**CHAPTER 7: MANAGEMENT, LEADERSHIP, AND THE INTERNAL ORGANIZATION**

**Chapter Overview**

This chapter begins by examining how successful organizations use management to turn visions into reality. It describes the levels of management, the skills that managers need, and the functions that managers perform. The chapter explains how the first of these functions, planning, helps managers meet the challenges of a rapidly changing business environment and develop strategies that guide a company’s future. Other sections of the chapter explore the types of decisions that managers make, the role of managers as leaders, and the importance of corporate culture. The chapter concludes by examining the second function of management—organizing.

**Glossary of Key Terms**

**Controlling:** function of evaluating an organization’s performance against its objectives

**Corporate culture:** organization’s system of principles, beliefs, and values

**Decision making:** process of recognizing a problem or opportunity, evaluating alternative solutions, selecting and implementing an alternative, and assessing the results

**Delegation:** managerial process of assigning work to employees

**Departmentalization:** process of dividing work activities into units within the organization

**Directing:** guiding and motivating employees to accomplish organizational objectives

**Empowerment:** giving employees shared authority, responsibility, and decision making with their managers

**Leadership:** ability to direct or inspire people to attain certain goals

**Management:** process of achieving organizational objectives through people and other resources

**Mission statement:** written explanation of an organization’s business intentions and aims

**Objectives:** guideposts by which managers define the organization’s desired performance in such areas as new-product development, sales, customer service, growth, environmental and social responsibility, and employee satisfaction

**Organization:** structured group of people working together to achieve common goals

**Organizing:** process of blending human and material resources through a formal structure of tasks and authority; arranging work, dividing tasks among employees, and coordinating them to ensure implementation of plans and accomplishment of objectives

**Planning:** process of anticipating future events and conditions and determining courses of action for achieving organizational objectives

**SWOT analysis:** SWOT is an acronym for *strengths, weaknesses, opportunities,* and *threats.* By systematically evaluating all four of these factors, a firm can then develop the best strategies for gaining a competitive advantage.

**Vision:** perception of marketplace needs and the ways a firm can satisfy them

**Learning Objective 1: Define *management*.**

*Management is the process of achieving organizational objectives through people and other resources. The management hierarchy is generally as follows: top managers provide overall direction for company activities, middle managers implement the strategies of top managers and direct the activities of supervisors, and supervisors interact directly with workers. The three basic managerial skills are: technical, human or interpersonal, and conceptual.*

**Annotated Lecture Outline**

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| **Opening Vignette: Wegmans Food Markets Still a Great Place to Work**  Wegmans proves that one of the keys to company success is considering employees. The grocery chain has spent the last 15 years on *Fortune’s* 100 Best Companies to Work For. Wegmans has a low turnover rate among their 42,000 employees and receives roughly 200,000 applications for their 900 new job openings annually. Employees enjoy benefits including a 24-hour health hotline, free stop-smoking programs, subsidized gym memberships, and compressed work weeks. A scholarship program established in 1984 has also awarded over $80 million in scholarships to employees to date. |  |
| ***WHAT IS MANAGEMENT?*** | PowerPoint Slide 3 |
| * 1. *Management* is the process of achieving organizational objectives through people and other resources. |  |
| * 1. The manager’s job is to combine human and technical resources in the best way possible to achieve the company’s goals. |  |
| * 1. Management principles apply to not-for-profits as well as to profit-seeking firms. | *Lecture Enhancer: How might the role of a manager in a not-for-profit differ from the role of a manager in a profit-seeking firm?* |
| 1. **The Management Hierarchy** |  |
| * 1. A firm’s management usually has three levels: top, middle, and supervisory. | Figure 7.1 The Management Hierarchy |
| * 1. *Top management* represents the highest level of management (CEO, CFO, executive vice president). | PowerPoint Slide 4 |
| * + 1. Top managers devote most of their time to developing long-range plans for their organizations. | *Lecture Enhancer:* *Discuss some long-range plans that top managers might focus on.* |
| * + 1. They set direction and inspire the company’s executives and employees to achieve their vision for the company’s future. | *Class Activity: Discuss the varying types of stress at each level of management and the contributing factors.* |
| * 1. *Middle management* is the second tier in the management hierarchy and includes positions such as general managers, plant managers, division managers, and branch managers. | PowerPoint Slide 5 |
| * + 1. These managers focus on specific operations, products, or customer groups. |  |
| * + 1. They develop plans to implement the firm’s strategic plans. |  |
| * + 1. They budget for product development, identify new uses for products, and improve training and motivation. |  |
| * + 1. Because they are more familiar with day-to-day operations than CEOs, middle managers often come up with new ways to increase sales or solve company problems. |  |

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| * 1. *Supervisory management,* or first-line management, includes positions such as supervisor, section chief, and team leader. | PowerPoint Slide 6 |
| * + 1. These employees assign nonmanagerial employees to specific jobs and evaluate performance. | *Class Activity: Lead a discussion on whether recently promoted supervisors can remain friends with people whom they now supervise.* |
| * + 1. They implement the plans developed  by middle managers. |  |
| 1. **Skills Needed for Managerial Success** | PowerPoint Slide 7 |
| * 1. Managers at every level in the management hierarchy must exercise three basic types of skills: technical, human, and conceptual. |  |
| * 1. The importance of each skill changes at different management levels. |  |
| * 1. Technical skills | *Lecture Enhancer: What might happen if a manager lacks technical skills?* |
| * + 1. Manager’s ability to understand and use the techniques, knowledge, and tools and equipment of a specific discipline or department. |  |
| * + 1. Technical skills are important for first-line managers and less important for top managers. |  |
| * + 1. Most top executives started out as technical experts. |  |
| * 1. Human skills | *Lecture Enhancer: What might happen if a manager lacks human skills?* |
| * + 1. Human skills are interpersonal skills that enable managers to work effectively with and through people. |  |
| * + 1. These include the ability to communicate with, motivate, and lead employees to complete assigned activities. |  |
| * 1. Conceptual skills | *Lecture Enhancer: What might happen if a manager lacks conceptual skills?* |
| * + 1. Conceptual skills include the ability to see the organization as a unified whole and to understand how each part of the overall organization interacts with other parts. |  |
| * + 1. These skills involve an ability to see the big picture by acquiring, analyzing, and interpreting information. |  |
| * + 1. Conceptual skills are important for top-level managers, who must develop long-range plans. |  |
| 1. **Managerial Functions** | PowerPoint Slide 8 |
| Managers carry out four functions—planning, organizing, directing, and controlling. | *Lecture Enhancer:* *Which of these functions do you consider to be the most important? Why?* |

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| * 1. **Planning** |  |
| * + 1. *Planning* is the process of anticipating future events and conditions and determining courses of actions for achieving organizational objectives. |  |
| * + 1. Planning should be flexible and responsive to changes in the business environment. |  |
| * + 1. It should involve managers from all levels of the organization. |  |
| * 1. **Organizing** |  |
| * + 1. *Organizing* is the process of blending human and material resources through a formal structure of tasks and authority. |  |
| * + 1. It involves arranging work, dividing tasks among employees, and coordinating them to ensure implementation of plans and accomplishment of objectives. |  |
| * + 1. It involves grouping tasks into a logical pattern or structure and assigning them to specific personnel. |  |
| * + 1. It involves classifying and dividing work into manageable units with a logical structure. |  |
| * 1. **Directing** |  |
| * + 1. *Directing* involves guiding and motivating employees to accomplish organizational objectives. |  |

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| * + 1. Directing might include training, setting up schedules, delegating certain tasks, and monitoring progress. |  |
| * 1. **Controlling** | *Lecture Enhancer: Discuss the difference between directing and controlling.* |
| * + 1. *Controlling* involves evaluating an organization’s performance against its objectives. |  |
| * + 1. Controlling: 1) establish performance standards, 2) monitor actual performance, 3) compare actual performance with established standards, and 4) take corrective action if needed. |  |

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Assessment Check Answers

**1.1 What is management?**

*Management is the process of achieving organizational objectives through people and other resources. The manager’s job is to combine human and technical resources in the best way possible to achieve the company’s goals.*

**1.2 How do the jobs of top managers, middle managers, and supervisory managers differ?**

*Top managers develop long-range plans, set a direction for their organization, and inspire all employees to achieve the company’s vision. Middle managers focus on specific operations, products, or customers. They develop procedures to implement the firm’s strategic plans. Supervisory managers interact directly with nonmanagerial employees who produce and sell the firm’s goods and services. They are responsible for implementing the plans developed by middle managers and motivating workers to accomplish immediate goals.*

**1.3 What is the relationship between the manager’s planning and controlling functions?**

*Controlling is evaluating an organization’s performance to determine whether it is accomplishing its objectives. The basic purpose of controlling is to assess the success of the planning function. Controlling also provides feedback for future rounds of planning.*

**Learning Objective 2: Explain the role of setting a vision and ethical standards for the firm.**

*Vision is the founder’s perception of marketplace needs and the firm’s methods for meeting them. Vision helps clarify a firm’s purpose and the actions it can take to make the most of opportunities. High ethical standards can help build success for a firm through job satisfaction and customer loyalty.*

**Annotated Lecture Outline**

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| ***SETTING A VISION AND ETHICAL STANDARDS FOR THE FIRM*** | PowerPoint Slide 9 |
| 1. **Vision** |  |
| * 1. *Vision* is the perception of marketplace needs and the ways a firm can satisfy them. |  |
| * 1. Vision serves as the target for a firm’s actions, directing the company toward opportunities and differentiating it from its competitors. |  |
| * 1. A company’s vision must be focused and yet flexible enough to adapt to changes in the business environment. | *Lecture Enhancer: What might happen if a company does not allow for flexibility in its vision?* |
| 1. **Ethical Standards** |  |
| * 1. Sometimes ethical standards are set in compliance with industry or federal regulations, such as safety or quality standards. |  |
| * 1. Sometimes new standards are set in response to unethical actions by managers. |  |
| * 1. High ethical standards also can encourage, motivate, and inspire employees to achieve goals. |  |
| * 1. Sometimes taking an ethical stand can actually cost a firm in lost revenues and other support. | **Solving an Ethical Controversy:**  **MF Global: Where Did Customers’ Money Go?** |

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Assessment Check Answers

**2.1 What is meant by a vision for the firm?**

*A vision serves as the target for a firm’s actions, helping direct the company toward opportunities and differentiating it from its competitors.*

**2.2 Why is it important for a top executive to set high ethical standards?**

*High ethical standards often result in a stable workforce, job satisfaction, and customer loyalty.*

**Learning Objective 3: Summarize the importance of planning.**

*The planning process identifies organizational goals and develops the actions necessary to reach them. Planning helps a company turn vision into action, take advantage of opportunities, and avoid costly mistakes. Strategic planning is a far-reaching process. It views the world through a wide-angle lens to determine the long-range focus and activities of the organization. Tactical planning focuses on the current and short-range activities required to implement the organization’s strategies. Operational planning sets standards and work targets for functional areas such as production, human resources, and marketing.*

**Annotated Lecture Outline**

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| ***IMPORTANCE OF PLANNING*** | PowerPoint Slide 10 |
| 1. **Types of Planning** |  |
| * 1. Planning can be divided into the following categories: strategic, tactical, operational, and contingency. | *Lecture Enhancer: Which type of planning do you consider to be the most important? Why?* |
| * 1. Each category is more specific than the last. |  |
| * 1. All planning must fit into an organization’s comprehensive planning framework. |  |
| * 1. **Strategic Planning** |  |
| * + 1. *Strategic planning* is the process of determining the primary objectives of an organization and then acting and allocating resources to achieve those objectives. |  |
| * + 1. Generally done by top management. |  |
| * 1. **Tactical Planning** |  |
| * + 1. Tactical planning involves implementing the activities specified by strategic plans. | *Class Activity: Obtain ideas from students on how they can personally develop and improve their individual strategic planning skills.* |
| * + 1. It guides current and near-term activities required to implement overall strategies. |  |
| * 1. **Operational Planning** | *Lecture Enhancer: What specific details must be considered in operational planning?* |
| * + 1. *Operational planning*creates the detailed standards that guide the implementation of tactical plans. |  |
| * + 1. This involves choosing specific work targets and assigning employees and teams to carry out tasks. |  |
| * + 1. Operational planning deals with developing and implementing tactics in specific functional areas. |  |
| * 1. **Contingency Planning** | *Lecture Enhancer: What are some possible problems that a company may encounter if it does not engage in contingency planning?* |

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| * + 1. *Contingency planning* allows a firm to resume operations quickly after a crisis, while openly communicating with the public about what happened. |  |
| * + 1. It has two main components: business continuation and public communication. |  |
| * + 1. A chain of command is put into place, with specific functions assigned to particular managers. |  |
| 1. **Planning at Different Organizational Levels** | PowerPoint Slide 11  Table 7.1 Planning at Different Management Levels |
| * 1. Top management is concerned with long-term, strategic planning. |  |
| * 1. Middle management focuses on short-term tactical planning. |  |
| * 1. Supervisory management is concerned with short-term operational planning. |  |

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Assessment Check Answers

**3.1 Outline the planning process.**

*Some plans are very broad and long range, focusing on key organizational objectives; others are more detailed and specify how particular objectives will be achieved. From the mission statement to objectives to specific plans, each phase must fit into a comprehensive planning framework.*

**3.2 Describe the purpose of tactical planning.**

*The purpose of tactical planning is to determine which short-term activities should be implemented to accomplish the firm’s overall strategy.*

**3.3 Compare the kinds of plans made by top managers and middle managers. How does their focus differ?**

*Top managers focus on long-range, strategic plans. In contrast, middle-level managers and supervisors focus on short-term, tactical planning.*

**Learning Objective 4: Describe the strategic planning process.** *The first step of strategic planning is to translate the firm’s vision into a mission statement that explains its overall intentions and aims. Next, planners must assess the firm’s current competitive position using tools such as SWOT analysis. Managers then set specific objectives. The next step is to develop strategies for reaching objectives that will differentiate the firm from its competitors. Managers then develop an action plan that outlines the specific methods for implementing the strategy. Finally, the results achieved by the plan are evaluated, and the plan is adjusted as needed.*

**Annotated Lecture Outline**

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| ***THE STRATEGIC PLANNING PROCESS*** | PowerPoint Slide 12 |
| Successful strategic planners typically follow these six steps: 1) defining a mission, 2) assessing the organization’s competitive position, 3) setting organizational objectives, 4) creating strategies for competitive differentiation, 5) implementing the strategy, and 6) evaluating the results and refining the plan. | Figure 7.2 Steps in the Strategic Planning Process |
| 1. **Defining the Organization’s Mission** |  |
| * 1. A *mission statement* is a written explanation of an organization’s business intentions and aims. | **Going Green:**  **Johnson & Johnson: Caring for the World** |
| * + 1. It is a statement of a firm’s purpose, its operations, its market, and how it differs from competitors. |  |
| * + 1. It guides people inside the firm and informs others of the company’s reason for being. | *Class Activity:*  *Lead a class discussion to develop a mission for a new business that will specialize in making and selling cupcakes.* |
| * 1. Development can be complex and difficult. | *Lecture Enhancer: Discuss the difficulties a company might encounter in the process of developing its mission statement.* |
| 1. **Assessing Your Competitive Position** |  |
| * 1. A *SWOT analysis* is a method of assessing a company’s internal strengths and weaknesses and its external opportunities and threats. | PowerPoint Slide 13  Figure 7.3 Elements of SWOT Analysis |
| * + 1. By evaluating all four of these factors, a firm can gain a competitive advantage. |  |
| * + 1. SWOT analysis helps to determine the firm’s current—or potential—position in the marketplace. |  |
| * + 1. Managers may examine each functional area such as finance, marketing, information technology, and human resources. |  |
| * + 1. Or they might evaluate strengths and weaknesses of each office, plant, or store. | *Class Activity:*  *Ask students to discuss and develop their SWOT list for the college.* |
| * + 1. Opportunities include such phenomena as the growth of social media. |  |

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| * + 1. Threats might include an economic recession—during which consumers are not willing to pay a premium for products—or a change in federal regulations. | *Lecture Enhancer: How often do you think a company should conduct a SWOT analysis? Why?* |
| 1. **Setting Objectives for the Organization** | PowerPoint Slide 14 |
| * 1. *Objectives* are guideposts by which managers define the organization’s desired performance in such areas as new-product development, sales, customer service, growth, environmental and social responsibility, and employee satisfaction. |  |
| * 1. The mission statement identifies a company’s overall goals, while objectives are more concrete. |  |
| 1. **Creating Strategies for Competitive Differentiation** |  |
| * 1. *Competitive differentiation* is the unique combination of a company’s abilities and approaches that sets it apart from competitors. |  |
| * 1. Common methods of competitive differentiation include: | *Lecture Enhancer: Discuss specific companies that have successfully differentiated themselves within their markets.* |
| * + 1. being the first to introduce a product |  |
| * + 1. offering exceptional customer service |  |
| * + 1. offering bargains |  |
| * + 1. marketing company donations to charities. |  |
| 1. **Implementing the Strategy** |  |
| * 1. Once the first four phases of the strategic planning process are complete, managers are ready to put those plans into action. |  |
| * 1. Often, it is the middle managers or supervisors who actually implement a strategy. |  |
| * 1. Companies that are willing to empower employees in implementing the strategy generally reap the benefits. |  |
| 1. **Monitoring and Adapting Strategic Plans** |  |
| * 1. Monitoring involves securing feedback about actual performance. |  |
| * 1. Plans need to be adapted when the actual performance fails to meet goals. |  |
| * 1. Ongoing use of such tools as SWOT analysis and forecasting can help managers adapt their objectives and functional plans as changes occur. |  |

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**Going Green:**

**Johnson & Johnson: Caring for the World**

**Summary**

Johnson & Johnson promises that “We must maintain in good order the property we are privileged to use, protecting the environment and natural resources.” The firm sets new long-term environmental goals every five years, under its “Healthy Planet” program. Johnson & Johnson management believes in transparency and avoiding “greenwashing”—informing employees, suppliers, consumers, and shareholders of what is green and what’s not. The company was recently ranked #3 on *Newsweek’s* Green Ranking List. None of these goals could be achieved without support from chairman and CEO William Weldon, who is committed to his company’s sustainability initiatives.

**Questions for Critical Thinking**

**1. What role does the CEO’s leadership play in accomplishing Johnson & Johnson’s green goals?**

*The CEO’s strong personal commitment to the mission statement regarding the environment encourages the rest of the company’s managers to embrace the mission as well, which increases the likelihood that Johnson & Johnson can accomplish its goals.*

**2. How does the company’s mission relate to sustainability?**

*Johnson & Johnson’s environmental mission has led to the creation of long-term goals that promote sustainability.* *Some of these have included using direct purchase of low-impact hydro and wind power; on-site solar power and landfill gas; and purchasing renewable energy certificates from wind power and biomass facilities. Johnson & Johnson believes these practices not only benefit the environment but also the company because it provides the firm with reliable, affordable sources of energy.*

Assessment Check Answers

**4.1 What is the purpose of a mission statement?**

*A mission statement is a public declaration of a firm’s purpose, the reason it exists, the customers it will serve, and the way it is different from competitors. A mission statement guides the actions of company managers and employees.*

**4.2 Which of the firm’s characteristics does a SWOT analysis compare?**

*A SWOT analysis determines a firm’s strengths, weaknesses, opportunities, and threats relative to its competitors. A SWOT analysis helps determine a firm’s competitive position in the marketplace.*

**4.3 How do managers use objectives?**

*Objectives, which are derived from the firm’s mission statement, are used to define desired performance levels in areas such as profitability, customer service, and employee satisfaction.*

**Learning Objective 5: Discuss managers as decision makers.** *A programmed decision applies a company rule or policy to solve a frequently occurring problem. A nonprogrammed decision forms a response to a complex and unique problem with important consequences for the organization. The five-step approach to decision making includes recognizing a problem or opportunity, developing alternative courses of action, evaluating the alternatives, selecting and implementing an alternative, and following up the decision to determine its effectiveness.*

**Annotated Lecture Outline**

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| ***MANAGERS AS DECISION MAKERS*** | PowerPoint Slide 15 |
| * 1. *Decision making* is the process of recognizing a problem or opportunity, evaluating alternative solutions, selecting and implementing an alternative, and assessing the results. |  |
| * 1. Managers make two basic kinds of decisions: programmed decisions and nonprogrammed decisions. |  |
| 1. **Programmed and Nonprogrammed Decisions** |  |
| * 1. *Programmed decisions* involve simple, common, and frequently occurring problems for which solutions already have been determined. |  |
| * + 1. Examples of programmed decisions include reordering office supplies, renewing a lease, and referring to an established discount for bulk orders. |  |
| * + 1. Programmed decisions are made in advance. |  |

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| * + 1. The firm sets rules, policies, and procedures for managers and employees to follow on a routine basis. |  |
| * + 1. Programmed decisions save managers time and companies money because new decisions do not have to be made each time the situation arises. |  |
| * 1. *Nonprogrammed decisions* involve complex and unique problems or opportunities with important consequences for the organization. | *Class Activity:*  *Ask students for examples of nonprogrammed decisions they have made in their own lives.* |
| * + 1. Examples of nonprogrammed decisions include entering a new market, deleting a product from the line, or developing a new product. |  |
| 1. **How Managers Make Decisions** | PowerPoint Slide 16 |
| * 1. Decision making involves a systematic, step-by-step process that helps managers make effective choices. |  |
| * 1. The steps of the formal decision-making process: | *Lecture Enhancer:* *Discuss the possible outcomes if a manager were to skip one or more of these steps.* |
| * + 1. recognition of problem or opportunity |  |
| * + 1. development of alternative courses of action |  |
| * + 1. evaluation of alternatives |  |
| * + 1. selection and implementation of chosen alternative |  |
| * + 1. follow-up to determine effectiveness of decision. |  |
| * 1. The outcome of a decision depends on many factors, including the accuracy of information and the experience, creativity, and wisdom of the person. | Figure 7.4 Steps in the Decision-Making Process  *Lecture Enhancer: Think of a situation in which inaccurate information could affect the outcome of a managerial decision.* |
| * 1. Managers’ decisions can have complex legal and ethical dimensions. |  |

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Assessment Check Answers

**5.1 Distinguish between programmed and nonprogrammed decisions.**

*Programmed decisions, such as reordering office supplies, are simple and happen frequently, so procedures for these can streamline the process. Nonprogrammed decisions, such as the purchase of real estate or equipment, require more individual evaluation.*

**5.2 What are the steps in the decision-making process?**

*The decision-making steps are recognition of a problem or opportunity, development of alternatives, evaluation of alternatives, selection and implementation of the chosen alternative, and follow-up to determine effectiveness of the decision.*

**Learning Objective 6: Evaluate managers as leaders.**

*Leadership is the act of motivating others to achieve certain goals. The basic leadership styles are autocratic, democratic, and free-rein leadership. The best leadership style depends on three elements: the leader, the followers, and the situation.*

**Annotated Lecture Outline**

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| ***MANAGERS AS LEADERS*** | PowerPoint Slide 17 |
| * 1. *Leadership* is the ability to direct or inspire people to attain certain goals. |  |
| * 1. Leaders do not always share the same qualities, but three traits are often mentioned—empathy, self-awareness, and objectivity. |  |
| * 1. Many leaders share other traits—courage, passion, commitment, innovation, and flexibility, to name a few. | *Lecture Enhancer: Are there additional traits that you feel should be listed here? Why?* |
| * 1. Leadership involves the use of influence or power which comes from: | *Lecture Enhancer: What might be the effects on a leader’s power if he or she lacks one of these factors?* |
| * + 1. position in the organization |  |
| * + 1. expertise and experience |  |
| * + 1. positive personality and traits. |  |
| * 1. Admiration, inspiration, and motivation are especially important qualities for a leader to have during difficult economic times, or when making tough decisions for the company. | **Hit & Miss:**  **IBM’s First Female CEO Says Hello** |

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| 1. **Leadership Styles** | PowerPoint Slide 18 |
| * 1. The way a person uses power to lead others determines his or her leadership style. |  |
| * 1. Leadership styles range along a continuum with autocratic leadership at one extreme end and free-rein leadership at the other. |  |
| * 1. *Autocratic leadership* is centered on the boss. | *Lecture Enhancer: Provide a hypothetical example of a decision made with autocratic leadership.* |
| * + 1. Autocratic leaders make decisions without consulting employees. |  |
| * + 1. Autocratic leaders reach decisions, communicate them to subordinates, and expect automatic implementation. |  |
| * 1. *Democratic leadership* includes subordinates in the decision-making process and centers on employees’ contributions. | *Lecture Enhancer: Provide a hypothetical example of a decision made with democratic leadership.* |
| * + 1. Democratic leaders delegate assignments, ask employees for suggestions, and encourage participation. |  |
| * + 1. This leads to empowerment. |  |

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| * + 1. *Empowerment* is giving employees shared authority, responsibility, and decision making with their managers. |  |
| * 1. *Free-rein leadership* is at the other end of the continuum from autocratic leadership. | *Lecture Enhancer: Provide a hypothetical example of a decision made with free-rein leadership.* |
| * + 1. Free-rein leaders believe in minimal supervision. |  |
| * + 1. They allow subordinates to make most of their own decisions. |  |
| * + 1. Free-rein leaders communicate with employees frequently. |  |
| 1. **Which Leadership Style Is Best?** | *Lecture Enhancer: Which leadership style would you prefer to work under? Why?* |
| * 1. No leadership style is best for every firm in every situation. |  |
| * 1. A company that recognizes which leadership style works best for its employees, customers, and business conditions is most likely to choose the best leaders for its particular needs. |  |

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**Hit & Miss:**

**IBM’s First Female CEO Says HelloSummary**

*In early 2012, IBM took on its first female chief executive, Ginni Rometty. The firm originally hired her as a sales engineer but saw her potential to eventually go further. Rometty will help IBM expand markets in cloud computing and analytics, as she has already helped create the company’s five-year plan as head of sales, marketing, and strategy. IBM profits are at the highest levels since 1915. Rometty is a 30-year veteran of Armonk, NY. She prefers taking a more creative, personal alternative to blanket emails that reach out to employees by making an informal video in which hshe discusses expectations and goals for IBM. The company believes her no-nonsense personality will keep them on the path to success.*

**Questions for Critical Thinking**

**1. What advantages do you think Rometty brings to the CEO position?**

*It is likely that Rometty was well-received by IBM employees since she was already involved in advancing the company and building profits before she took on the position of CEO. This helps her build power through influence since it is more believable for employees that she will continue to do good things for IBM.*

**2. Do you think being female will help or hinder her in the top job? Why?**

*Answers will vary.*

Assessment Check Answers

**6.1 How is *leadership* defined?**

*Leadership means directing or inspiring people to attain organizational goals. Effective leaders share several traits, such as empathy, self-awareness, and objectivity in dealing with others. Leaders also use the power of their jobs, expertise, and experience to influence others.*

**6.2 Identify the styles of leadership as they appear along a continuum of greater or lesser employee participation.**

*At one end of the continuum, autocratic leaders make decisions without consulting employees. In the middle of the continuum, democratic leaders ask employees for suggestions and encourage participation. At the other end of the continuum, free-rein leaders leave most decisions to their employees.*

**Learning Objective 7: Discuss corporate culture.** *Corporate culture refers to an organization’s principles, beliefs, and values. It typically is shaped by a firm’s founder and perpetuated through formal programs such as training, rituals, and ceremonies, as well as through informal discussions among employees. Corporate culture can influence a firm’s success by giving it a competitive advantage.*

**Annotated Lecture Outline**

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| ***CORPORATE CULTURE*** | PowerPoint Slide 19 |
| * 1. *Corporate culture* is a firm’s system of principles, beliefs, and values. |  |
| * 1. The leadership style of its managers, the way it communicates, and the overall work environment all influence a firm’s corporate culture. |  |
| * 1. A corporate culture is shaped by leaders who founded and developed the company and by their successors. |  |
| * 1. Managers use symbols, rituals, and ceremonies to reinforce corporate culture. | *Lecture Enhancer: Provide an example of a ceremony or ritual that a manager might use to strengthen corporate culture.* |
| * 1. Sometimes corporate cultures are forced to change to meet new demands in the business environment. | *Lecture Enhancer: What are some possible effects on employees if aspects of their corporate culture are discontinued?* |
| f. In a strong culture, everyone supports the same principles, beliefs, and values; a weak culture lacks a clear sense of purpose. | **Hit & Miss:**  **Southwest Airlines: “We Love Your Bags”** |

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**Hit & Miss:**

**Southwest Airlines: “We Love Your Bags”**

**Summary**

*Southwest has a corporate culture filled with humor and energy that spills over to its customers, begun with its founder Herb Kelleher. Southwest believes that if its employees are happy, they will be motivated to ensure their customers’ happiness as* *well. “Southwest likes to think of itself as a customer service organization that happens to fly airplanes,” explains president Colleen Barrett.* *Southwest gives employees every opportunity to voice their opinions, receive education and training, and move up the career ladder.* *Southwest empowers its middle managers, supervisors, and front-line employees with the authority to make decisions that strengthen relationships with customers.*

**Questions for Critical Thinking**

**1. How would you describe the principles, beliefs, and values at Southwest?**

*Southwest Airlines has put its customers’ needs first and believes that customer service is its top priority. Southwest was founded with a corporate culture based on humor and positive energy, and the company believes that if these values are embraced by all employees, then the customer will benefit. In addition, Southwest believes in empowering its employees with training and advancement opportunities. This empowerment keeps employees happy and dedicated to the company’s mission of excellent customer service.*

**2. Herb Kelleher is no longer the CEO of Southwest, yet the company’s original corporate culture seems to have survived. Why do you think this is?**

*Herb Kelleher’s idea of creating a corporate culture within Southwest Airlines that values humor and energy has likely survived intact because it has proven to be so successful thus far among both customers and employees.*

Assessment Check Answers

**7.1 What is the relationship between leadership style and corporate culture?**

*The best leadership style to adopt often depends on the organization’s corporate culture and its system of principles, beliefs, and values. Managerial philosophies, communications networks, and workplace environments and practices all influence corporate culture.*

**7.2 What is a strong corporate culture?**

*A corporate culture is an organization’s system of principles, beliefs, and values. In an organization with a strong culture, everyone knows and supports the same principles, beliefs, and values.*

**Learning Objective 8: Identify organizational structures.**

*The subdivision of work activities into units within the organization is called* departmentalization*. It may be based on products, geographical locations, customers, functions, or processes. Most firms implement one or more of four structures: line, line-and-staff, committee, and matrix structures.*

**Annotated Lecture Outline**

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| ***ORGANIZATIONAL STRUCTURES*** | PowerPoint Slide 20 |
| * 1. An *organization* is a structured group of people working together to achieve common goals. |  |
| * 1. An organization has three key elements: | *Lecture Enhancer: Are each of these elements equally important? Why or why not?* |
| * + 1. human interaction |  |
| * + 1. goal-directed activities |  |
| * + 1. structure. |  |
| * 1. The organizing process should result in a structure that permits interactions among individuals and departments needed to achieve company goals. |  |
| * 1. Steps in the organizing process: | Figure 7.5 Steps in the Organizing Process |
| * + 1. Determine specific work activities needed to implement plans and achieve goals. |  |
| * + 1. Group work activities into a logical structure. |  |
| * + 1. Assign activities to specific people, and give them the necessary resources to complete these tasks. |  |
| * + 1. Coordinate the work of different groups and individuals. |  |
| * + 1. Evaluate the results of the organizing process to ensure effective and efficient progress toward planned goals. |  |
| * 1. Goals and competitive strategy, product, technology, and size all influence the organizing process. |  |
| * + 1. Small firms create simple structures. |  |
| * + 1. As a company grows, its structure increases in complexity. |  |
| * + 1. With increased size comes specialization and growing numbers of employees. | *Lecture Enhancer: What are some potential negative results when a company increases its size?* |
| f. An effective organizational structure is one that is clear and easy to understand; an *organization chart*can help clarify the structure of a firm. | PowerPoint Slide 21  Figure 7.6 Sample Organization Chart |
| 1. **Departmentalization** | PowerPoint Slide 22 |
| * 1. *Departmentalization* is the process of dividing work activities into units within the organization. | *Lecture Enhancer: What are some potential drawbacks for a company with very rigid departmentalization?* |

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| * 1. The five major forms of departmentalization subdivide work by product, geographical area, customer, function, and process. | PowerPoint Slide 23  *Lecture Enhancer: Discuss the pros and cons of each type of departmentalization.* |
| * + 1. *Product departmentalization*: organized based on the goods and services offered by a company. |  |
| * + 1. *Geographical departmentalization*: organized by regions within a country or throughout the world. |  |
| * + 1. *Customer departmentalization*: organized by the different types of customers the organization serves. |  |
| * + 1. *Functional departmentalization*: organized by business functions such as finance, marketing, human resources, and production. |  |
| * + 1. *Process departmentalization:* organized by work processes needed to complete their production of goods and services. |  |
| * 1. A single company may implement different departmentalization schemes. | Figure 7.7 Different Forms of Departmentalization within One Company |
| * 1. In deciding on a form of departmentalization, managers take into account the type of product they produce, the size of their company, their customer base, and the locations of their customers. |  |
| 1. **Delegating Work Assignments** | PowerPoint Slide 24 |
| * 1. *Delegation* is the managerial process of assigning work to employees. | **Business Etiquette:**  **Managing a Millennial Workforce** |
| * + 1. Companies that empower their workers to make decisions generally have happier employees and more satisfied customers. |  |
| * + 1. As employees receive greater authority, they also must be accountable for their actions and decisions. |  |
| * 1. **Span of Management** |  |
| * + 1. The *span of management,* or span of control, is the number of employees a manager supervises. |  |
| * + 1. The span of management varies depending on the type of work performed and employees’ training. |  |
| * + 1. In recent years, a growing trend has brought wider spans of control. | *Lecture Enhancer: What are the possible negative effects of increasing a manager’s span of management?* |
| * 1. **Centralization and Decentralization** |  |
| * + 1. A company that emphasizes *centralization* retains decision making at the top of the management hierarchy. |  |

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| * + 1. A company that emphasizes *decentralization* locates decision making at lower levels. |  |
| * + 1. A trend toward decentralization has pushed decision making down to operating employees. |  |
| 1. **Types of Organization Structures** | PowerPoint Slide 25 |
| * 1. The four basic types of organization structures are: line, line-and-staff, committee, and matrix. |  |
| * 1. Most companies use a combination of structures. |  |
| * 1. **Line Organizations** |  |
| * + 1. A *line organization,* the oldest and simplest organization structure, establishes a direct flow of authority from the chief executive to employees. |  |
| * + 1. The line organization defines a *chain of command*—a hierarchy of managers and workers. |  |
| * + 1. This structure is particularly effective in a crisis situation. | *Lecture Enhancer: Why do you think a line-and-staff structure might be the most effective structure in a crisis?* |
| * + 1. This structure is better suited for smaller businesses. |  |
| * 1. **Line-and-Staff Organizations** | PowerPoint Slide 26  Figure 7.8 Line-and-Staff Organization |

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| * + 1. A *line-and-staff organization* combines a line organization with staff departments that support the line departments. |  |
| * + 1. Line departments participate directly in decisions that affect the core operations of the organization. |  |
| * + 1. Staff departments lend specialized technical support. |  |
| * + 1. A line manager forms part of the primary line of authority and interacts directly with the functions needed to produce and sell goods and services. |  |
| * + 1. A staff manager provides information, advice, or technical assistance to aid line managers. |  |
| * + 1. The line-and-staff organization is common in midsize and large organizations. |  |
| * 1. **Committee Organizations** | PowerPoint Slide 27 |
| * + 1. A *committee organization* is a structure that places authority and responsibility in the hands of a group of individuals rather than a single manager. | *Lecture Enhancer: Provide an example of a committee, a decision it must make, and the methods it uses to make the decision.* |
| * + 1. This model typically appears as part of a regular line-and-staff structure. |  |

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| * + 1. A committee organization generally improves planning and employee morale because decisions reflect diverse perspectives. |  |
| * + 1. Committees tend to act slowly and conservatively. |  |
| * + 1. They may make decisions by compromising conflicting interests rather than by choosing the best alternative. |  |
| * 1. **Matrix Organizations** | PowerPoint Slide 28  Figure 7.9 Matrix Organization |
| * + 1. The *matrix structure* links employees from different parts of the organization to work together on specific projects. | PowerPoint Slide 29 |
| * + 1. When the project is completed, employees return to their “regular” jobs. | *Lecture Enhancer: What are some potential pitfalls when using a matrix structure?* |
| * + 1. In the matrix structure, each employee reports to two managers: a line manager and a project manager. |  |
| * + 1. The matrix structure is popular at high-technology and multinational corporations, as well as hospitals and consulting firms. |  |

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| * + 1. Major benefits include:  – flexibility in adapting quickly to changes – capability of focusing resources on major problems or products – provides an outlet for employees’ creativity and initiative. |  |
| * + 1. Challenges include:  – project managers must integrate the skills of specialists from many departments into a coordinated team  – permanent functional managers must adjust their employees’ regular workloads. |  |
| * + 1. The matrix structure is most effective when leaders empower project managers to use resources to achieve the project’s objectives. |  |

**Notes:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

Assessment Check Answers

**8.1 What is the purpose of an organization chart?**

*An organization chart is a visual representation of a firm’s structure that illustrates job positions and functions.*

**8.2 What are the five major forms of departmentalization?**

*Product departmentalization organizes units by the different goods and services a company offers. Geographical departmentalization organizes units by geographical regions. Customer departmentalization organizes units by different types of customers. Functional departmentalization organizes units by business functions such as finance, marketing, human resources, and production. Process departmentalization organizes units by the steps or work processes it takes to complete production or provide a service.*

**8.3 What does *span of management* mean?**

*The span of management, or span of control, is the number of employees a manager supervises.*

**Answers to Review Questions**

**1. What are the three levels of management hierarchy? For each level, which management skills might be considered most important, and why?**

* *Top-level management (CEO, CFO, executive vice president) develops long-range plans for the organizations and makes decisions such as whether to change strategy, purchase other companies, or enter new geographic markets. Conceptual skills might be the most important for top managers to possess because they must create and maintain the vision for the company.*
* *Middle management (general managers, division managers, plant managers, branch managers) focuses on specific operations, products, or customer groups and is responsible for developing detailed plans and procedures to implement the firm’s strategic plans. Middle managers need to possess both technical and human skills. They need to have mastered the skills of the employees they supervise in order to provide adequate supervision, and they need to be able to relate to and communicate effectively with both the employees they supervise and the top management in a company.*
* *Supervisory management, also known as first-line or front-line management (supervisors, line managers, group or team leaders), is directly responsible for assigning nonmanagerial workers to specific jobs and regularly evaluating them, working in direct and often daily contact with the staff who produce and sell the firm’s goods and services.*

**2. Identify the four basic managerial functions. Suppose you were hired to be the manager of a local restaurant. Which managerial functions would likely be the biggest part of your job? In what ways?**

*The four basic managerial functions are planning, organizing, directing, and controlling. As the manager of a local restaurant, the biggest part of my job would likely entail directing and controlling, as most of my time would likely be spent monitoring the performance of the servers and kitchen staff, ensuring that customers receive high-quality service and food, and providing critical feedback to my employees on a frequent basis.*

**3. Describe the link between a company’s vision and its ethical standards. Why is it important for top management to put forth a clear vision and ethical standards for a company?**

*Strong ethical standards should be incorporated into and reinforced by a company’s vision. It is important for top management to communicate a clear vision and reinforce ethical standards because this encourages the rest of the company’s employees to do so as well. Vision helps clarify a firm’s purpose and the actions it can take to make the most of opportunities. High ethical standards can help build success for a firm through job satisfaction and customer loyalty.*

**4. Identify the four types of planning, then think about the following scenario. Suppose you planned a large cookout for your friends, but when you woke up on the morning of the party, it was pouring rain. What type of planning would you use prior to the storm? What type of planning would allow you to cope with the rain? Specifically, what could you do?**

*The four types of planning are strategic, tactical, operational, and contingency. Prior to the storm, you would have used contingency planning to decide what should be done in the event of bad weather. Once the rain arrived, you would implement operational planning in order to execute the contingency plan.*

*You could construct a makeshift tent with a tarp or canvas, group together tables with oversized picnic umbrellas, or move the party into a garage or shelter. You also could reschedule the date or completely change the event by ordering pizzas and watching movies.*

**5. What is the link between a firm’s vision and its mission statement? Think about your own career as a start-up venture. What is your vision? What might be your mission statement?**

*A mission statement is a written explanation of an organization’s business intentions and aims. It is a statement of a firm’s purpose, its operations, its market, and how it differs from competitors. It guides people inside the firm and informs others of the company’s reason for being.*

*Vision is the perception of marketplace needs and the ways a firm can satisfy them. A vision serves as the target for a firm’s actions, helping direct the company toward opportunities and differentiating it from its competitors.*

*Answers will differ regarding each student’s vision and mission statement.*

**6. Define *objectives.* Outline objectives you might have for your own college education and career. How might this outline help you implement your own career strategy?**

*Objectives are guideposts by which managers define the organization’s desired performance in such areas as new-product development, sales, customer service, growth, environmental and social responsibility, and employee satisfaction.*

*Students may focus on a number of areas, but a few common themes will probably emerge. Their objectives may involve a desired level of academic achievement, an expected graduation date, a particular degree, use of the earned degree, career options, payment of student loans, or ways to maintain balance, individuality, or a certain lifestyle while in school.*

*A student’s outline may help him or her to stay focused on and maintain progress toward achieving his or her objectives.*

**7. Identify each of the following as a programmed or nonprogrammed decision:**

**a. reordering printer cartridges** – *programmed*

**b. selecting a cell phone provider** – *nonprogrammed*

**c. buying your favorite toothpaste or shampoo at the supermarket** – *programmed*

**d. selecting a college to attend –** *nonprogrammed*

**e. filling your car with gasoline –** *programmed*

**8. From what sources might a leader derive power? Which leadership style might work best for a manager whose firm is forced to make cost-cutting decisions? Why?**

*A leader might derive power from his or her position or title within an organization or from his or her expertise and experience. Certain personality traits lend a sense of power to leaders as well.*

*A manager whose firm is forced to make cost-cutting decisions might be most successful using an autocratic leadership style because decisions need to be made quickly and communicated clearly with the expectation that the cost-cutting measures will be put into place without discussion. However, a manager also might use a democratic leadership style if he or she wishes to receive employee input regarding ideas for cost cutting.*

**9. Why is a strong corporate culture important to a company’s success? How might the corporate culture be linked to leadership style?**

*A strong corporate culture has a widespread effect on all employees by setting a certain productive climate and creating a healthy work environment. It encourages employees to work harder and smarter toward the company’s goals, it promotes high morale, and it leads to longevity and loyalty. The corporate culture within a company usually is directly related to the leadership style of top management. For example, Southwest Airlines’ top management uses democratic leadership, which leads to empowerment among employees and a positive corporate culture that embraces humor.*

**10. Which type of organization structure provides a firm with the most flexibility to respond to changes in the marketplace and engage in innovation? What might be the drawbacks of this structure?**

*A matrix structure provides a firm with the most flexibility. The drawbacks to a matrix structure include the fact that permanent functional managers must adjust their employees’ regular workloads in order to allow them to participate in the project, and the fact that project managers must create a team of employees who come from many different departments.*

**Projects and Teamwork Applications**

1. What were the most difficult aspects of developing the job description? Why? Do you think job descriptions become easier or harder to develop and write for higher-level positions? Why or why not?
2. How long should a mission statement be? Why? What are the risks in making a mission statement too narrow or too broad? What methods would you use to communicate the mission statement? Who would be the most important audience with whom to share the mission statement?
3. What are some possible limitations to developing contingency plans for high-risk situations? How detailed should such contingency plans be? Should a firm dedicate work time so that employees can be trained in their roles and responsibilities? Why or why not?
4. Are technical skills necessary for good leadership, or is good leadership a transferable quality? For example, could the coach of a top-ranked college football team successfully run Apple, Inc.? Could Steve Jobs successfully lead a championship college football team? Why or why not? What specific technical skills are required for each leadership position?
5. Imagine you are interviewing for a position at the firm you researched. What signs or signals would help you identify that company’s corporate culture? Create a list of these. Think of a company that has a very different corporate culture from the one you chose to research. How do they differ? What might have lead to the development of each firm’s specific corporate culture?

Web Assignments

1. **Strategic planning.** Visit the Web site listed below. It summarizes Johnson & Johnson’s strategic planning philosophy. Review several recent acquisitions by Johnson & Johnson and prepare a brief report discussing how the acquisitions resulted from the company’s strategic planning process.  
   <http://www.investor.jnj.com/strategic.cfm>
2. **Mission statements.** Go to the Web sites of two organizations, a for-profit firm and a not-for-profit organization. Print out both organizations’ mission statements. Bring the material with you to class to participate in a discussion on mission statements.
3. **Management structure.** Visit the Web site listed below. Click on “corporate governance” and answer the following questions:
   1. How would you characterize Target’s organizational structure?
   2. What is the composition of Target’s board of directors?

<http://investors.target.com/phoenix.zhtml?c=65828&p=irol-IRHome>

*Note:* Internet Web addresses change frequently. If you don’t find the exact sites listed, you may need to access the organization’s home page and search from there or use a search engine such as Bing or Google.

**Case 7.1**

**Ford Drives out of the Financial Mud**

**Summary**

*Recently, when the other major U.S. automakers accepted federal funds in order to stay in business, Ford Motor Company said no. Several years earlier, the firm had faced financial decisions and restructured its debt in such a way that, when the economy slowed down, Ford did not. Ford sold off its luxury brands Aston Martin, Jaguar, and Land Rover and invested in the development of moderately priced, fuel-efficient cars and trucks. Decisions like this require strong leadership qualities that include a willingness to persist during tough times. Ford CEO Alan Mulally believes that every employee has something to offer an organization, and that each worker must be clear on the firm’s mission. As the company’s leader, Mulally says that his job is to focus on four things: 1) the process of connecting his firm to the outside world; 2) keeping track of the firm’s identity in the marketplace; 3) balancing short-term objectives with long-term goals; and 4) the values and standards of the organization.*

**Answers to Questions for Critical Thinking**

**1. How does Alan Mulally’s “focus on four things” help him with strategic planning for Ford? Do you believe it made a difference in the firm’s decision to decline the federal loan?**

*Mulally says that keeping his focus on these four things helps him to keep Ford moving in the right direction as a company. Two of the “things”—balancing short-term objectives with long-term goals and the values and standards of the organization—most likely were influential in the firm’s decision to decline the federal loan.*

**2. Mulally emphasizes the importance of having every employee understand the firm’s mission. How might this understanding help employees contribute to the company’s performance?**

*Mulally’s understanding opens the door for any employee to make a significant contribution to the company because he or she would believe that it would be highly appreciated by top management.*

**Case 7.2**

**Hiring Business Students as Consultants**

**Summary**

*After Project Runway winner Chloe Dao’s retail store Lot 8 wasn’t as successful as she had hoped, Dao ended up turning to six business students at nearby Rice University for help. The college students held weekly meetings with Dao to discuss the results they were finding that were leading to her business’ demise. By conducting research that included customer and employee surveys and bank statements, the business majors discovered that Dao’s boutique was too large for the amount of merchandise she offered, while employee hours were too long. Also, targeted customers, who are college-age and younger than Dao, reported that Dao’s clothing was too pricey for their budgets. Dao greatly benefited from the business consultations and was able to cut costs, tweak her product line, and hire more help to balance things out.*

**Answers to Questions for Critical Thinking**

**1. Find out more about Rice’s program, the Action Learning Project, at the university’s website. Is a program like this a good way to gain management experience early in your career? Why or why not?**

*The Action Learning Project is an effective way to gain management experience early in your career because you are able to see the strengths and weaknesses of already-established business owners firsthand so that you will know which strategies are useful when you are ready to pursue your own business.*

**2. How do you think the students’ approach would have differed if Dao managed an e-business?**

*If Dao managed an e-business, the students would’ve examined different factors regarding her business, such as how well she networked with customers through social media and customer satisfaction regarding shipments and returns.*

**CHAPTER 7: COLLABORATIVE LEARNING EXERCISES**

# **1 – Controlling**

Learning Objective: 1

Purpose:

To demonstrate how the controlling function of management should work.

Background:

Many college students seem to believe that the controlling function of management simply represents a code word for firing people. This exercise is designed to show that when the controlling function is handled effectively, it surfaces problems in time to find solutions that allow the whole organization to function more effectively … without necessarily needing to fire anyone!

Relationship to Text:

Controlling – Learning Objective 1

Estimated Class Time:

Less than 10 minutes

Preparation/Materials:

None needed

Exercise:

Ask your class to assume for a few moments that they manage the traffic cops who work in the local area (a job that many of them can relate to on an all-too-personal basis!).

* What should the performance standard be for their traffic cops? After a moment or two, someone will throw out the idea of a ticket quota. Help them determine a specific quota for a defined time period (e.g., 100 tickets per month).
* How will they measure performance versus the standard? Encourage them to check performance regularly during the month. Ask them why this is important.
* If any given traffic cop is not performing up to standard, what are the options as manager? First, you need to examine performance. Should that cop be hiding under a different bridge? Is he or she spending too much time in the donut shop? If the cop is doing all the right things, they should examine the standard itself. Can 100 tickets per month be considered a reasonable goal? Are other traffic cops meeting that goal? Help them see that it would only make sense to consider disciplinary action after examining the whole picture.

You may want to close by asking your class to share their personal experience with the controlling function of management. How have their own managers performed in this function? What seems to be the most effective controlling style? And the least effective controlling style?

**2 – Mission Statement (Organization Perspective)**

Learning Objective: 4

Purpose:

To help students see how the mission statement influences an organization.

Background:

When students explore the mission statement of a real organization, they often gain a more complete understanding of why it plays such a crucial role in that organization’s success. This exercise is designed to demonstrate the role of the mission statement in the functioning of their own college or university.

Relationship to Text:

Defining the Organization’s Mission – Learning Objective 4

Estimated Class Time:

Approximately 10–15 minutes

Preparation/Materials:

You may want to look up the mission statement of your college or university and either prepare to show it via web projection or make copies for each of your students.

Exercise:

Divide your class into groups of three to five students. Direct each group to develop the mission statement that they believe best fits the college or university. Encourage them to base their mission statements on the values and vision that they perceive from a student perspective. (This should not take more than five minutes.) Ask each group to write their statement on the board.

When the groups have finished, read each of the statements aloud. Ask your class to compare and contrast. How are the statements similar and different? Could key elements of the best statements be combined to create an even better statement?

Share the actual mission of the college or university with your students. How does it compare with the mission that your students developed? What are the key differences? How do they account for these? Do they believe that the mission of the college or university should change? Why or why not?

**3 – Mission Statement (Personal Perspective)**

Learning Objective: 4

Purpose:

To give students a personal perspective on mission statements.

Background:

This exercise is designed to explore and articulate their personal “mission statements.” Typically, it is both interesting and inspiring and leads to a discussion of ethics, personal values, and locus of control.

Relationship to Text:

Defining the Organization’s Mission – Learning Objective 4

Estimated Class Time:

Approximately 10 minutes

Preparation/Materials:

Paper and pen/pencil

Exercise:

Ask each student to spend a few moments writing a personal mission statement for his or her life. Try to smile at the groans and resist the temptation to give too much further direction. After about five minutes, ask for volunteers to share their statements. If no one volunteers, call on people who are articulate in class. The results can be staggering. This type of discussion typically is spontaneous. But if not, ask students to identify similarities and differences in their statements, especially across gender, age, and nationality/ethnicity. What do their statements say about ethics, values, and locus of control? How do their personal missions influence their actions and decisions on a day-to-day basis? You may want to close by calling their attention to the obvious parallels between personal and organizational missions.

**4 – SWOT Analysis**

Learning Objective: 4

Purpose:

To give your students hands-on experience with a SWOT analysis.

Background:

Most students quickly understand the concept of the SWOT analysis (strengths, weaknesses, opportunities, and threats), but when it comes to actual implementation, they find themselves confused about the specific meaning of the various categories. This exercise is designed to give them practice executing an actual SWOT analysis so that you can identify and clarify any areas that remain murky.

Relationship to Text:

Assessing Your Competitive Position – Learning Objective 4

Estimated Class Time:

Approximately 20 minutes

Preparation/Materials:

None needed

Exercise:

Review with your class as a whole the difference between strengths and opportunities, weakness and threats. Emphasize that strengths and weaknesses usually are controllable by management, whereas opportunities and threats generally stem from the outside environment.

Divide your class into groups of three to five students. Direct each group to develop a SWOT analysis of your college or university. After five to ten minutes, reconvene and create a class SWOT analysis on the board, taking input from the groups (because there likely will be many similarities, it probably does not make sense to ask each group to report individually).

When your class SWOT is complete, ask your students to identify the strategies that the analysis suggests. How could the college or university leverage its strengths to capitalize on its opportunities? How could it mitigate threats by bolstering weaknesses?

**5 – Corporate Culture**

Learning Objective: 7

Purpose:

To reveal to your students the multiple dimensions of corporate culture.

Background:

Although a given organization’s corporate culture can be tough to articulate, the managerial benefits of understanding corporate culture are crystal clear. This exercise is designed to give students hands-on experience discerning the multiple dimensions of their college or university culture (it also is a lot of fun!).

Relationship to Text:

Corporate Culture – Learning Objective 7

Estimated Class Time:

Approximately 30 minutes

Preparation/Materials:

Paper and pen/pencil

Exercise:

Brainstorm as a class the different facets of your college or university culture. Make sure that your students can easily define organizational culture in general, as well as the specific examples that they experience.

Divide your class into groups of three to five students, and give them 20 minutes to meet the following challenge:

*Leave the classroom, and find at least three people who work at the college or university in different capacities (faculty, administrators, support staff, cafeteria workers, etc.). Ask each one to briefly describe the organizational culture (values, communication, workplace environment, etc.). Each group must speak to different people.*

When the groups return to the classroom, ask them to report their findings, and record key points on the board. Discussion questions: Does there seem to be consistency? Do perceptions change depending on an individual’s position in the organization? How do the student perceptions of the college culture compare and contrast with the faculty/staff/administration positions? Overall, do they believe that the organizational culture is healthy? Why?

Switching gears a bit, you may want to ask how the culture affects them on a day-to-day basis. Is it similar or different from their expectations when they entered the college or university? How? Why?