

Understanding Management's Context: Constraints and Challenges

IPE 4111



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Learning Objectives



- Actions of managers: omnipotent vs. symbolic views
- Constraints and Challenges from the external environment
- Organizational culture.

Manager: Omnipotent or Symbolic



Omnipotent view

Managers are directly responsible for an organization's success or failure



➤ Good managers

- anticipate change
- exploit opportunities
- correct poor performance and
- lead their organizations



Omnipotent View



CEO of Cott Corporation was fired

– because some of its largest customers were threatening to leave and the company's share prices had declined sharply



Manager: Omnipotent or Symbolic



Symbolic view

An organization's success or failure is due to external forces outside managers' control



Symbolic View



- Managers symbolize control and influence
- Managers have little control on various external factors such as
 - economy,
 - customers,
 - governmental policies
 - competitors' actions
 - industry conditions and
 - decisions made by previous managers.



Symbolic View



Example of Cisco

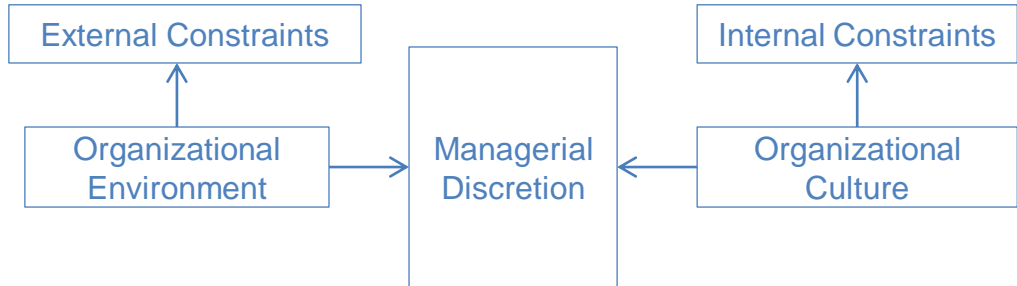
➤ 1990:

- Success, Rapid growth
- Brilliant strategy, masterful management of acquisitions and superb customer focus.

➤ After 10 years:

- Declined performance
- Flawed strategy, haphazard acquisition approach, and poor customer service

Constraints on Managerial Discretion



Defining the External Environment

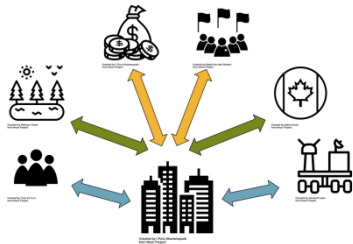


External Environment

Those factors and forces outside the organization that affect the organization's performance.

Components of the External Environment

- Specific environment
- General environment



Components of the External Environment



Specific environment

- have a direct and immediate impact on the organization.

General environment

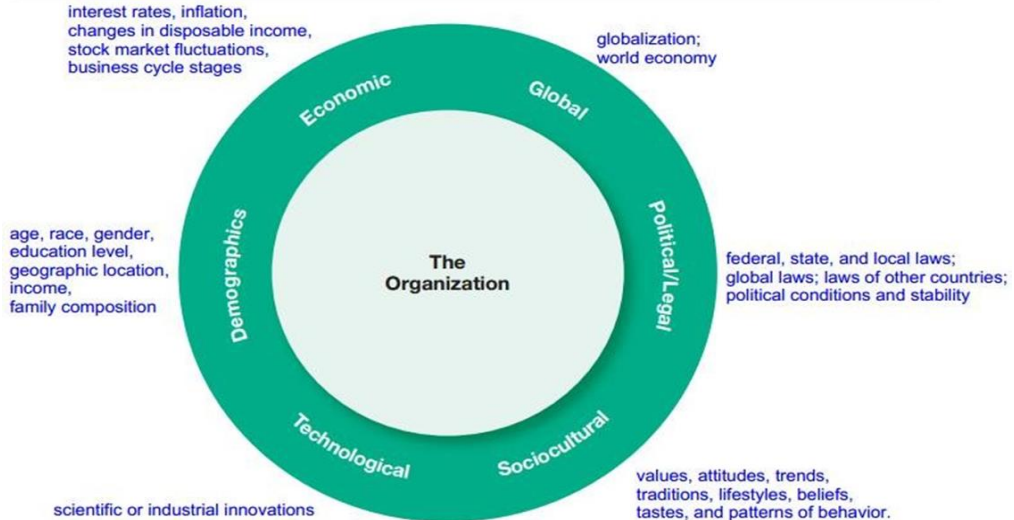
- broad economic,
- socio-cultural
- political/legal
- demographic
- technological
- global conditions



The External Environment



The External Environment



The External Environment



Economic

- Interest rates, inflation, changes in disposable income, stock market fluctuations, and business cycle stages.

Demographic

- Age, race, gender, education level, geographic location, income, and family composition.

Political/legal

- Federal, state, and local laws, as well as global laws and laws of other countries.
- Political conditions and stability.

The External Environment



Sociocultural

- Values, attitudes, trends, traditions, lifestyles, beliefs, tastes, and patterns of behavior.

Technological

- Scientific or industrial innovations.

Global component

- Globalization and a world economy.

How the Environment Affects Managers



Environmental Uncertainty

The extent to which managers have knowledge of and are able to predict change their organization's external environment is affected by:

- Complexity of the environment
- Degree of change in environmental components

How the Environment Affects Managers



Complexity of the environment

- The number of components in an organization's external environment.

Example: Hasbro Toy company, the second largest toy manufacturer (behind Mattel) has simplified its environment by acquiring many of its competitors such as- Tiger Electronics, Wizard of the Coast, Kenner Toys, Parker Brothers and Tonka Toys.

How the Environment Affects Managers



Degree of change in environmental components

- How dynamic or stable the external environment is.

Stable environment

- no new competitors
- few technological breakthroughs by current competitors

Dynamic environment

- Opposite

Environmental Uncertainty Matrix



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

Organizational Stakeholders



The Organization's Culture



Organizational Culture

- A system of shared meanings and common beliefs held by organizational members that determines, in a large degree, how they act towards each other.

- “The way we do things around here.”

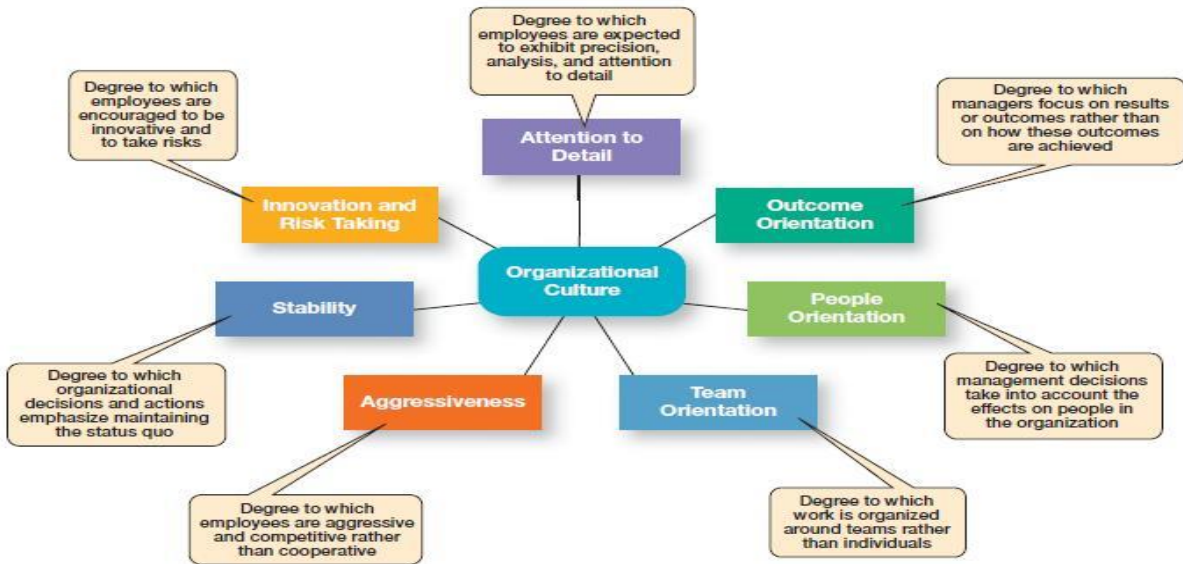
Values, symbols, rituals, myths, and practices

Implications:

Culture is a perception.

Culture is shared.

Dimensions of Organizational Culture



Strong Versus Weak Cultures



Strong Cultures

- Cultures in which key values are deeply and widely held.
- Have a strong influence on organizational members.

Factors Influencing the Strength of Culture

Size of the organization

Age of the organization

Rate of employee turnover

Clarity of cultural values and beliefs

Benefits of a Strong Culture



- Creates a stronger employee commitment to the organization.
- Aids in the recruitment and socialization of new employees.
- Fosters higher organizational performance by instilling and promoting employee initiative.

Strong Versus Weak Cultures



Strong Cultures

Values widely shared

Culture conveys consistent messages about what's important

Most employees can tell stories about company history/heroes

Employees strongly identify with culture

Strong connection between shared values and behaviors

Weak Cultures

Values limited to a few people—usually top management

Culture sends contradictory messages about what's important

Employees have little knowledge of company history or heroes

Employees have little identification with culture

Little connection between shared values and behaviors

How Employees Learn Culture



➤ Stories

Narratives of significant events or actions of people that convey the spirit of the organization.

➤ Rituals

Repetitive sequences of activities that express and reinforce the values of the organization.

➤ Material Symbols

Physical assets distinguishing the organization.

➤ Language

Jargon of terms, phrases, and word meanings specific to an organization.

How Culture Affects Managers



Cultural Constraints on Managers

- Whatever managerial actions the organization recognizes as proper or improper on its behalf
- Whatever organizational activities the organization values and encourages
- The overall strength or weakness of the organizational culture

Managerial Decisions Affected by Culture



- Planning
- Organizing
- Leading
- Controlling

Managerial Decisions Affected by Culture



Planning

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

Managerial Decisions Affected by Culture



Organizing

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

Managerial Decisions Affected by Culture



Leading

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

Managerial Decisions Affected by Culture



Controlling

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

Organization Culture Issues



➤ Creating an Innovative Culture

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

Thank you

