### **7. Control** - assume:

- monitoring the progress in implementing the strategy
  - ▶ what variables are being monitored?
  - ▶ after which method?
- a structure responsive to the needs, problems and opportunities that may occur during implementation

## **ORGANIZING FUNCTION**

- I. Content and organizing dimensions
- II. Organizational structure: the traditional approach
- III. "Carriers" of the organizational structure

#### Videos:

- <a href="http://education-portal.com/academy/topic/organizing.html">http://education-portal.com/academy/topic/organizing.html</a>
- <a href="http://education-portal.com/academy/topic/organizational-change.html">http://education-portal.com/academy/topic/organizational-change.html</a>

### I. Content and organizing dimensions

### **Defining organizing**

As a function of management, organizing is the process by which the organization:

- create a division of labor (Who does what?)
- distributes people and resources (Who fulfills that role? Who has what responsibilities?)
- establishes the structure of relations between the members of the organization (Who reports to whom? Who supports who? Who cooperates with whom

The *target* of the organization is to create an organizational structure most appropriate for achieving the mission and goals of the organization

## **Organizing dimensions:**

## > Centralizing the decision making

The number of open system components of the organization and the relationships between them depend on the nature and dynamics of the organization's environment:

- in a simple and stable environment, the decision making process can be centralized, relationships between members of the organization are of the type of receiving and executing
- in a complex and unstable environment, tasks are being always redefined, communication is complex, work takes place in teams, which requires decentralization of the decision making process

- **Complexity** with increasing size of the organization the relationships and organizational components become more and more complicated:
  - the number of workers increases, conflicts arise
  - the likelihood that the top manager can directly supervise everything that happens in the organization is reduced
    - control requires more and more formal rules and regulations
  - vertical differentiation of activities increases
  - flow of information is hindered

### >Formalizing

- The formal aspect (official) of the organization who does the organization want to be and what does it want to do. It is the official channel through which information flows within the organization. It is reflected in: organization chart, work units, descriptions of positions / functions, etc.
- !!! Management must not hamper members of the organization through rules and norms of behavior, but leave them room for personal expression and creative initiative
- The informal aspect of the organization social and personal interactions derived from the need of being part of a group. It is reflected in informal groups ("cliques," "gangs"), informal networks of communication ("rumor") and informal leaders

## II. Organizational structure: the traditional approach

It is a system relationships and communication channels linking the work of individuals and groups within the organization.

The purpose of developing the organizational structure is localizing tasks by division of labor and facilitating for the purpose of obtaining performance results.

#### Steps:

- Defining positions within the organization
- Grouping positions in management units
- Distribution of power in the organization
- Establish managerial control area
- Determination of the command chain

### 1. Defining jobs in the organization

**Job** – a piece of work, especially a specific task done as part of the routine of one's occupation

**Important!:** before creating jobs, managers should analyze the tasks that have to be executed, so customers get what they expect from the organization (maximum performance) and in the same time to achieve maximum efficiency by using the resources in the best manner, through a fair division of labor based on the employee's specialization!

# Specialization advantages

- high labor efficiency
- rational use of working time
- reduced training time for new employees

# Specialization disadvantages

- boredom
- dissatisfaction at work

**♣** Job rotation

**↓** Job enlargement

**♣** Job enrichment

Hackman & Oldham (Hackman J. R., Oldham, G. R., (1980), Work redesign, 1st edition, Pearson Education): every job has five characteristics that determine employee's reaction and behavior, namely:

**Skill Variety:** The degree to which a job requires various activities, requiring the worker to develop a variety of skills and talents. Jobholders can experience more meaningfulness in jobs that require several different skills and abilities than when the jobs are elementary and routine.

**Task Identity:** The degree to which the job requires the jobholders to identify and complete a workpiece with a visible outcome. Workers experience more meaningfulness in a job when they are involved in the entire process rather than just being responsible for a part of the work.

**Task Significance:** The degree to which the job impacts other people's lives. The influence can be either in the immediate organization or in the external environment. Employees feel more meaningfulness in a job that substantially improves either psychological or physical well-being of others than a job that has limited impact on anyone else.

**Autonomy:** The degree to which the job provides the employee with significant freedom, independence, and discretion to plan out the work and determine the procedures in the job. For jobs with a high level of autonomy, the outcomes of the work depend on the workers' own efforts, initiatives, and decisions; rather than on the instructions from a manager or a manual of job procedures. In such cases, the jobholders experience greater personal responsibility for their own successes and failures at work.

**Feedback:** The degree to which the worker has knowledge of results. This is clear, specific, detailed, actionable information about the effectiveness of his or her job performance. When workers receive clear, actionable information about their work performance, they have better overall knowledge of the impact of their work activities, and what specific actions they need to take (if any) to improve their productivity.

# 2. Grouping jobs into work units

Jobs must be grouped into easily manageable units in order to increase effectiveness and efficiency of the organization (departments, divisions, sections etc.)

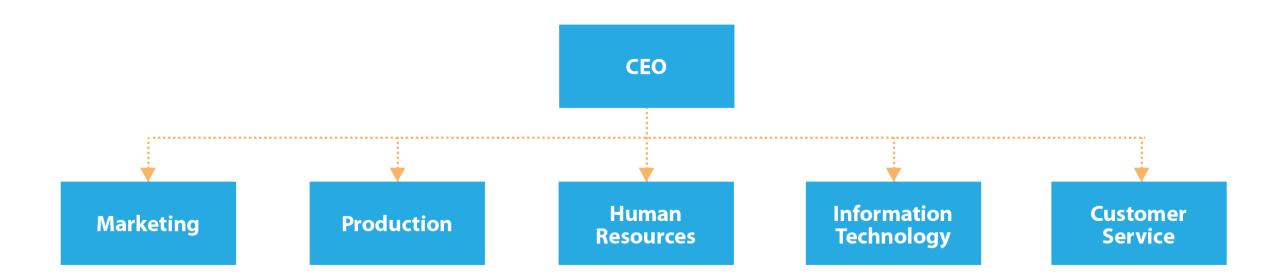
The criteria used in grouping posts:

- **II** Functional structure
- Divisional structure

#### A. Functional structure

A functional structure is one of the most common organizational structures. Under this structure, the organization groups employees according to a specialized or similar set of roles or tasks. While functional structures operate well in stable environments where business strategies are less inclined to changes or dynamism, the level of bureaucracy makes it difficult for organizations to respond to changes in the market quickly.

# EXAMPLE:



### **Advantages**

- facilitates economies of scale
- division of tasks according to specialization
- solves problems faster
- efficient use of resources
- encourages professional development
- simplifies supervision and coordination

### **Disadvantages**

- longer decision-making process
- difficult adaptation to change in the organization
- functional managers lack the overall vision of the organization and its environment
- solving inter-departmental conflicts is hindered

#### **B.** Divisional structure

The divisional organizational structure organizes the activities of a business around geographical, market, or product and service groups. Thus, a company organized on divisional lines could have operating groups for the United States or Europe, or for commercial customers. Each such division contains a complete set of functions.

This approach is useful when decision-making should be clustered at the division level to react more quickly to local conditions. The divisional structure is especially useful when a company has many regions, markets, and/or products.

### Advantages:

**Accountability.** This approach makes it much easier to assign responsibility for actions and results. In particular, a division is run by its own management group, which looks out for the best interests of the division.

*Competition.* The divisional structure works well in markets where there is a great deal of competition, where local managers can quickly shift the direction of their businesses to respond to changes in local conditions.

*Culture*. You can use this structure to create a culture at the divisional level that most closely meets the needs of the local market. For example, a retail division could have a culture specifically designed to increase the level of service to customers.

**Local decisions.** The divisional structure allows decision-making to be shifted downward in the organization, which may improve the company's ability to respond to local market conditions. **Multiple offerings.** When a company has a large number of product offerings, or different markets that it services, and they are not similar, it makes more sense to adopt the divisional structure. **Speed.** This approach tends to yield faster responses to local market conditions.

## Disadvantages:

*Cost.* When you set up a complete set of functions within each division, there are likely to be more employees in total than would be the case if the business had instead been organized under a purely functional structure. Also, there must still be a corporate organization, which adds more overhead cost to the business.

*Economies of scale*. The company as a whole may not be able to take advantage of economies of scale, unless purchases are integrated across the entire organization.

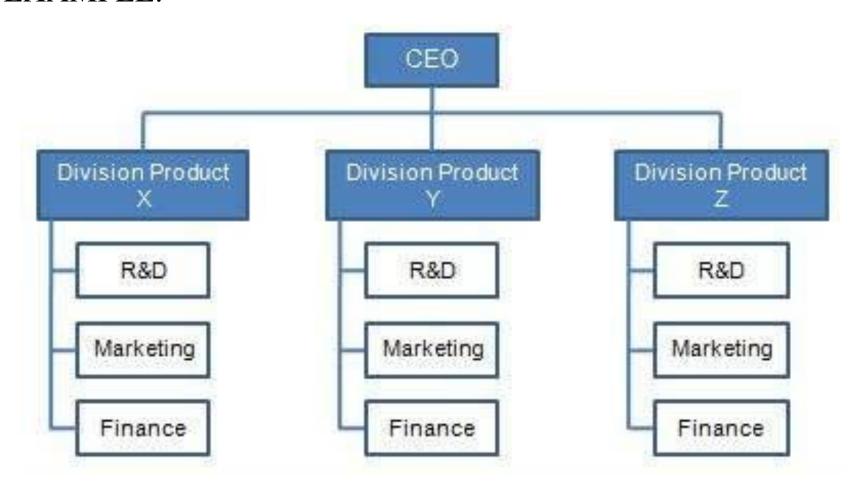
*Inefficiencies*. When there are a number of functional areas spread among many divisions, no one functional area will be as efficient as would have been the case if there had instead been one central organization for each function.

**Rivalries.** The various divisions may have no incentive to work together, and may even work at cross-purposes, as some managers undercut the actions of other divisions in order to gain localized advantages.

*Silos*. All skills are compartmentalized by division, so it can be difficult to transfer skills or best practices across the organization. It is also more difficult to cross-sell products and services between the divisions.

*Strategic focus*. Each division will tend to have its own strategic direction, which may differ from the strategic direction of the company as a whole.

### **EXAMPLE**:



# Departmentalization

a) Product departmentalization: A divisional structure organized by product departmentalization means that the various activities related to the product or service are under the authority of one manager. If the division builds luxury sedans or SUVs, for example, the SUV division will have its own sales, engineering, and marketing departments distinct from those departments within the luxury sedan division.

- **b) Process departmentalization** the grouping of activities by work and customer flow
- c) Customer departmentalization— the grouping of activities by common customers
- d) Geographic departmentalization: Geographic departmentalization involves grouping activities based on geography, such as an Asia/Pacific or Latin American division. Geographic departmentalization is particularly important if tastes and brand responses differ across regions, as it allows for flexibility in product offerings and marketing strategies (an approach known as localization).

Types of relationships between subdivisions resulted after grouping:

Hierarchical: between departments representing the various hierarchical levels of the organization

Functional: between different departments (e.g. between the accounting and purchasing department, related submission of the main accounts documents)

Cooperation: between departments that are on the same level of the organizational structure

Defensive: between the Legal Service and other departments of the organization (providing specialized assistance and consultancy)

Control: between the specialized control departments and the other organizational departments (e.g. between the internal financial control department and other departments)

## 3. Dispersal of power within the organization

**Power** - the ability of an individual (or group) to influence the decisions of an organization

#### Sources of power:

- // Formal authority
- Control over "scarce resources"
- // Position within the organization's network

Authority - the right to act or to order others to act for achieving the purpose of the organization

Each managerial position is accompanied by the prerogatives to develop some decisions, to grant certain rewards / penalties to their direct subordinates

#### Authority as a source of power:

- Classical theory: authority "flows" from the upper to the lower levels of the organization
- "Acceptance" theory (Chester Barnard) authority "flows" from the base to the top of the organization

Authority is being recognized in situations where the orders received from superiors fall into the "zone of indifference" (the duties of service) and is being questioned when a given task falls outside this zone. "zone of indifference". The executor of the task compares the potential reward with the potential penalty which would result from whether or not he will execute the given task.

#### Control over "scarce resources":

- As jobs become more specialized, special skills and information are increasingly essential.
- Special skills (scarce resources) and information are sources of power

### Position within the organization's network:

• People (groups) in the center of the organization have power because their position gives them access to information on the organization's strengths and weaknesses in relation to the environmental requirements.

## • Types of power within the organization

Coercive Power based on fear

Reward Power based on the ability to

distribute something that others value

Legitimate Power based on one's position in

the formal hierarchy

Expert Power based on one's expertise,

special skills, or knowledge,

Referent Power based on identification

with a person who has resources

or traits

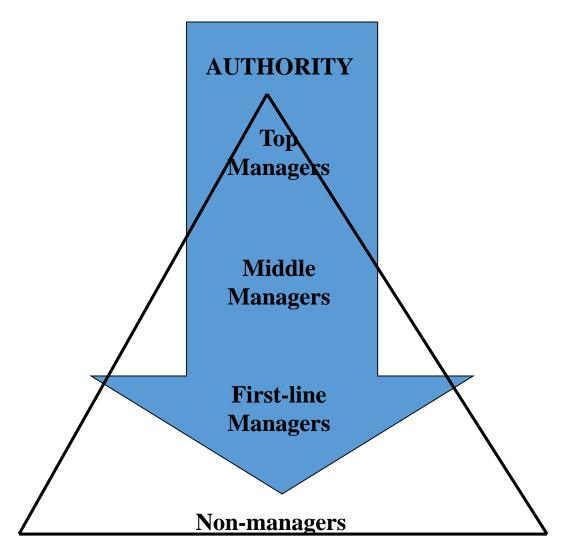
## **Delegation of authority:**

- attributing the authority to another person in order to achieve specific activities, the ultimate responsibility belongs to the manager
- genuine delegation does not mean giving up authority

## Principles of effective delegation of authority:

- 1. Setting up goals / standards for measuring the performance
- 2. Defining clearly the responsibility and the transfer of authority
- 3. Motivating subordinates in accepting and carrying out the tasks
- 4. Supporting subordinates through guidance, help and information provided by managers
- 5. Continuous evaluation of the subordinate's ability to discharge the responsibility received by delegating and running training programs for potential managers
- 6. Periodically control

## Efficient delegation of authority



Efficient authority "pushes" the authority to the lower levels of the organizational structure

## Reasons to avoid the delegation of authority:

## Psychological:

- they do not trust the ability of others to perform tasks correctly
- they fear; their positions by those who would perform the delegated task perfectly
- reservation in being responsible for the work of others
- disorientation, inability to plan and assign tasks

## Organizational:

incorrect / incomplete definition of the responsibilities and authority (managers do not know their roles)

# Situational factors of delegating authority

- Size of the organization
- The importance of the delegated tasks
- The complexity of the delegated task
  - Organizational culture
  - The quality of subordinates

By delegating authority organization receive a certain degree of **centralization** / **decentralization** 

Concentration of authority at higher levels - centralized organization

## The degree of centralization / decentralization of decision depends on:

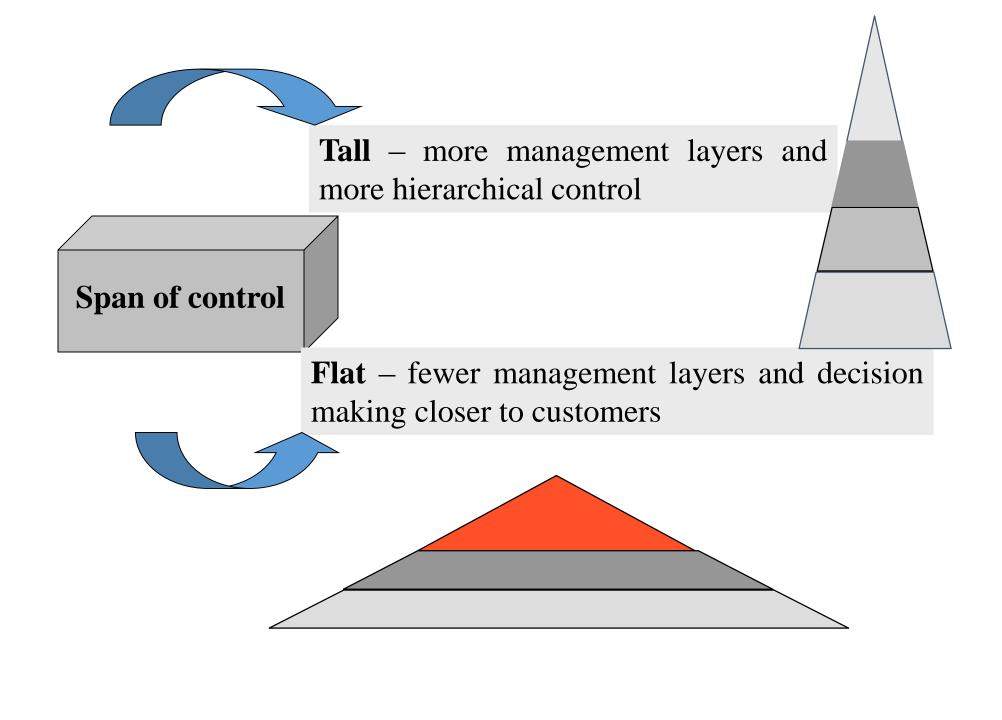
- ✓ The nature of decisions (conditions of certainty, risk, uncertainty)
- ✓ The cost of decisions
- ✓ Organizational culture (tradition of the organization)
- ✓ Skills and knowledge of managers situated on the lower levels of the organization
- ✓ The used control mechanisms
- ✓ Environmental complexity

## 4. Establishing the span of control

Span of control – the number of subordinates a manager can direct efficiently and effectively

## Conditions that require an optimal span of control:

- ■The competence of manager and subordinates
- The intensity of the relationship between a manager's subordinated departments
- Similarities and differences between the controlled operations
- The frequency of new issues in the department of the one performing control
- Extent of standardized rules and procedures within the organization
- Spatial dispersion of activities
- Diversity of the issues concerning the manager's activities



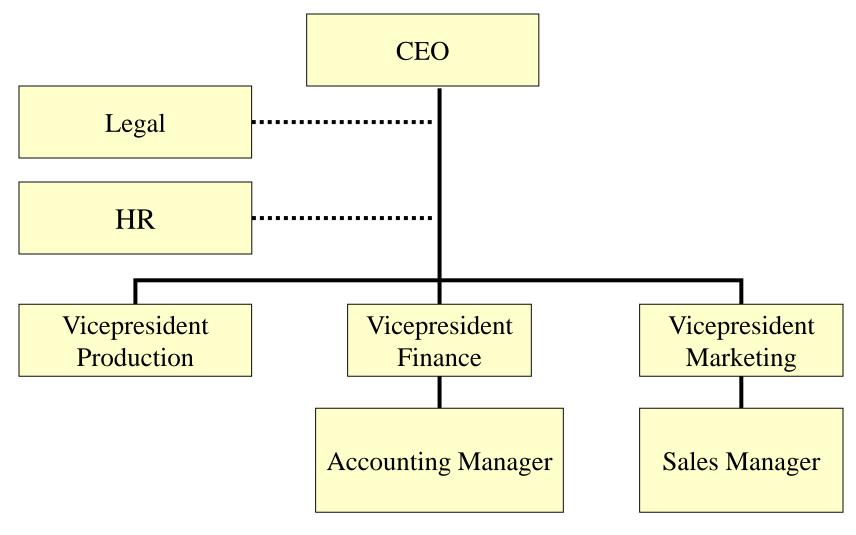
#### 5. Chain of command

The order in which authority and power in an organization is wielded and delegated from top management to every employee at every level of the organization. Instructions flow downward along the chain of command and accountability flows upward.

Depending on the type of authority, the managerial positions within the organization are:

- line management ocupantul decide și ordonă subalternilor ce să facă; presupune delegarea autorității, repartizarea sarcinilor și supravegherea subordonațilorthe line hierarchy in which the departments are revenue generators (manufacturing, selling), and their managers are responsible for achieving the organization's main objectives by executing the key functions (such as policy making, target setting, decision making);
- staff management the staff hierarchy, in which the departments are revenue consumers, and their managers are responsible for activities that support line functions (such as accounting, maintenance, personnel management).

Example of organizational structure that show the command chain



Note: the continuous line reflects the relations of command, dotted line the relationships of support

## III. "Carriers" of the organizational structure

Detailed presentation of the organizational structure can be achieved using "rules of organizing and functioning of the organization", "job description", "organizational chart"

## **Rules** of organization and operation include:

- \* the legal form of the company
- \* the object of activity
- \* organizational chart
- \* responsibilities and power of top management
- \* organization's subdivisions with their respective powers and responsibilities and the positions they cover

## A job description

- is usually developed by conducting a job analysis, which includes examining the tasks and sequences of tasks necessary to perform the job. The analysis considers the areas of knowledge and skills needed for the job.
- is a list that a person might use for general tasks, or functions, and responsibilities of a position. It may often include to whom the position reports, specifications such as the qualifications or skills needed by the person in the job
- Organizational chart a chart that shows the structure of the organization including the title of each manager's position and, by means of connecting lines, who is accountable to whom and who has authority for each area. (http://www.edrawsoft.com/service-enterprise-orgchart.php)

## **Advantages of Organizational Charts**

Shows clear reporting structure — employees know who to report to, who to contact when there is an issue that needs resolving or a question that needs to be answered. This is especially important in large organizations where there are many departments. Someone else from another department can quickly get in touch with the relevant person of another department.

*Helps new employees* – enables them to get to know the people he or she is working with even before meeting them, thus helping them to connect much more easily. *Helps to manage workload* – A well managed organizational chart helps to visualize the workload of individuals. This is especially useful to manage the workload of managers because you can clearly see how many people they are managing and in some cases how many departments are under them.

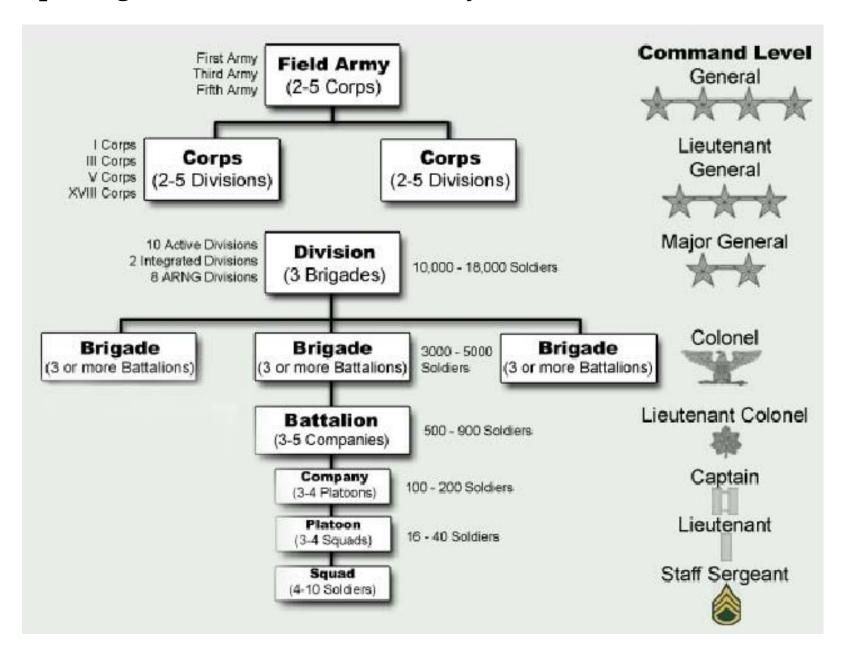
*Makes planning easier* – Because you can visualize the structure it helps in future plans. You can allocate resources better, quickly find competencies of individuals and much more.

## **Disadvantages of Organizational Charts**

Not showing informal channels – This is one of the biggest disadvantages of organizational charts. Not all communication channels are formal and well defined and org charts fail to capture them. Although org charts are not meant to capture them, informal channels are vital in any organization or business so failing to capture them might hinder communication.

A maintenance headache – An outdated organizational chart is almost worthless. But keeping it up to date is very hard, specially for large organizations. Employees might change departments, leave the company, assigned a new role etc. in a short period of time. Since it is hard to keep track of these changes properly maintaining an org chart will be time consuming.

## Exemple organizational chart US army



# **COORDINATION FUNCTION**

- I. Leadership
- II. Leaders
- III. Motivation

- Leadership styles
- authoritarian or autocratic the leader tells his or her employees what to do and how to do it, without getting their advice
- participative or democratic the leader includes one or more employees in the decision making process, but the leader normally maintains the final decision making authority
- **delegative or laissez-fair (free-rein)** the leader allows the employees to make the decisions, however, the leader is still responsible for the decisions that are made

#### II. Leaders

Not all leaders are managers and not all managers are leaders!

# Managers

• People whose influence on others is limited to the authority given by the position they hold (grant rewards and punish)

#### Leaders

•People with managerial and personal power, who influence others not due to the authority given by their position within the company

## Warren Bennis composed a list of the differences:

- The manager administers; the leader innovates.
- The manager is a copy; the leader is an original.
- The manager maintains; the leader develops.
- The manager focuses on systems and structure; the leader focuses on people.
- The manager relies on control; the leader inspires trust.
- The manager has a short-range view; the leader has a long-range perspective.
- The manager asks how and when; the leader asks what and why.
- The manager has his or her eye always on the bottom line; the leader's eye is on the horizon.
- The manager imitates; the leader originates.
- The manager accepts the status quo; the leader challenges it.
- The manager is the classic good soldier; the leader is his or her own person.
- The manager does things right; the leader does the right thing.

#### III. Motivation

- Internal and external factors that stimulate desire and energy in people to be continually interested and committed to a job, role or subject, or to make an effort to attain a goal.
- Motivation results from the interaction of both conscious and unconscious factors such as the (1) intensity of desire or need, (2) incentive or reward value of the goal, and (3) expectations of the individual and of his or her peers. These factors are the reasons one has for behaving a certain way.

From a management perspective, motivation is the ability of leaders to create an environment in which workers can and will generate the desired results for the organization.

# Components of motivation



### Sources of motivation at work are:

- intrinsic (related to personality, desires and expectations of the person)
- ➤ extrinsic (in particular those pertaining to the organization and working place)

#### Factors that influence motivation can be:

- > Employee: personality, skills, attitudes and needs
- ➤ Organization: structure, culture, ways to monitor exercises, resources, how the work is rewarded
- ➤ Working place: the group's structure, rules and unwritten rules of the group, group leader, etc.

### **Approaches to motivation from management perspective**

### Maslow's hierarchy of needs

Maslow wanted to understand what motivates people. He believed that people possess a set of motivation systems unrelated to rewards or unconscious desires.

Maslow (1943) stated that people are motivated to achieve certain needs. When one need is fulfilled a person seeks to fulfill the next one, and so on.

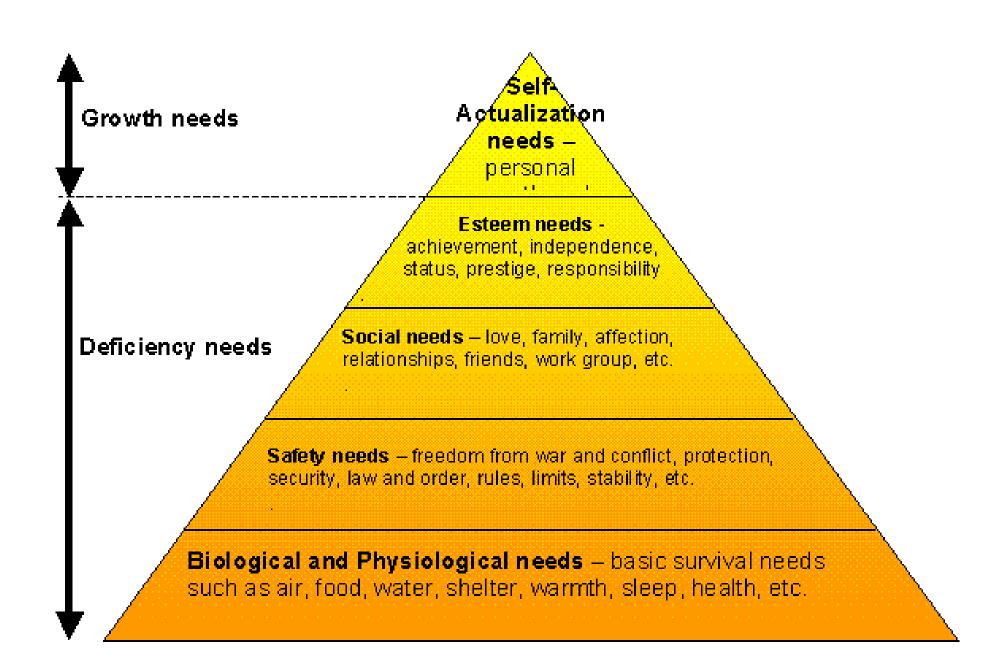
The earliest and most widespread version of Maslow's (1943, 1954) hierarchy of needs includes five motivational needs, often depicted as hierarchical levels within a pyramid.

This five stage model can be divided into basic (or deficiency) needs (e.g. physiological, safety, love, and esteem) and growth needs (self-actualization).

The deficiency, or basic needs are said to motivate people when they are unmet. Also, the need to fulfil such needs will become stronger the longer the duration they are denied. For example, the longer a person goes without food the more hungry they will become.

One must satisfy lower level basic needs before progressing on to meet higher level growth needs. Once these needs have been reasonably satisfied, one may be able to reach the highest level called self-actualization.

Every person is capable and has the desire to move up the hierarchy toward a level of self-actualization. Unfortunately, progress is often disrupted by failure to meet lower level needs. Life experiences, including divorce and loss of job may cause an individual to fluctuate between levels of the hierarchy.



# **CONTROL FUNCTION**

- I. The content and the need for management control
- II. Performance / Performance appraisal

## I. The content and the need for management control

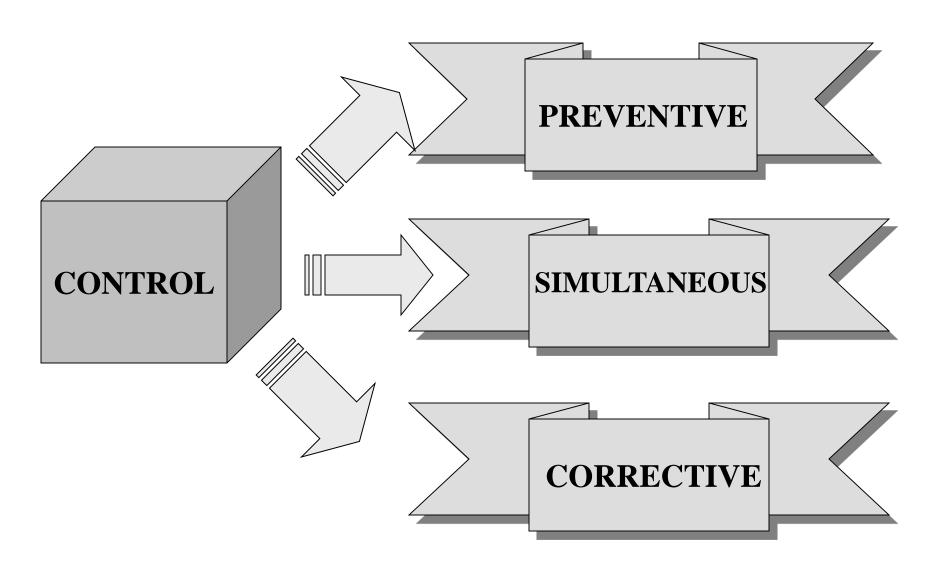
**Control**, or **controlling**, is one of the managerial functions like *planning*, *organizing*, *staffing* and *directing*. It is an important function because it helps to check the errors and to take the corrective action so that deviation from standards are minimized and stated goals of the organization are achieved in a desired manner.

According to modern concepts, control is a foreseeing action whereas earlier concept of control was used only when errors were detected. Control in management means setting standards, measuring actual performance and taking corrective action.

### Management control is necessary because:

- ❖ It ensures standards that enable the evaluation of the organization's efficiency (organization's resources being limited)
- ❖ It provides management with feedback on the quality of the goods produced
- ❖ It provides information on the organization's interaction with customers and their satisfaction
- ❖ It is a source of innovation: based on the controlling results one may experiment elements of creativity in work and management
- ❖ It gives employees feedback on their contribution (expected and actual) to achieving the organization's objectives
- ❖ It ensures the compliance by employees with the policies, rules of conduct and norms of the organization

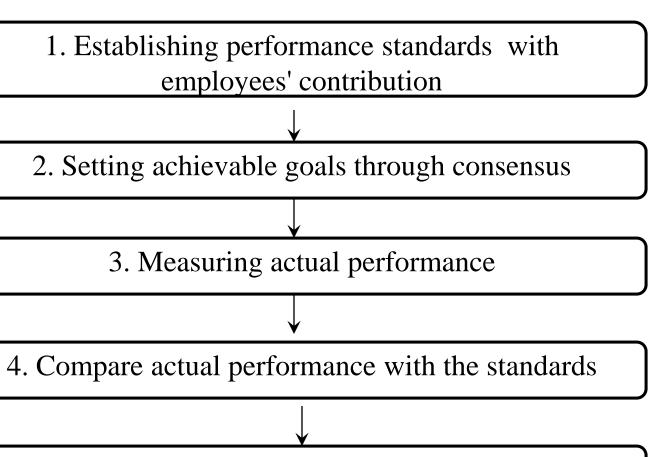
The management control can be:



#### II. Performance

The accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed. In a contract, performance is deemed to be the fulfillment of an obligation, in a manner that releases the performer from all liabilities under the contract.

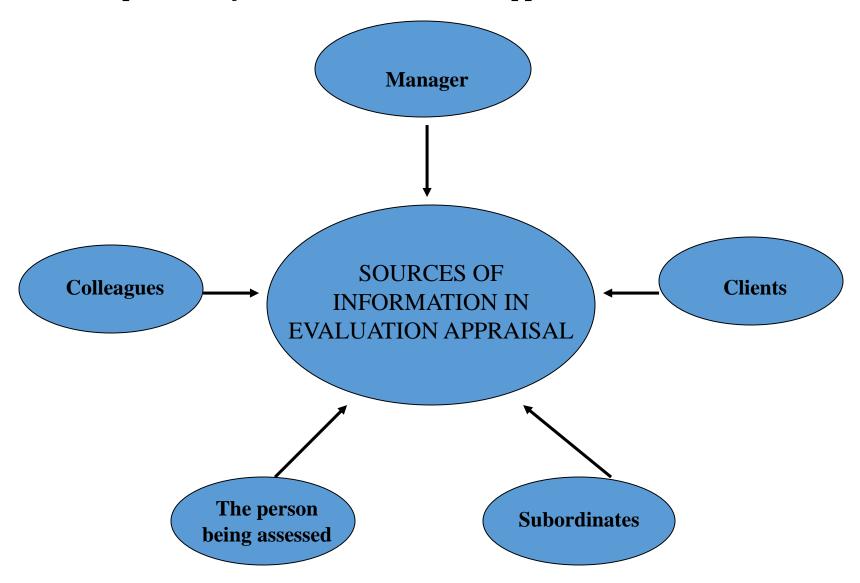
# Performance appraisal proces



5. Discuss the results with employees

6. If needed, the adoption of correctional decisions

Who can provide information to evaluation appraisal?



# • Possible errors in the performance appraisal

- >Stereotyping, occurs when evaluations are influenced to some degree by a person's membership in a particular social group. Many managers put people in categories. Such discrimination is even facilitated by popular personality tests typology. This only contributes to this stereotyping bias.
- ➤ Halo Effects, This occur when an initial positive impression of an individual leads to perceiving everything the person does is all good. As an example, a manager forming a very good impression of one employee who always stay late at work, making an assumption that they are hard-workers, even thought the real reason is that the employee has a poor time management skills.
- ➤ Similar-to-Me Errors occurs when raters assign higher ratings to people who are similar to the them on various dimensions. As a proven social influence tendency by Robert Cialdini's book "Influence", we appreciate and like people who are similar to us. To illustrate an example "We may have a tendency to positively rate a person just because they came from the same University we went"

- First impressions (primacy effect): The appraiser's first impressions of a candidate may color his evaluation of all subsequent behavior. In the case of negative primacy effect, the employee may seem to do nothing right; in the case of a positive primacy effect, the employee can do no wrong
- ➤ Horn effect: The rater's bias is in the other direction, where one negative quality of the employee is being rated harshly. For example, the ratee does not smile normally, so he cannot get along with people!
- ➤ Leniency: Depending on rater's own mental make-up at the time of appraisal, raters may be rated very strictly or very leniently. Appraisers generally find evaluating others difficult, especially where negative ratings have to be given. A professor might hesitate to fail a candidate when all other students have cleared the examination. The Leniency error can render an appraisal system ineffective. If everyone is to be rated high, the system has not done anything to differentiate among employees.

- ➤ Central tendency: An alternative to the leniency effect is the central tendency, which occurs when appraisers rate all employees as average performers. For example, a professor, with a view to play it safe, might give a class grades nearly equal to B, regardless of the differences in individual performance.
- Recency effect: In this case the rater gives greater weightage to recent occurrences than earlier performance. For example, an excellent performance that may be six or seven months old is conveniently forgotten while giving a poor rating to an employee's performance which is not so good in recent weeks. Alternatively, the appraisal process may suffer due to a 'spill over effect' which takes place when past performance influences present ratings.

## Some suggestions for minimizing mistakes in assessing performance

- ✓ defining performance based on job analysis
- ✓ avoid unclear terms in expression (e.g. average performance results can be perceived differently)
- ✓ systematic observation of employee activity and noting the essential elements for the future of each person
- choosing the most appropriate evaluation method
- ✓ setting an acceptable management control area, so that a manager should not have to evaluate the performance of a large number of subordinates
- ✓ a clear indication of the dimensions of individual, group and organizational performance that has to be evaluated
- ✓ training of assessors so that they can identify the sources of error and understand the significance of performance evaluation

# Steps to increase the efficiency of performance evaluation:

- ➤ Announcing the subject and preparing the evaluation on time!
- ➤ Creating a relaxing atmosphere during the evaluation!
- ➤ Explaining the purpose of the evaluation!
- ➤ Employee involvement in the assessment process (asking them to make their own assessment)!
- ➤ Focusing the discussion on job evaluation, not on employees!
- ➤ Improving evaluation using several examples!
- ➤ Discussing both the positive and negative aspects!
- ➤ Developing a plan for the future in order to express how the work process must be changed!

Watch movie: <a href="http://www.youtube.com/watch?v=BqVBDXqf2vk&feature=related">http://www.youtube.com/watch?v=BqVBDXqf2vk&feature=related</a> (2:48 min)

# **COMMUNICATION**

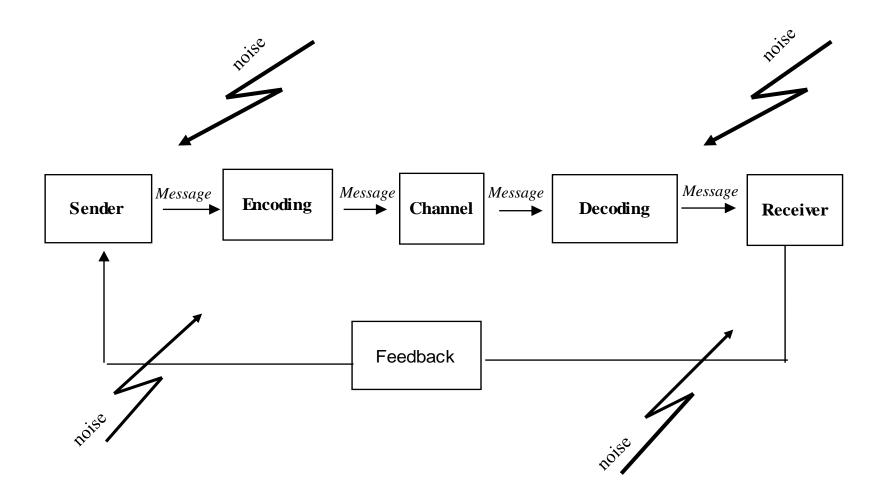
I Content and functions of communication
II Types of communication
III Patterns of communication
IV Communication barriers
V Management. Conflict management
VI Negotiation

#### Communication

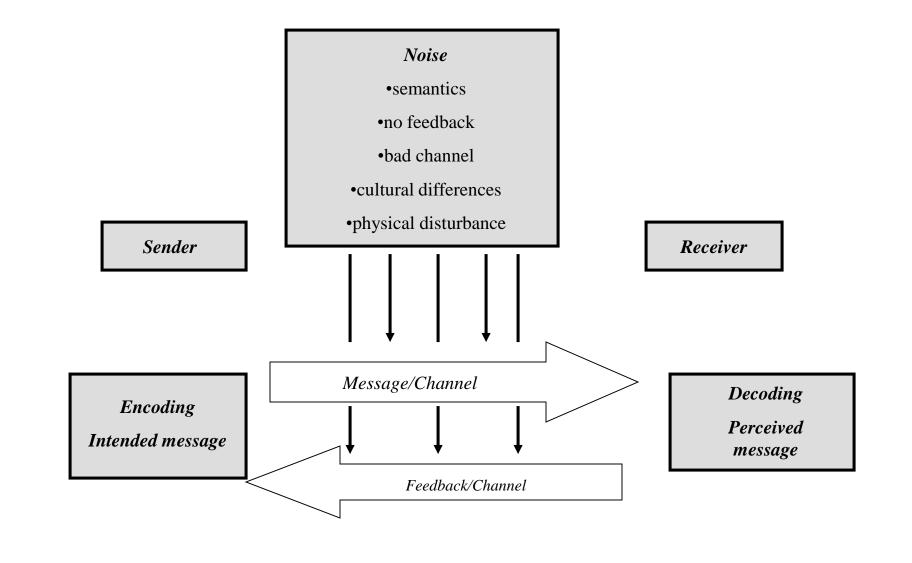
# Communication is a process of understanding between people by means of information transfer:

- it is a process that starts with an idea that needs to be translated into a language that it understandable by the receiver. The receiver interprets the message received. Based on this interpretation, the receiver will respond or act in a certain way (feedback)
- a two-way process: in the absence of at least two people, communication has no meaning
- it is not just a simple use of the words, it is important to understand the words by the participants to the communication process

# The process of communication



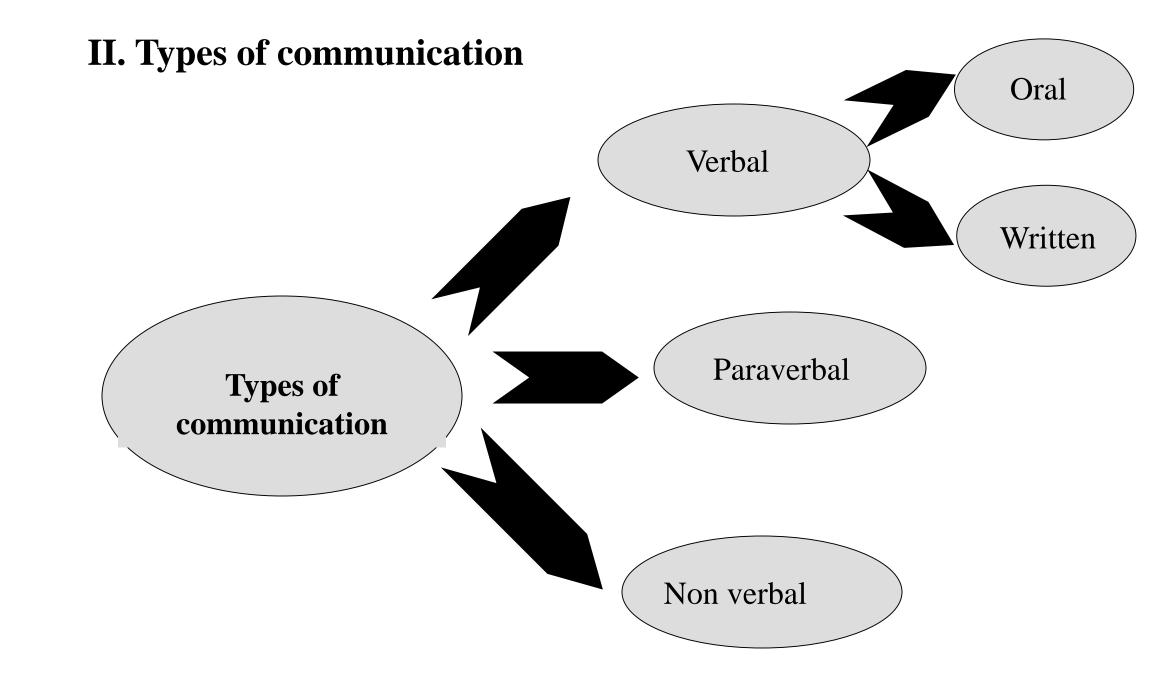
- *Source/Sender* the person(s) responsible to create or initiate the message to be sent.
- *Encoding* in order to replicate the thought of the sender into some kind of external message, codes and symbols are used. This process is called encoding. The correct delivery of message depends on proper encoding.
- *Message* a piece of information that a sender wants to deliver to the receiver. It can be both verbal or non-verbal.
- *Channel* the transmission medium through which a sender sends his message and the receiver receives the message and vice versa.
- *Decoding* the exact opposite process of encoding. Here the receiver attempts to find the meaning of the sender's message.
- Receiver the person(s) who receives the message from the sender.
- Feedback any response made by the receiver in return to the message that was received.
- *Noise* the obstacles and hindrance that interferes during the communication process is broadly called noise.



# • Main functions of the communication process:

Influences the behaviour of the company's members:

- > allows expressions of feelings and emotions;
- > provides, receives and exchanges information;
- > consolidates and strengthens the formal structure of the organization;
- → communication allows the company's members to enter into relationships with others, to satisfy their need of belonging to a group, to request or to provide support and to use formal channels of information in solving problems related to work



# A) Oral communication

- face to face the most effective; can interpret nonverbal signals, feedback is received instantly, avoids confusion, ambiguities, misunderstandings
- *video conference* saves time and money of movement to another place and shortens the decision-making process
- *teleconference or teleseminar* live exchange and mass articulation of information among several persons and machines remote from one another but linked by a telecommunications system. Terms such as audio conferencing, telephone conferencing and phone conferencing are also sometimes used to refer to teleconferencing.
- *voice mail* gives the sender the opportunity to recode the message for those outside office

# An efficient oral communication fulfills several conditions:

- Adapt to the comprehension capacity of the receiver
- Transmission efficiency
- Underline the message by a title
- Systematize the ideas in order of their importance

In the oral communication the sender of the message must prove several qualities:

- \* confidence
- \* knowledge
- \* pleasant voice
- \* sincerity
- \* sympathy
- \* honesty

- \* enjoyable presence
- \* care for the listener
- \* humor
- \* strong character
- \* tactful
- \* open minded

- B) Written communication: is appropriate in situations that require distribution of information to a large number of recepients
- *personalized*: memos, letters etc. sent by courier, fax, e-mail; encoding is done so that the receiver completely understand the message
- *impersonal / non-personalized* for a large number of receivers; used for transmission of rules, announcements, policies, instructions etc.; feedback is unlikely

# C) Paraverbal communication

Volume

**Tone** 

**Pace** 

Accent

**Pauses** 

**Diction** 

## D) Non-verbal communication

- comprises all messages transmitted through other means than words
- affects the way we see other people, how they see us and how we interact with each other
- in many cases the way we send our message is more important than its content

The Japanese have developed an art of communicating desires and feelings without words. A smile, a raised eyebrow, a prolonged silence, body movement, have special significance for those who know and are involved in this "art".

# a) Body language

Communication through body language exists since ancient times, but its scientific analysis began only in the last two decades

The meaning of a message is determined in 55% by non-verbal components and not by the ideas expressed.

# Ways of communication through body language:

- eye signs
- gestures made with palm
- handshake
- hand gesture
- display of the thumb
- intertwining arms
- crossing legs
- "territorial" gestures
- social status
- etc.

# b) The use of space:

- the location, the size and the arrangement of the office "communicates" the power the individuals have inside the organization: senior managers have larger offices, with large windows, high quality furniture
- the access to the parking places of the organization show the distance between power holders and others in the organization

# c) Outfit

"Clothes make the man"

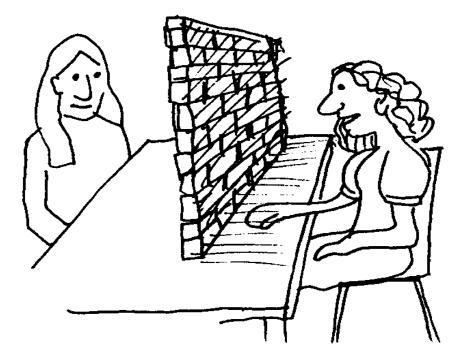
#### **III. Patterns of communication:**

- **X** Circle Pattern − the sender (Group Leader) can communicate with the receivers (group members) who presents next to him/her. No others group members can't receive the sender's message directly and they receive messages from the other group members who are sharing the message from the sender. In this pattern of communication the sender messages travels all over the group through sharing by its members but it will take time to reach sender again.
- **Chain Pattern** the same problems as in the circle pattern. The worst part in the pattern is that the last member receives the modified messages from the leader. In this case the leader can't find whether the last member receives the correct information or not because there is no feedback to identify the message distortion.
- X Pattern − more complicated and has also the communication problem which appears in both circle and chain pattern. The group is separated into three and the group members can communicate with the other group members only through the leader
- **Wheel Pattern** leader has direct contact with all the group members and there are no communication problems, time issues and feedback from the group members. But all the group members can't connect with one another.

Direction of the information flow within the organization:

- *horizontal:* Horizontal communication occurs between people holding the same hierarchical position.
- *vertical*: Vertical communication is the communication where information or messages flows between or among the subordinates and superiors of the organization.

#### IV. Communication barriers



Most people would agree that communication between two individuals should be simple. It's important to remember that there are differences between talking and communicating. When you communicate, you are successful in getting your point across to the person you're talking to. When we talk, we tend to erect barriers that hinder our ability to communicate.

#### 1. Physical barriers:

Physical barrier is the environmental and natural condition that act as a barrier in communication in sending message from sender to receiver.

## Types of physical barriers

- Distortion
- Noise

## Causes of physical barrier

- Environment or Climate
- Time and Distance
- Medium Disturbance or Technical Problem
- Workspace Design
- Noise
- Information Overflow

#### 2. Perceptual barriers

Perceptual barriers of communication are internal barriers that occur within a person's mind when the person believes or perceives that the other person that they are going to speak with will not understand or be interested in what they have to say. Perpetual barriers often cause communication problems because the language employed by the person with the perceptual barrier is often sarcastic, dismissive or obtuse so the conversational partner is not going to understand what the person is saying to them fully and the person is not going to communicate anything of substance with the conversational partner.

## 3. Language barriers

Language barrier is a figurative phrase used primarily to indicate the difficulties faced when people who have no language in common attempt to communicate with each other.

#### 4. Cultural barriers

Cultural barriers may include differing languages, differing practices as related to medical procedures, and different conceptions of gender and sexuality. These barriers can lead to serious miscommunications between parties with differing cultural backgrounds.

#### 5. Emotional barriers

Emotional barriers are mental walls that keep you from openly communicating your thoughts and feelings to others. They prevent you from being yourself and living your life to the fullest. Individuals with emotional barriers tend to be extremely reserved, cautious, and insecure. As a result, they may find it challenging to effectively express themselves – whether it's through their work or through interpersonal communication.

#### 6. Gender Barriers

Variation exists among masculine and feminine styles of communication. While women often emphasize politeness, empathy, and rapport building, male communication is often more direct. Meshing these two styles without awareness could be become a barrier.

## 7. Interpersonal Barriers

These are barriers are created to distance themselves from others. These can be done through withdrawal, meaningless rituals which keep one devoid of real contact, superficial activities through pastimes, and more.

# Techniques for overcoming/diminishing barriers:

- → formal or informal mechanism of verifying how to interpret the message
- → the use of parallel channels of communication in order to
  strengthen the message sent (an oral request may be accompanied by
  a written one)
- → careful selection of language and communication style,
  depending on the context and / or training and skills of the receiver
- ★ better knowledge of the audience
- → encourage feedback
- → listen carefully
- → avoid strong emotions

# V. CONFLICT. CONFLICT MANAGEMENT

Group conflict is inevitable.....and often even beneficial

Conflict is often necessary:

- 1. Helps in formulating and addressing problems
- 2. Determines teams to focus on the appropriate issues
- 3. Help people learn how to recognize the differences between them and how to profit from them

Not the conflict is the problem: The problem arises when conflict is poorly managed

# Conflict is a problem when it:

1. Reduces productivity

2. Minimized the morale

3. Causes other conflicts

4. causes inappropriate behaviors

# Causes of conflict at the workplace

#### Poor communication

- a. Workers are continuously faced with surprises, are not informed of the new decisions, programs, etc.
- b. Employees do not understand the motives of the decisions
- c. As a result, employees have more confidence in the "rumor mill" than in the management

The allocation of resources is inadequate or the amount of resources is insufficient

- a. Disagreement about "who does what"
- b. Stress imposed by the job without having the adequate resources

# Different goals

- a. "personal chemistry" that includes conflicting values or actions of managers and employees
- b. Differences in the duties or roles
- c. Ambiguity in the roles

# Leadership problems:

- a. Avoiding conflict
- b. Employees see the same (continue) problems at work
- c. Supervisors do not understand the work of their subordinates

#### The main managerial actions to minimize conflicts

- 1. Regular review of job descriptions. Ask for input from employees.
- 2. Build relationships with all subordinates
- 3. Requires regular written reports about achievements, current management problems, needs, future plans
- 4. Organizes training on interpersonal communication, conflict management, delegation
- 5. Develop procedures for routine tasks, requiring input from employees
- 6. Create an anonymous suggestion box available to employees
- 7. Organizes regular management meetings with employees, to communicate new initiatives and the status of current programs

#### Ways in which people address conflict

Cooperative

Assertive Competing Collaborating

Assertiveness Compromising

Unassertive Avoiding Accommodating

Cooperativeness

Uncooperative

- Avoiding Taking an unassertive and uncooperative approach to conflict defines the Avoiding mode. Sometimes avoiding conflict is the best move. Perhaps the issue isn't important enough to address or you need to allow some time to pass to diffuse tensions. But of course avoiding conflict can also be harmful because issues may fester and become more contentious or decisions may be made by default without your input or influence.
- **Competing** High on assertiveness and low on cooperativeness, the competing mode is appropriate when you need to protect yourself, stand up for important principles, or make quick decisions. Overuse of the competing style tends to result in people around you feeling "bulldozed," defeated, and un-empowered.
- **Collaborating** The collaborating mode is the highest use of assertiveness and cooperation and is appropriate when your focus is on merging the perspectives of the parties, integrating solutions, and building relationships. Overusing the collaboration mode can lead to inefficiency, wasting time, and too much diffusion of responsibility (because if everyone is responsible, then really no one is responsible).

- Compromising Many times people think compromising should be the goal of resolving conflict. I give up something, you give up something, and we agree to settle somewhere in the middle...hogwash! There are certainly times when compromise is the best route, such as when the issue in dispute is only moderately important or you just need a temporary solution. But if you overuse the compromising mode, you can neglect to see the big picture and create a climate of cynicism and low trust because you're always giving in rather than taking a stand.
- **Accommodating** This mode is high on cooperativeness and low on assertiveness which is appropriate for situations where you need to show reasonableness, keep the peace, or maintain perspective. If you overuse the accommodating mode, you can find yourself being taken advantage of, having your influence limited, and feeling resentful because you're always the one making concessions to resolve conflict.

### The "4 A" of solving the conflict

The parties involved in the conflict must:

- acknowledge the existence of the conflict, not to avoid or ignore it;
- accept their involvement in the conflict;
- <u>appreciate</u> the feelings and different points of view of everyone involved in the conflict, without judging them;
- be open and adapt new ideas that might lead to solving the conflict

## VI. Negotiation

**Negotiation** - Bargaining (give and take) process between two or more parties (each with its own aims, needs, and viewpoints) seeking to discover a common ground and reach an agreement to settle a matter of mutual concern or resolve a conflict.

#### CHARACTERISTICS OF NEGOTIATIONS IN BUSINESS

- 1. The negotiation process a social phenomenon implies the existence of a communication between people
- 2. Negotiation is an organized process, which wants to avoid confrontations and which implies a continues competition
- 3. Negotiation is a process that involves balancing the interests.
- 4. Negotiation involves presenting their own position, but also knowing the other part's position, presenting arguments, but also listening carefully the counterarguments and finally reaching a solution acceptable to all involved in the negotiation process.
- 5. Negotiation is, par excellence, a competitive process that requires a number of efforts which seek to avoid confrontation and reaching mutually beneficial solutions.
- 6. Negotiation requires mutual concessions

# !!! A negotiation means 70% preparation, 10% ''staging'' and 20% execution

A good negotiation is characterized by:

- Allows the formation of a consensus that each party will defend and respect;
- Meet their own needs without damaging those of their partner;
- Preserves and maintains good relations between the two sides;

#### Qualities of a good negotiator:

- Sympathetic
- **Unbiased**
- **Expert** in negotiation
- Credible
- ❖ Not to proud

## Phases of negotiation

- **☐** Pre-negotiation
- **□** Conceptualization
- **☐** Settling the Details
- □ Follow-up

#### **Pre-negotiation**

Everything we do, if we are to perform the activity properly, requires a certain degree of preparation beforehand.

The first thing we need to determine is whether there is actually any reason to negotiate at all. Secondly we need to be clear on the specifics we want to negotiate about. We then need to establish some form of negotiation agenda before beginning our talks. We should identify the correct people who will be involved in the talks and their levels or responsibility and authority and also set up a venue where we are going to meet and have appropriate time to conduct the talks.

#### Conceptualization

This phase is where we develop the foundation of the agreement by framing the issues, without becoming bogged down in the miniscule details. This is the phase where we define each other's goals and objectives through fact finding and by establishing some measure of compatibility.

#### **Setting the details**

In this phase, we use our external specialists to complete the details of the venture, that we are about to mutually embark upon. This phase discusses the problems of implementing the partnership realistically, so that it is both viable and workable.

#### Follow-up

Just because we've signed on the dotted line doesn't means that it ends there. We cannot toss the contract into our files and forget about it. It seldom ends there as problems always arise. Any aspect of any contract may need to be re-negotiated, or the details altered to counter a broad variety of changing circumstances. Expensive and embittered legal battles can be circumvented simply by keeping the lines of communication open with our counterparts.