Principles and Functions of Management

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Module Contents

- ✓ **Management Functions**

- ✓ **Social Responsibility and Ethical Behavior**

- ✓ **Environment surrounding a business organization**

- ✓ **Interacting with stakeholder and use of stakeholder management**

- ✓ **Porter's Five Force model and its use for assessing the external environment**

- ✓ **Sources, availability and quality of data for environmental analysis**

The Environment and Culture of Organizations

The Organization's Environments

- External environment: everything outside an organization's boundaries that might affect it. The uncontrollable environment.

- Internal environment: the conditions and forces within an organization. The controllable environment.

The Organization and Its Environments
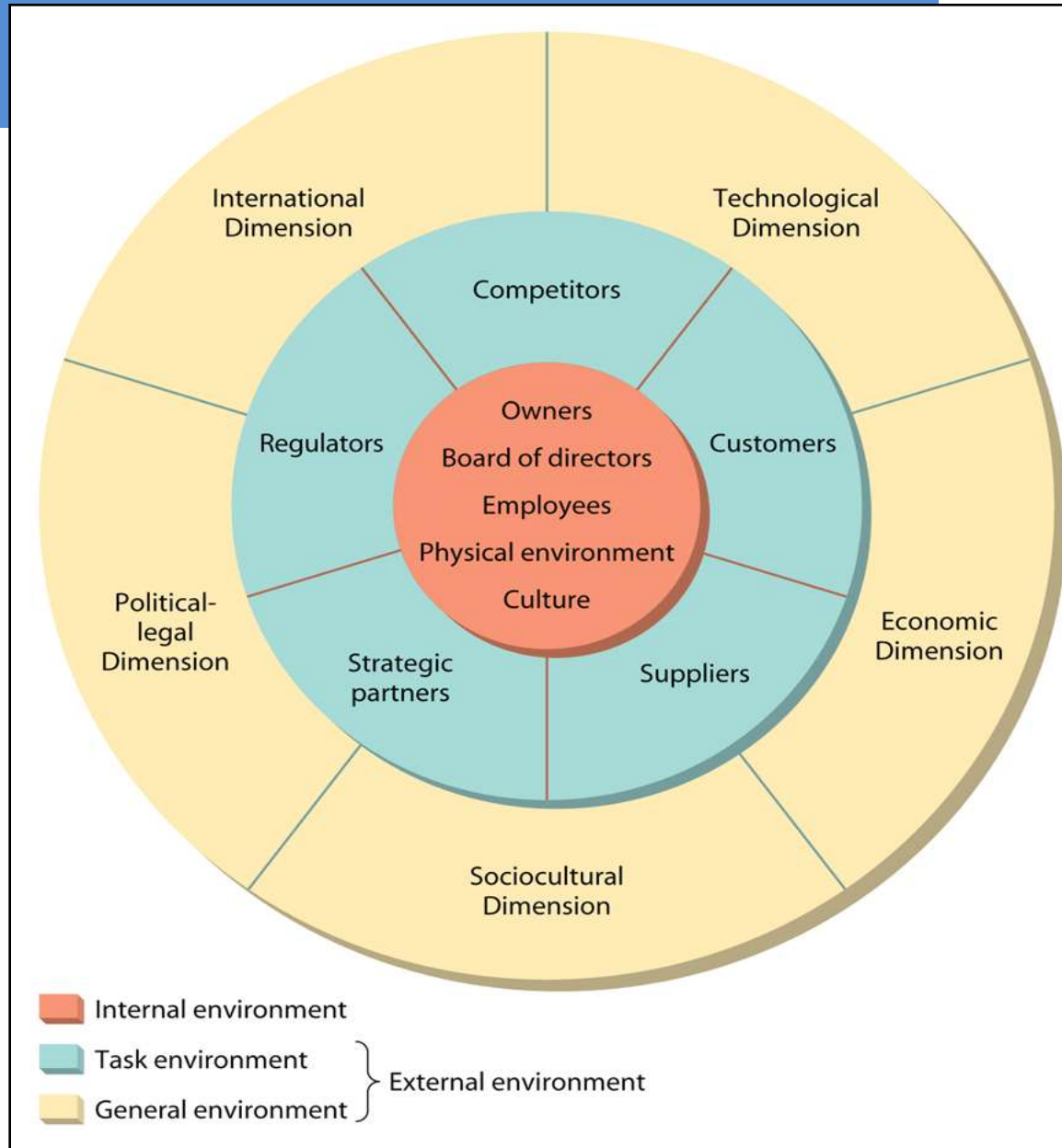
The General Environment

- Economic dimensions: the overall health and vitality of the economic system in which the organization operates.

- Technical dimensions: the methods available for converting resources into products or services.

- Socio-cultural dimensions: the customs, mores, values, and demographics of the society in which the organization functions.
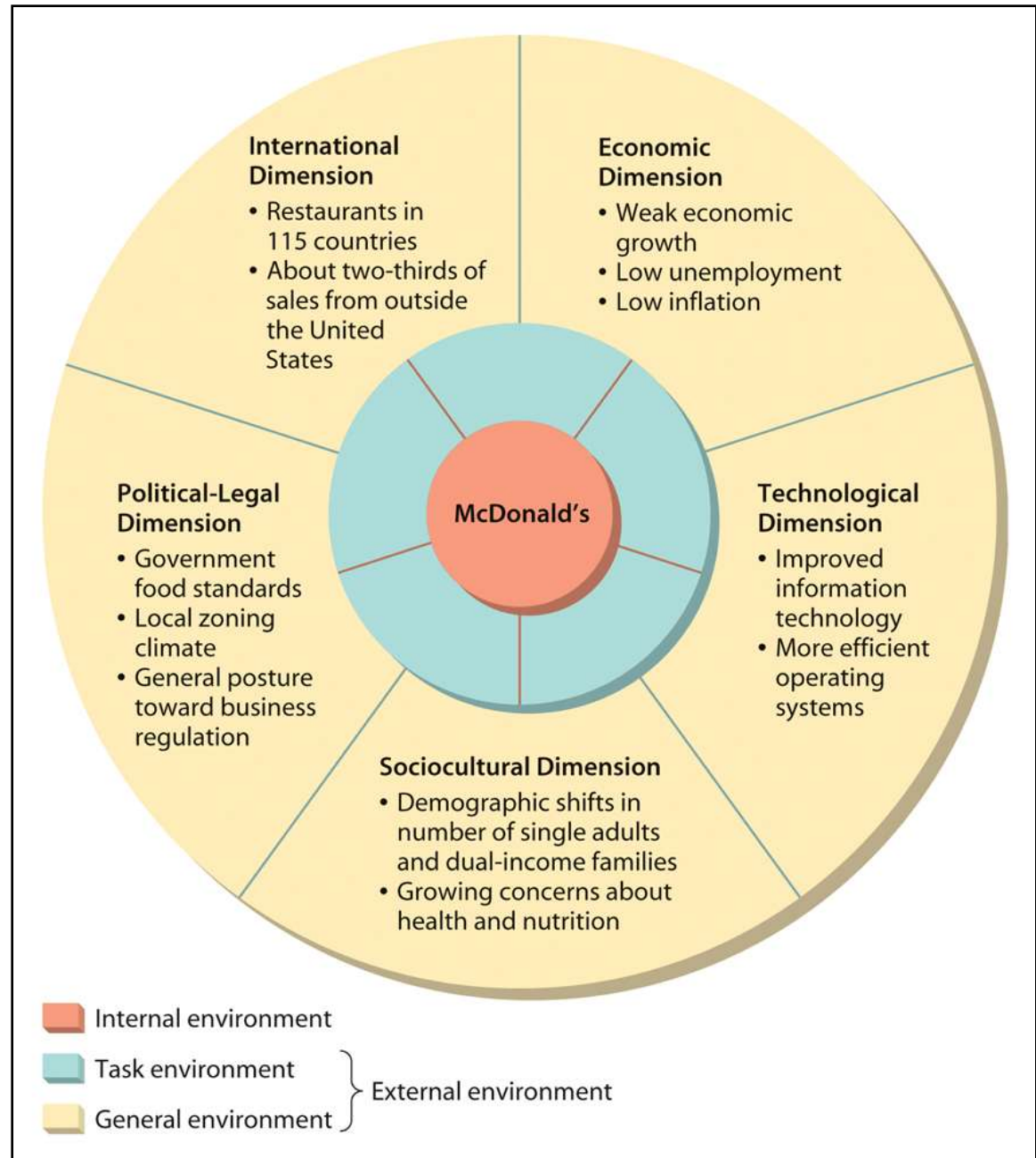
Additional Dimensions

- Political-Legal dimension: the government regulation of business and the general relationship between business and government.

- International dimension: the extent to which an organization is involved in or affected by business in other countries.

McDonald's General Environment

International Dimension
- Restaurants in 115 countries
- About two-thirds of sales from outside the United States

Economic Dimension
- Weak economic growth
- Low unemployment
- Low inflation

Political-Legal Dimension
- Government food standards
- Local zoning climate
- General posture toward business regulation

McDonald's

Technological Dimension
- Improved information technology
- More efficient operating systems

Sociocultural Dimension
- Demographic shifts in number of single adults and dual-income families
- Growing concerns about health and nutrition

Internal environment
Task environment
General environment
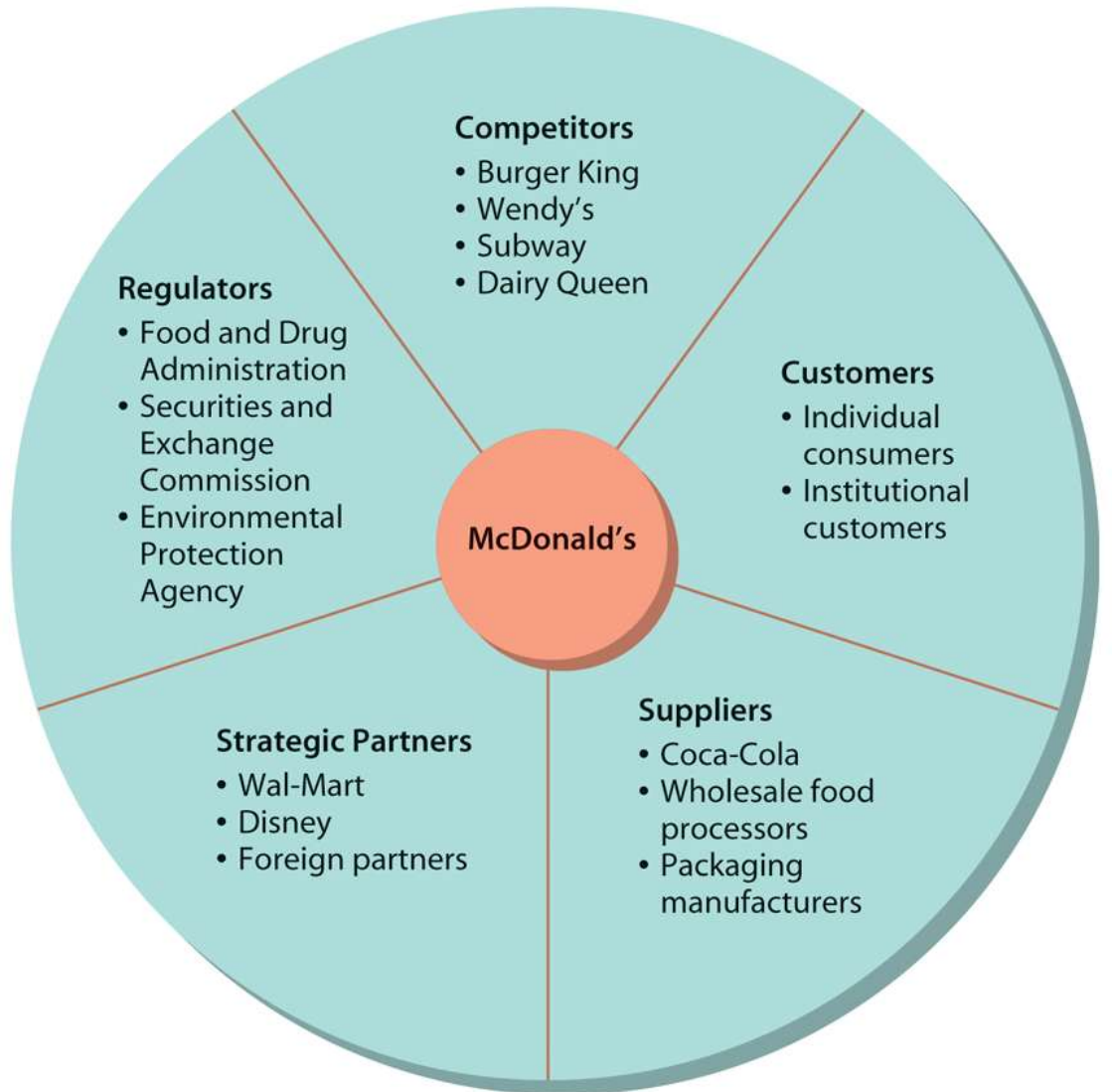} External environment

The Task Environment

- Competitors: an organization that competes with other organizations.

- Customer: whoever pays money to acquire an organization's products or services.

- Supplier: an organization that provides resources for other organizations.

- Regulator: a unit that has the potential to control, legislate, or influence an organization's policies and practices.

McDonald's Task Environment

# Task Environments Continued

- Interest group: a group organized by its members to attempt to influence organizations.

- Strategic partner: an organization working together with one or more organizations in a joint venture or other partnership.

The Internal Environment

- Owner: someone who has legal property rights to a business.

- Board of directors: governing body elected by a corporation's stockholders and charged with overseeing the general management of the firm.

- Employees: those employed by the organization.
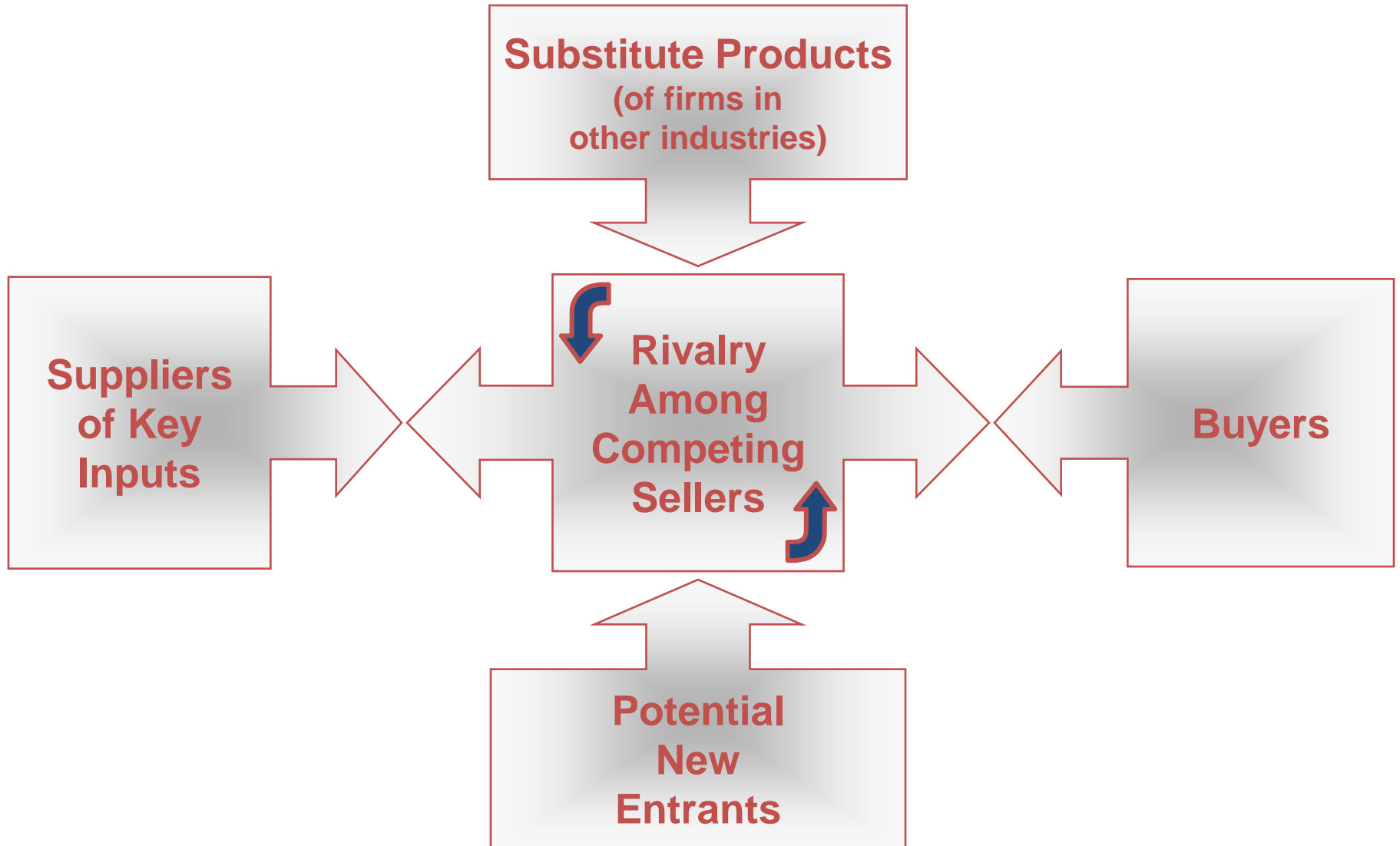
- Physical work environment: the firm's facilities.

External Environment and Uncertainty
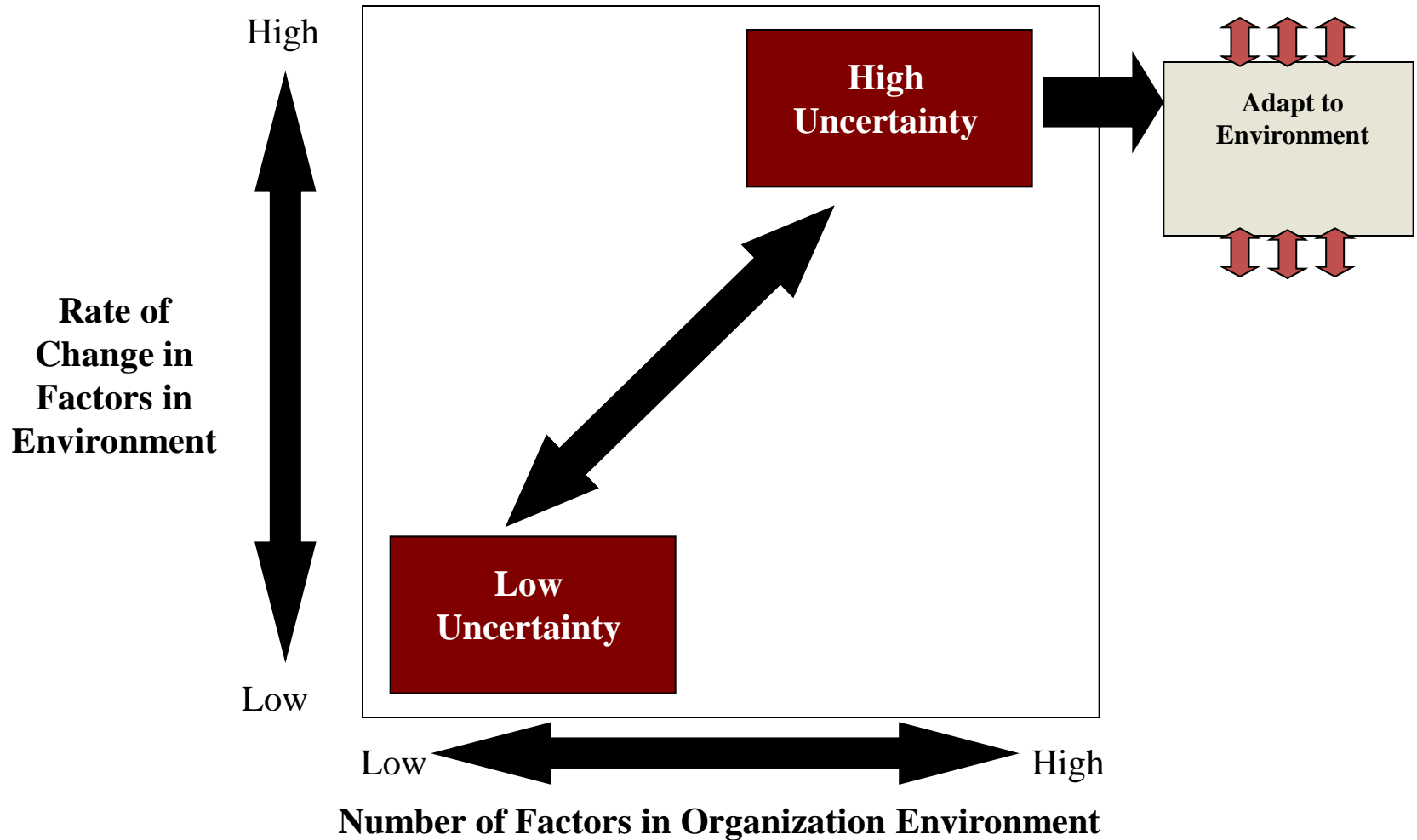
Adopting to the Environment

- ✓ Boundary-spanning
- ✓ Inter-organizational partnerships
- ✓ Mergers or joint ventures

Five Forces
Model of Competition

Threat of Entry

- Barriers to entry
- Economies of scale
- Capital requirement of entry
- Access to supply or distribution channels
- Customer or supplier loyalty
- Experience
- Retaliation
- Legislation or government action
- Differentiation

Threat of substitute

- Different form of substitute
- Product for product substitution
- Substitution by need
- Generic substitution

Power of buyers

- Buyers power
- Concentration of buyers
- Low switching cost of supplier
- Supplier being acquired by the buyer and/ or buyer setting up in competition with the supplier

Power of supplier and Competitive Rivalry (CR)

- Concentration of supplier
- Switching cost of one supplier to another
- Direct competition of suppliers

Competitive Rivalry (CR)

- Factors affecting CR
- In balance competition
- Growth rates
- High fixed costs in an industry
- High barriers to exist from an industry
- Differentiation

Implications of CF Analysis

- To determine attractiveness of an industry
- To understand the underlying forces in the macro environment that are driving the CFs
- To understand the change of forces and their implications on competitive position
- To understand a particular competitors behavior in light of CFs

Levels of Corporate Culture

Culture that can be
seen at the surface
level

Visible

1. Artifacts, such as dress, office layout, symbols,
   slogans, ceremonies

Invisible

2. Expressed

3. Underlying assumptions and deep beliefs, such as
   "people are lazy and can't be trusted"

Deeper values and shared
understandings held by
organization members

Organizational Culture

Re-aligning Dell's Organizational Culture

Dell's "winning" culture, which emphasized cost efficiency and competitiveness, has become more of a liability as the market moves toward a preference for style and innovation.

Organizational Culture Defined

The basic pattern of shared values and assumptions governing the way employees within an organization think about and act on problems and opportunities.

Elements of Organizational Culture

Artifacts
- Stories/legends
- Rituals/ceremonies
- Organizational language
- Physical structures/décor

Visible

Shared values
- Conscious beliefs
- Evaluate what is good or bad, right or wrong

Shared assumptions
- Unconscious, taken-for-granted perceptions or beliefs
- Mental models of ideals

Invisible
(below the surface)

Meaning of Cultural Content

- Cultural content refers to the relative ordering of values.

- Example: Dell -- efficiency and competitiveness

- An organization emphasizes only a handful of values out of dozens or hundreds of values that exist.

Organizational Culture Profile

Org Culture Dimensions	Dimension Characteristics
Innovation	Experimenting, opportunity seeking, risk taking, few rules, low cautiousness
Stability	Predictability, security, rule-oriented
Respect for people	Fairness, tolerance
Outcome orientation	Action oriented, high expectations, results oriented
Attention to detail	Precise, analytic
Team orientation	Collaboration, people-oriented
Aggressiveness	Competitive, low emphasis on social responsibility

Source: O'Reilly et al (1991)

Organizational Subcultures

- Located throughout the organization

- Can enhance or oppose (countercultures) firm's dominant culture

- Two functions of countercultures:
  - provide surveillance and critique, ethics
  - source of emerging values

Artifacts of Organizational Culture

Organizational Culture

Mayo Clinic Deciphers its Culture

Courtesy of the Mayo Clinic

To decipher its culture and identify ways to reinforce it at the two newer sites, the Mayo Clinic retained an anthropologist who shadowed employees, joined physicians on patient visits, and posed as a patient to observe what happens in waiting rooms.

Artifacts: Stories and Legends

- Social prescriptions of desired (undesired) behavior
- Provides a realistic human side to expectations
- Most effective stories and legends:
  – Describe real people
  – Assumed to be true
  – Known throughout the organization
  – Are prescriptive

Artifacts: Rituals and Ceremonies

- ## Rituals
  - programmed routines
  - (eg., how visitors are greeted)

- ## Ceremonies
  - planned activities for an audience
  - (eg., award ceremonies)

Artifacts: Organizational Language

- Words used to address people, describe customers, etc.
- Leaders use phrases and special vocabulary as cultural symbols
  - eg. Referring to "clients" rather than "customers"
- Language also found in subcultures
  - eg. Whirlpool's "PowerPoint culture"

Artifacts: Physical Structures/Symbols

- Building structure -- may shape and reflect culture
- Office design conveys cultural meaning
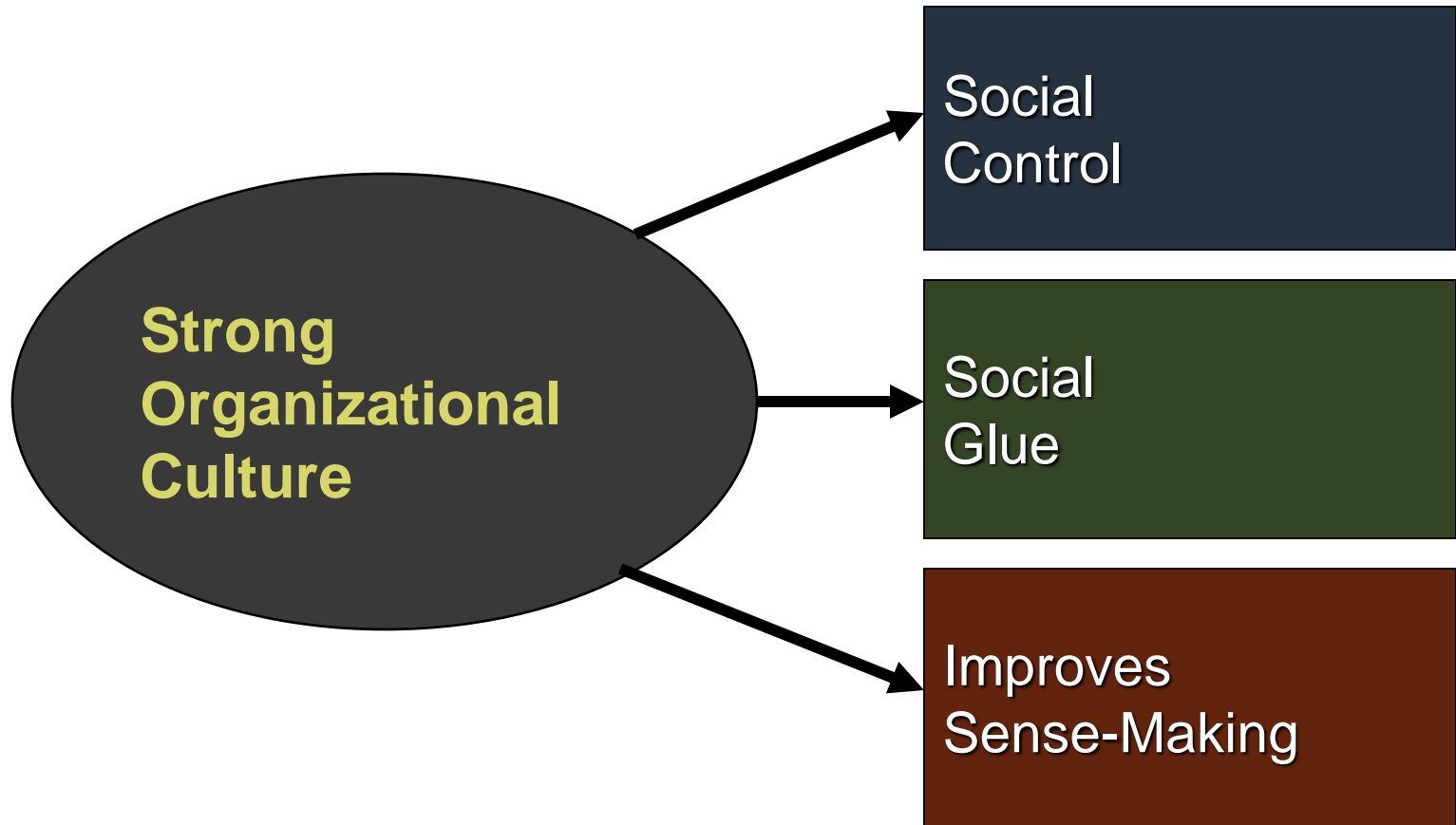 - Furniture, office size, wall hangings

Courtesy of Microsoft Corp.

Organizational Culture and Organizational Performance

Organizational Culture

Benefits of Strong Corporate Cultures

Strong Organizational Culture

Social Control

Social Glue

Improves Sense-Making

Contingencies of Org Culture & Performance

Strong organizational cultures do not always result in higher organizational performance because:

1. Culture content might be misaligned with the organization's environment.

2. Strong cultures may focus on mental models that could be limiting

3. Strong cultures suppress dissenting values from subcultures.

Adaptive Organizational Cultures

- External focus -- firm's success depends on continuous change

- Focus on processes more than goals

- Employees assume responsibility for org performance
  - They seek out opportunities

- Proactive and responsive

Strengthening Organizational Culture

Attraction-Selection-Attrition Theory

Organizations attract, select, and retain people with values and personality characteristics consistent with the organization's character, resulting in a more homogeneous organization and a stronger culture

- Attraction -- applicants self-select and weed out companies based on compatible values

- Selection -- Applicants selected based on values congruent with organization's culture

- Attrition -- Employee quite or are forced out when their values oppose company values

Whole Foods Spreads its Culture

When expanding operations, Whole Foods Market maintains its culture through a 'yoghurt culture' strategy. This is a socialization process in which current employees who carry the grocer's unique culture are transferred to new stores so recently-hired employees learn and embrace that culture more quickly.
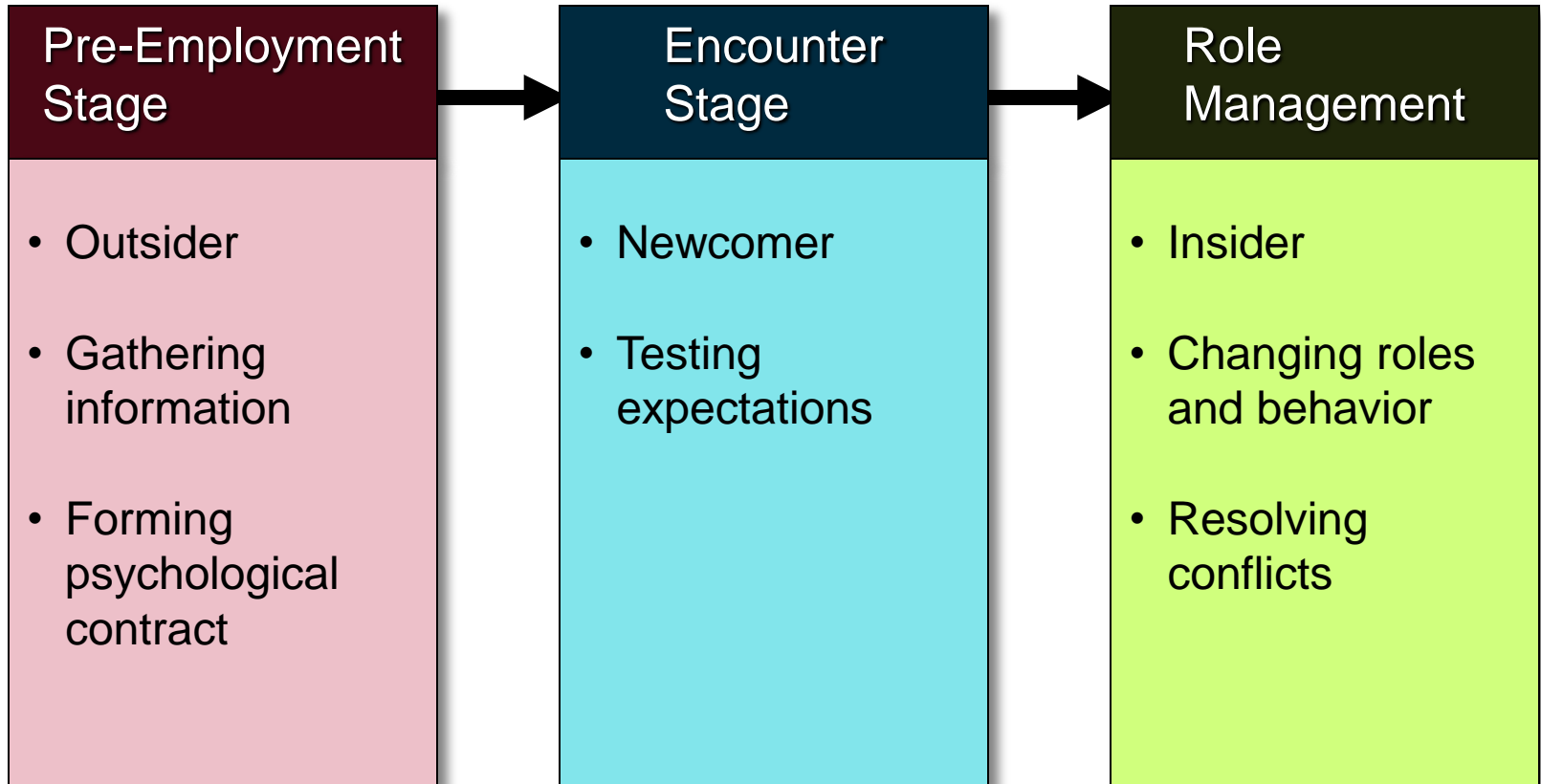
Organizational Socialization Defined

The process by which individuals learn the values, expected behaviors, and social knowledge necessary to assume their roles in the organization.

Socialization: Learning & Adjustment

- ## Learning Process
  - Newcomers make sense of the organization's physical, social, and strategic/cultural dynamics

- ## Adjustment Process
  - Newcomers need to adapt to their new work environment
    - New work roles
    - New team norms
    - New corporate cultural values

Stages of Socialization

Pre-Employment Stage

- Outsider

- Gathering information

- Forming psychological contract

Encounter Stage

- Newcomer

- Testing expectations

Role Management

- Insider

- Changing roles and behavior

- Resolving conflicts

Merging Organizational Cultures

Organizational Culture

Bicultural Audit

- Part of due diligence in merger

- Minimizes risk of cultural collision by diagnosing companies before merger

- Three steps in bicultural audit:
    1. Examine artifacts
    2. Analyze data for cultural conflict/compatibility
    3. Identify strategies and action plans to bridge cultures

Merging Organizational Cultures

Assimilation	Acquired company embraces acquiring firm's cultural values
Deculturation	Acquiring firm imposes its culture on unwilling acquired firm
Integration	Cultures combined into a new composite culture
Separation	Merging companies remain separate with their own culture

Thank You!