ELEVENTH EDITION

# Management

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# Chapter 1: Foundations *of* Management *and* Organizations

- **Explain** why managers are important to organizations

- **Tell** who managers are and where they work

- **Describe** the functions, roles, and skills of managers

- **Describe** the factors that are reshaping and redefining the manager's job
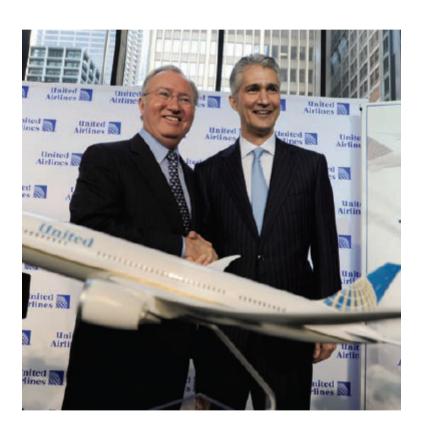
- **Explain** the value of studying management

# Why are Managers Important?

- Organizations need their managerial skills and abilities more than ever in these uncertain, complex, and chaotic times.

- Managerial skills and abilities are critical in getting things done.

- The quality of the employee/supervisor relationship is the most important variable in productivity and loyalty.

# Who Are Managers?

- Manager
  - Someone who coordinates and oversees the work of other people so that organizational goals can be accomplished.

# Classifying Managers

- **First-line Managers** - Individuals who manage the work of non-managerial employees.

- **Middle Managers** - Individuals who manage the work of first-line managers.

- **Top Managers** - Individuals who are responsible for making organization-wide decisions and establishing plans and goals that affect the entire organization.

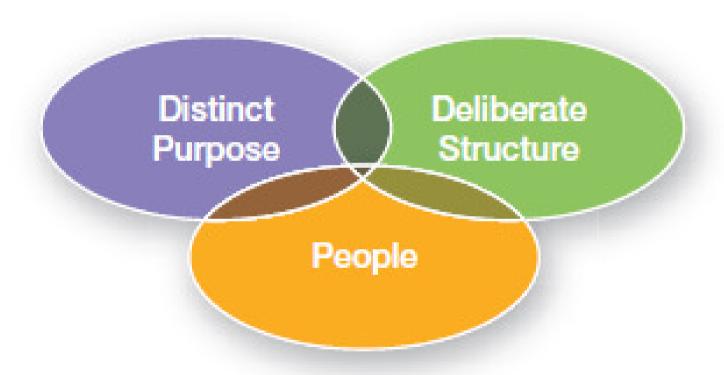# Exhibit 1-1: Levels of Management

# Where Do Managers Work?

- **Organization** - A deliberate arrangement of people assembled to accomplish some specific purpose (that individuals independently could not accomplish alone).

- Common Characteristics of Organizations
  - Have a distinct purpose (goal)
  - Are composed of people
  - Have a deliberate structure

# Exhibit 1-2: Characteristics of Organizations

# What Do Managers Do?

- **Management** involves coordinating and overseeing the work activities of others so that their activities are completed efficiently and effectively.

# Effectiveness and Efficiency

- **Efficiency**
  - "Doing things right"
  - Getting the most output for the least inputs

- **Effectiveness**
  - "Doing the right things"
  - Attaining organizational goals

# Exhibit 1-3: Efficiency and Effectiveness in Management

**Efficiency (Means)**

Resource Usage

Low Waste

**Effectiveness (Ends)**

Goal Attainment

High Attainment

Management Strives for:
Low Resource Waste (high efficiency)
High Goal Attainment (high effectiveness)

# Management Functions

- **Planning** - Defining goals, establishing strategies to achieve goals, and developing plans to integrate and coordinate activities.

- **Organizing** - Arranging and structuring work to accomplish organizational goals.

- **Leading** - Working with and through people to accomplish goals.

- **Controlling** - Monitoring, comparing, and correcting work.

# Exhibit 1-4: Four Functions of Management

| Planning | Organizing | Leading | Controlling | Lead to |
|---|---|---|---|---|
| Defining goals, establishing strategy, and developing plans to coordinate activities | Determining what needs to be done, how it will be done, and who is to do it | Motivating, leading, and any other actions involved in dealing with people | Monitoring activities to ensure that they are accomplished as planned | Achieving the organization's stated purposes |

# Management Roles

- Roles are specific actions or behaviors expected of a manager.

- Mintzberg identified 10 roles grouped around *interpersonal relationships, the transfer of information*, and *decision making*.

# Management Roles

- **Interpersonal roles**
  - Figurehead, leader, liaison
- **Informational roles**
  - Monitor, disseminator, spokesperson
- **Decisional roles**
  - Entrepreneur, disturbance handler, resource allocator, negotiator

# Exhibit 1-5: Mintzberg's Managerial Roles

**Interpersonal Roles**

- Figurehead
- Leader
- Liaison



**Informational Roles**

- Monitor
- Disseminator
- Spokesperson



**Decisional Roles**

- Entrepreneur
- Disturbance handler
- Resource allocator
- Negotiator

# Skills Managers Need

- **Technical skills**
  - Knowledge and proficiency in a specific field

- **Human skills**
  - The ability to work well with other people

- **Conceptual skills**
  - The ability to think and conceptualize about abstract and complex situations concerning the organization

# Exhibit 1-6: Skills Needed at Different Managerial Levels

Top
Managers

Middle
Managers

Lower-Level
Managers

**Conceptual Skills**

**Human Skills**

**Technical Skills**

Importance

# Exhibit 1-7: Important Managerial Skills

- Managing human capital
- Inspiring commitment
- Managing change
- Structuring work and getting things done
- Facilitating the psychological and social contexts of work
- Using purposeful networking
- Managing decision-making processes
- Managing strategy and innovation
- Managing logistics and technology

# The Importance of Customers

- **Customers:** the reason that organizations exist
  - Managing customer relationships is the responsibility of all managers and employees.
  - Consistent high quality customer service is essential for survival.

# The Importance of Innovation

- **Innovation**
  - Doing things differently, exploring new territory, and taking risks.
  - Managers should encourage employees to be aware of and act on opportunities for innovation.

# The Importance of Sustainability

- **Sustainability -**

    a company's ability to achieve its business goals and increase long-term shareholder value by integrating economic, environmental, and social opportunities into its business strategies.
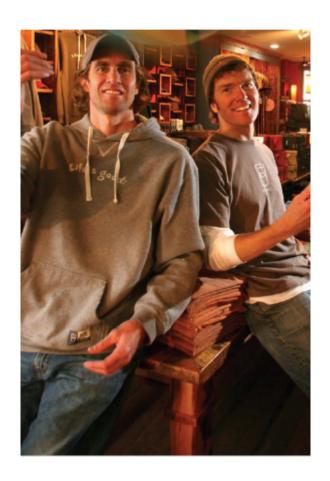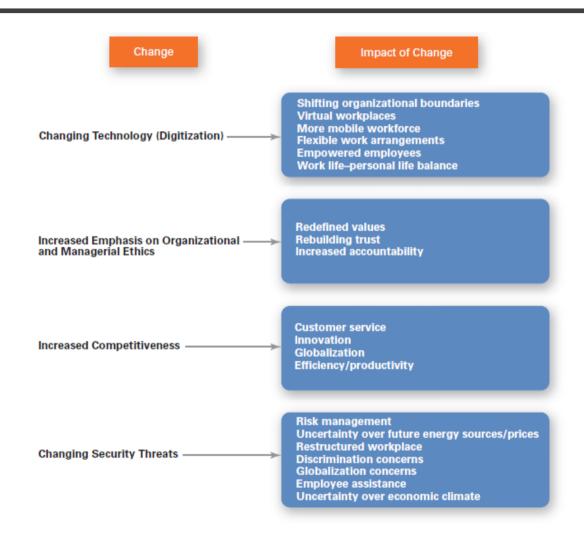
# Exhibit 1-8: Changes Facing Managers



| Change | Impact of Change |
|---|---|
| Changing Technology (Digitization) | Shifting organizational boundaries<br>Virtual workplaces<br>More mobile workforce<br>Flexible work arrangements<br>Empowered employees<br>Work life–personal life balance |
| Increased Emphasis on Organizational and Managerial Ethics | Redefined values<br>Rebuilding trust<br>Increased accountability |
| Increased Competitiveness | Customer service<br>Innovation<br>Globalization<br>Efficiency/productivity |
| Changing Security Threats | Risk management<br>Uncertainty over future energy sources/prices<br>Restructured workplace<br>Discrimination concerns<br>Globalization concerns<br>Employee assistance<br>Uncertainty over economic climate |

# Why Study Management?

- **Universality of Management**
  - The reality that management is needed
    - in all types and sizes of organizations
    - at all organizational levels
    - in all organizational areas
    - in all organizations, regardless of location

# Exhibit 1-9: Universal Need for Management

# Exhibit 1-10: Rewards and Challenges of Being a Manager

| Rewards | Challengesds |
|---|---|
| • Create a work environment in which organizational members can work to the best of their ability | • Do hard work |
| • Have opportunities to think creatively and use imagination | • May have duties that are more clerical than managerial |
| • Help others find meaning and fulfillment in work | • Have to deal with a variety of personalities |
| • Support, coach, and nurture others | • Often have to make do with limited resources |
| • Work with a variety of people | • Motivate workers in chaotic and uncertain situations |
| • Receive recognition and status in organization and community | • Blend knowledge, skills, ambitions, and and experiences of a diverse work group |
| • Play a role in influencing organizational outcomes | • Success depends on others' work performance |
| • Receive appropriate compensation in the form of salaries, bonuses, and stock options | |
| • Good managers are needed by organizations | |

# Terms to Know

- manager
- first-line managers
- middle managers
- top managers
- management
- efficiency
- effectiveness
- planning
- organizing
- leading
- controlling

- management roles
- interpersonal roles
- informational roles
- decisional roles
- technical skills
- human skills
- conceptual skills
- organization
- universality of management

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# Chapter 2: Constraints *and* Challenges *for the* Global Manager

- **Contrast** the actions of managers according to the omnipotent and symbolic views

- **Describe** the constraints and challenges facing managers in today's external environment

- **Discuss** the characteristics and importance of organizational culture

- **Describe** current issues in organizational culture

# The Manager: Omnipotent or Symbolic?

- **Omnipotent View of Management -** the view that managers are directly responsible for an organization's success or failure.

- **Symbolic view of Management -** the view that much of an organization's success or failure is due to external forces outside managers' control.

# Exhibit 2-1: Constraints on Managerial Discretion
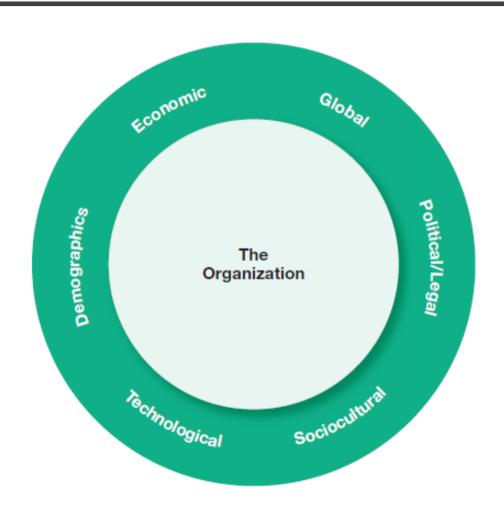
Organizational Environment → **Managerial Discretion** ← Organizational Culture

# The External Environment:
## Constraints and Challenges

- **External Environment -** those factors and forces outside the organization that affect its performance.

- Components of the External Environment

  - **Specific environment:** External forces that have a direct and immediate impact on the organization

  - **General environment:** Broad economic, socio-cultural, political/legal, demographic, technological, and global conditions that *may* affect the organization

# Exhibit 2-2: Components of External Environment

# Environmental Uncertainty and Complexity

- **Environmental Uncertainty -** the degree of change and complexity in an organization's environment.

- **Environmental Complexity -** the number of components in an organization's environment and the extent of the organization's knowledge about those components.

# Exhibit 2-3: Environmental Uncertainty Matrix

| | Stable | Dynamic |
|---|---|---|
| **Simple** | **Cell 1**<br><br>Stable and predictable environment<br><br>Few components in environment<br><br>Components are somewhat similar and remain basically the same<br><br>Minimal need for sophisticated knowledge of components | **Cell 2**<br><br>Dynamic and unpredictable environment<br><br>Few components in environment<br><br>Components are somewhat similar but are continually changing<br><br>Minimal need for sophisticated knowledge of components |
| **Complex** | **Cell 3**<br><br>Stable and predictable environment<br><br>Many components in environment<br><br>Components are not similar to one another and remain basically the same<br><br>High need for sophisticated knowledge of components | **Cell 4**<br><br>Dynamic and unpredictable environment<br><br>Many components in environment<br><br>Components are not similar to one another and are continually changing<br><br>High need for sophisticated knowledge of components |

# Who Are Stakeholders?

- **Stakeholders -** any constituencies in the organization's environment that are affected by an organization's decisions and actions.

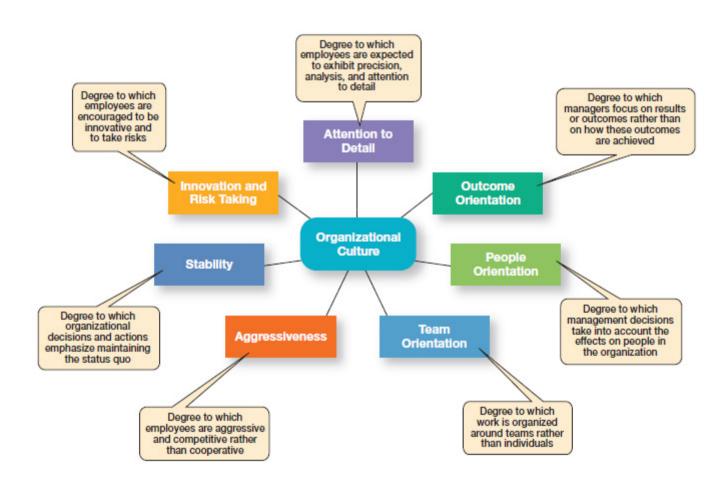# Exhibit 2-4: Organizational Stakeholders

# Managing Stakeholder Relationships

1. Identify the organization's external stakeholders.

2. Determine the particular interests and concerns of external stakeholders.

3. Decide how critical each external stakeholder is to the organization.

4. Determine how to manage each individual external stakeholder relationship.

# What Is Organizational Culture?

- **Organizational Culture -** The shared values, principles, traditions, and ways of doing things that influence the way organizational members act.

- **Strong Cultures -** Organizational cultures in which key values are intensely held and widely shared.

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# Exhibit 2-5: Dimensions of Organizational Culture

# Where Does Culture Come From?

- Organization founder

- Vision and mission

- Past practices

- Top management behavior

- **Socialization -** The process that helps employees adapt to the organization's culture.

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# How Do Employees Learn Culture?

- **Stories -** Narratives of significant events or people, e.g. organization founders, rule breaking, reaction to past mistakes etc.

- **Rituals -** Sequences of activities that express and reinforce the important values and goals of the organization

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# How Employees Learn Culture (cont.)

- **Material Artifacts and Symbols** - Convey the kinds of behavior that are expected, e.g. risk taking, participation, authority, etc.

- **Language** - Acts as a common denominator that bonds members

# Exhibit 2-6: Contrasting Organizational Cultures

**Organization A**

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

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

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

**Organization B**

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

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

Job activities are designed around work teams, and team members are encouraged to interact with people across functions and authority levels. Employees talk positively about the competition between teams. Individuals and teams have goals, and bonuses are based on achievement of outcomes. Employees are given considerable autonomy in choosing the means by which the goals are attained.
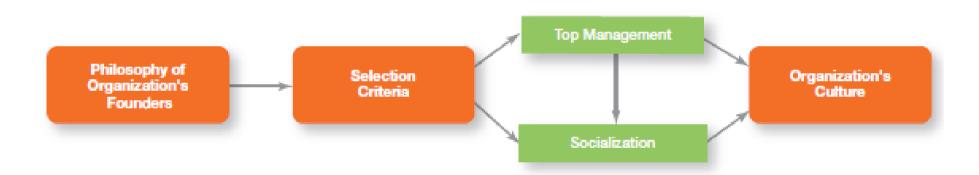
# Exhibit 2-7: Strong vs. Weak Cultures

| Strong Cultures | Weak Cultures |
|---|---|
| Values widely shared | Values limited to a few people—usually top management |
| Culture conveys consistent messages about what's important | Culture sends contradictory messages about what's important |
| Most employees can tell stories about company history or heroes | Employees have little knowledge of company history or heroes |
| Employees strongly identify with culture | Employees have little identification with culture |
| Strong connection between shared values and behaviors | Little connection between shared values and behaviors |

# 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

# Exhibit 2-8: Establishing and Maintaining Culture

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┌──────────────┐     ┌──────────────┐          ┌──────────────────┐          ┌──────────────┐
│ Philosophy of│     │  Selection   │   ──────▶ │  Top Management  │ ──────▶  │Organization's│
│Organization's│ ──▶ │   Criteria   │           └──────────────────┘          │   Culture    │
│   Founders   │     │              │   ──────▶ ┌──────────────────┐ ──────▶  │              │
└──────────────┘     └──────────────┘           │  Socialization   │          └──────────────┘
                                                 └──────────────────┘
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# How Does Culture Affect 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

# Exhibit 2-9: 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

**Organizing**

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

**Leading**

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

**Controlling**

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

# How Do You Create a Customer Responsive Culture?

- Hire the right type of employees (those with a strong interest in serving customers)

- Have few rigid rules, procedures, and regulations

- Use widespread empowerment of employees

- Have good listening skills in relating to customers' messages

# How Do You Create a Customer Responsive Culture?

- Provide role clarity to employees in order to reduce ambiguity and conflict and to increase job satisfaction

- Have conscientious, caring employees willing to take initiative

# Exhibit 2-10: Creating a Customer Responsive Culture

| Characteristics of Customer-Responsive Culture | Suggestions for Managers |
|---|---|
| Type of employee | Hire people with personalities and attitudes consistent with customer service: friendly, attentive, enthusiastic, patient, good listening skills |
| Type of job environment | Design jobs so employees have as much control as possible to satisfy customers, without rigid rules and procedures |
| Empowerment | Give service-contact employees the discretion to make day-to-day decisions on job-related activities |
| Role clarity | Reduce uncertainty about what service-contact employees can and cannot do by continual training on product knowledge, listening, and other behavioral skills |
| Consistent desire to satisfy and delight customers | Clarify organization's commitment to doing whatever it takes, even if it's outside an employee's normal job requirements |

# Spirituality and Culture

- **Workplace Spirituality** - a culture where organizational values promote a sense of purpose through meaningful work that takes place in the context of community

- Characteristics of a Spiritual Organization
  - Strong sense of purpose
  - Focus on individual development
  - Trust and openness
  - Employee empowerment
  - Toleration of employees' expression

# Terms to Know

- omnipotent view of management
- symbolic view of management
- organizational culture
- strong cultures
- socialization

- workplace spirituality
- external environment
- specific environment
- general environment
- environmental uncertainty
- environmental complexity
- stakeholders

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# Chapter 3: Global Management

## LEARNING OUTCOMES

- **Contrast** ethnocentric, polycentric, and geocentric attitudes toward global business

- **Discuss** the importance of regional trading alliances and global trade mechanisms

- **Describe** the structures and techniques organizations use as they go international

- **Explain** the relevance of the political/legal, economic, and cultural environments to global business

# What's Your Global Perspective?

- **Parochialism -** viewing the world solely through your own perspectives, leading to an inability to recognize differences between people.

- **Ethnocentric Attitude -** the parochialistic belief that the best work approaches and practices are those of the home country.

# More Global Perspectives

- **Polycentric Attitude** - the view that the managers in the host country know the best work approaches and practices for running their business.

- **Geocentric Attitude -** a world-oriented view that focuses on using the best approaches and people from around the globe.

# Trading Alliances

- **European Union (EU) -** a union of 27 European nations created as a unified economic and trade entity

- **Euro -** a single common European currency

# Exhibit 3-1: European Union Map

# Trading Alliances (cont.)

- **Nations (ASEAN) -** a trading alliance of 10 Southeast Asian nations.

- **North American Free Trade Agreement (NAFTA) -** an agreement among the Mexican, Canadian, and U.S. governments in which certain barriers to trade have been eliminated.

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# Exhibit 3-1: ASEAN Map

# Global Trade Mechanisms

- **World Trade Organization (WTO) -** a global organization of 153 countries that deals with the rules of trade among nations.

- **International Monetary Fund (IMF) -** an organization of 185 countries that promotes international monetary cooperation and provides advice, loans, and technical assistance.

# Global Trade Mechanisms (cont.)

- **World Bank Group -** a group of five closely associated institutions that provides financial and technical assistance to developing countries.

- **Organization for Economic Cooperation and Development (OECD) -** an international economic organization that helps its 30 member countries achieve sustainable economic growth and employment.

# Types of International Organizations

- **Multinational Corporation (MNC) -** a broad term that refers to any and all types of international companies that maintain operations in multiple countries.

- **Multidomestic Corporation -** an MNC that decentralizes management and other decisions to the local country.

# Types of International Organizations (cont.)

- **Global Company -** an MNC that centralizes management and other decisions in the home country.

- **Transnational or Borderless Organization -** an MNC in which artificial geographical barriers are eliminated.

# How Do Organizations Go Global?

- **Global Sourcing -** purchasing materials or labor from around the world wherever it is cheapest.

- **Exporting -** making products domestically and selling them abroad.

# Going Global (cont.)

- **Importing -** acquiring products made abroad and selling them domestically.

- **Licensing -** an organization gives another organization the right to make or sell its products using its technology or product specifications.

- **Franchising** - an organization gives another organization the right to use its name and operating methods.
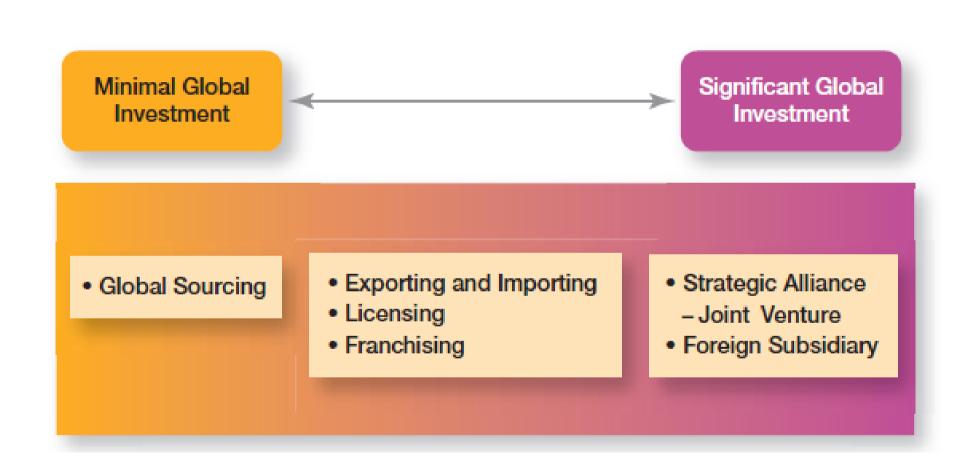
# Going Global (cont.)

- **Strategic Alliance -** a partnership between an organization and one or more foreign company partner(s) in which both share resources and knowledge in developing new products or building production facilities.

- **Joint Venture -** a specific type of strategic alliance in which the partners agree to form a separate, independent organization for some business purpose.

# Going Global (cont.)

- **Foreign Subsidiary** - directly investing in a foreign country by setting up a separate and independent production facility or office.

# Exhibit 3-3: How Organizations Go Global



| Minimal Global Investment | ← → | Significant Global Investment |

- Global Sourcing
- Exporting and Importing
- Licensing
- Franchising
- Strategic Alliance
  – Joint Venture
- Foreign Subsidiary

# The Economic Environment

- **Free Market Economy -** an economic system in which resources are primarily owned and controlled by the private sector.

- **Planned Economy -** an economic system in which economic decisions are planned by a central government.

# The Cultural Environment

- **National Culture -** the values and attitudes shared by individuals from a specific country that shape their behavior and beliefs about what is important.

- **Global Leadership and Organizational Behavior Effectiveness (GLOBE) program -** a research program that studies cross-cultural leadership behaviors.

# Exhibit 3-4: What Are Americans Like?

- Americans are *very informal*. They tend to treat people alike even when great differences in age or social standing are evident.
- Americans are *direct*. They don't talk around things. To some foreigners, this may appear as abrupt or even rude behavior.
- Americans are *competitive*. Some foreigners may find Americans assertive or overbearing.
- Americans are *achievers*. They like to keep score, whether at work or at play. They emphasize accomplishments.
- Americans are *independent and individualistic*. They place a high value on freedom and believe that individuals can shape and control their own destiny.
- Americans are *questioners*. They ask a lot of questions, even of someone they have just met. Many may seem pointless ("How ya' doin'?") or personal ("What kind of work do you do?").
- Americans *dislike silence*. They would rather talk about the weather than deal with silence in a conversation.
- Americans *value punctuality*. They keep appointment calendars and live according to schedules and clocks.
- Americans *value cleanliness*. They often seem obsessed with bathing, eliminating body odors, and wearing clean clothes.

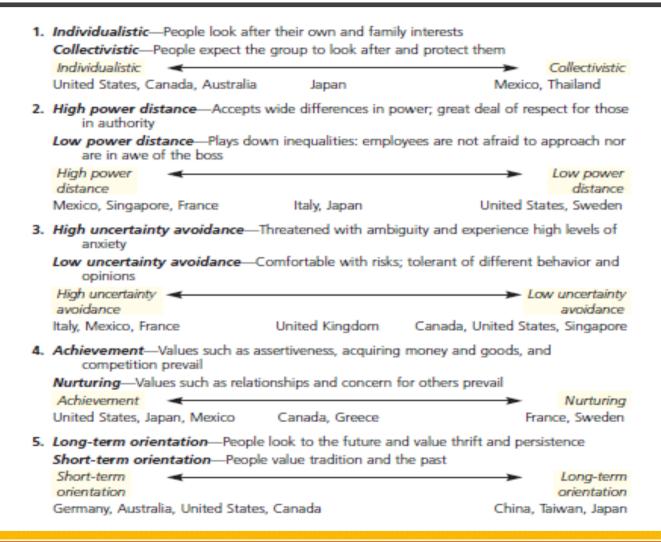# Exhibit 3-5: Hofstede's Five Dimensions of National Culture

1. **Individualistic**—People look after their own and family interests
   **Collectivistic**—People expect the group to look after and protect them

   | *Individualistic* | ← ——————————→ | *Collectivistic* |
   |---|---|---|
   | United States, Canada, Australia | Japan | Mexico, Thailand |

2. **High power distance**—Accepts wide differences in power; great deal of respect for those in authority
   **Low power distance**—Plays down inequalities: employees are not afraid to approach nor are in awe of the boss

   | *High power distance* | ← ——————————→ | *Low power distance* |
   |---|---|---|
   | Mexico, Singapore, France | Italy, Japan | United States, Sweden |

3. **High uncertainty avoidance**—Threatened with ambiguity and experience high levels of anxiety
   **Low uncertainty avoidance**—Comfortable with risks; tolerant of different behavior and opinions

   | *High uncertainty avoidance* | ← ——————————→ | *Low uncertainty avoidance* |
   |---|---|---|
   | Italy, Mexico, France | United Kingdom | Canada, United States, Singapore |

4. **Achievement**—Values such as assertiveness, acquiring money and goods, and competition prevail
   **Nurturing**—Values such as relationships and concern for others prevail

   | *Achievement* | ← ——————————→ | *Nurturing* |
   |---|---|---|
   | United States, Japan, Mexico | Canada, Greece | France, Sweden |

5. **Long-term orientation**—People look to the future and value thrift and persistence
   **Short-term orientation**—People value tradition and the past

   | *Short-term orientation* | ← ——————————→ | *Long-term orientation* |
   |---|---|---|
   | Germany, Australia, United States, Canada | | China, Taiwan, Japan |

# Exhibit 3-6: Globe Highlights

| Dimension | Countries Rating Low | Countries Rating Moderate | Countries Rating High |
|---|---|---|---|
| Assertiveness | Sweden<br>New Zealand<br>Switzerland | Egypt<br>Ireland<br>Philippines | Spain<br>United States<br>Greece |
| Future orientation | Russia<br>Argentina<br>Poland | Slovenia<br>Egypt<br>Ireland | Denmark<br>Canada<br>Netherlands |
| Gender differentiation | Sweden<br>Denmark<br>Slovenia | Italy<br>Brazil<br>Argentina | South Korea<br>Egypt<br>Morocco |
| Uncertainty avoidance | Russia<br>Hungary<br>Bolivia | Israel<br>United States<br>Mexico | Austria<br>Denmark<br>Germany |
| Power distance | Denmark<br>Netherlands<br>South Africa | England<br>France<br>Brazil | Russia<br>Spain<br>Thailand |
| Individualism/collectivism* | Denmark<br>Singapore<br>Japan | Hong Kong<br>United States<br>Egypt | Greece<br>Hungary<br>Germany |
| In-group collectivism | Denmark<br>Sweden<br>New Zealand | Japan<br>Israel<br>Qatar | Egypt<br>China<br>Morocco |
| Performance orientation | Russia<br>Argentina<br>Greece | Sweden<br>Israel<br>Spain | United States<br>Taiwan<br>New Zealand |
| Humane orientation | Germany<br>Spain<br>France | Hong Kong<br>Sweden<br>Taiwan | Indonesia<br>Egypt<br>Malaysia |

*A low score is synonymous with collectivism.

# Contemporary Issues

- **Cultural Intelligence -** cultural awareness and sensitivity skills.

- **Global Mind-Set -** attributes that allow a leader to be effective in cross-cultural environments.

# Exhibit 3-7: A Global Mindset

**Intellectual capital:**   Knowledge of international business and the capacity to understand how business works on a global scale

**Psychological capital:**   Openness to new ideas and experiences

**Social capital:**   Ability to form connections and build trusting relationships with people who are different from you

Source: Adapted from M. Javidan, M. Teagarden, and D. Bowen, "Making It Overseas," *Harvard Business Review*, April 2010, pp. 109–113: and J. McGregor (ed.), "Testing Managers' Global IQ," *Bloomberg BusinessWeek*, September 28, 2009, p. 68.

# Terms to Know

- Parochialism
- Ethnocentric attitude
- Polycentric attitude
- Geocentric attitude
- European Union (EU)
- Euro
- North American Free Trade Agreement (NAFTA)
- Association of Southeast Asian Nations (ASEAN)
- World Trade Organization (WTO)
- International Monetary Fund (IMF)

- World Bank Group
- Organization for Economic Cooperation and Development (OECD)
- Multinational corporation (MNC)
- Multidomestic corporation
- Global company
- Transnational or borderless organization
- Global sourcing
- Exporting
- Importing
- Licensing

# Terms to Know (cont)

- Franchising

- Strategic alliance

- Joint venture

- Foreign subsidiary

- Free market economy

- Planned economy

- National culture

- Global Leadership and Organizational Behavior Effectiveness (GLOBE) program

- Cultural intelligence

- Global mind-set

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# Chapter 4: The Diverse Workforce

## LEARNING OUTCOMES

- **Define** workplace diversity and explain why managing it is so important

- **Describe** the changing workplaces in the United States and around the world

- **Explain** the different types of diversity found in workplaces

- **Discuss** the challenges managers face in managing diversity

- **Describe** various workplace diversity management initiatives

# What is Workforce Diversity?

- **Workforce Diversity -** the ways in which people in an organization are different from and similar to one another.

# Exhibit 4-1: Timeline of the Evolution of Workforce Diversity

| | |
|---|---|
| **1960s to 1970s** | **Focus on complying with laws and regulations:**<br>Title VII of Civil Rights Act; Equal Employment Opportunity Commission; affirmative action policies and programs |
| **Early 1980s** | **Focus on assimilating minorities and women into corporate setting:**<br>Corporate programs developed to help improve self-confidence and qualifications of diverse individuals so they can "fit in" |
| **Late 1980s** | **Concept of workforce diversity expanded from compliance to an issue of business survival:**<br>Publication of *Workforce 2000* opened business leaders' eyes about the future composition of workforce—that is, more diverse; first use of term *workforce diversity* |
| **Late 1980s to Late 1990s** | **Focus on fostering sensitivity:**<br>Shift from compliance and focusing only on women and minorities to including everyone; making employees more aware and sensitive to the needs and differences of others |
| **New Millennium** | **Focus on diversity and inclusion for business success:**<br>Workforce diversity seen as core business issue; important to achieve business success, profitability, and growth |

# Levels of Diversity

- **Surface-level diversity-**

  Easily perceived differences that may trigger certain stereotypes, but do not necessarily reflect the ways people think or feel.

- **Deep-level diversity -**

  Differences in values, personality, and work preferences.

# Exhibit 4-2: Benefits of Workforce Diversity

**People Management**

- Better use of employee talent
- Increased quality of team problem-solving efforts
- Ability to attract and retain employees of diverse backgrounds

**Organizational Performance**

- Reduced costs associated with high turnover, absenteeism, and lawsuits
- Enhanced problem-solving ability
- Improved system flexibility

**Strategic**

- Increased understanding of the marketplace, which improves ability to better market to diverse consumers
- Potential to improve sales growth and increase market share
- Potential source of competitive advantage because of improved innovation efforts
- Viewed as moral and ethical; the "right" thing to do

# Race and Ethnicity

- **Race -** the biological heritage (including skin color and associated traits) that people use to identify themselves.

- **Ethnicity -** social traits (such as cultural background or allegiance) that are shared by a human population.

# Exhibit 4-3: Changing Population Makeup of the United States

| | 2005 | 2006 |
|---|---|---|
| Foreign-born | 12% | 19% |
| Racial/Ethnic Groups | | |
| White* | 67% | 47% |
| Hispanic | 14% | 29% |
| Black* | 13% | 13% |
| Asian* | 5% | 9% |

*= Non-Hispanic
American Indian/Alaska Native not included.

# Exhibit 4-4: Global Aging: How Much do You Know?

1. True or False: The world's children under age 5 outnumber people aged 65 and over.
2. The world's older population (65 and older) increased by approximately how many people each month in 2008?
   a. 75,000
   b. 350,000
   c. 600,000
   d. 870,000
3. Which of the world's developing regions has the highest percentage of older people?
   a. Africa
   b. Latin America
   c. The Caribbean
   d. Asia
4. True or False: More than half of the world's older people live in the industrialized nations of Europe, North America, Japan, and Australia.
5. Which country had the world's highest percentage of older people in 2008?
   a. Sweden
   b. Japan
   c. Spain
   d. Italy

# Exhibit 4-4: Global Aging (cont.)

**Answers to quiz:**

1. *True*. Although the world's population is aging, children still outnumber older people as of 2008. Projections indicate, however, that in fewer than 10 years, older people will outnumber children for the first time in history.

2. *d.* The estimated change in the total size of the world's older population between July 2007 and July 2008 was more than 10.4 million people, an average of 870,000 each month.

3. *c.* The Caribbean, with 7.8 percent of all people aged 65 and over in 2008. Numbers for the other regions: Latin America, 6.4 percent; Asia (excluding Japan), 6.2 percent; and Africa, 3.3 percent.

4. *False*. Although industrialized nations have higher percentages of older people than do most developing countries, 62 percent of all people aged 65 and over now live in the developing regions of Africa, Asia, Latin America, the Caribbean, and Oceania.

5. *b.* Japan, with 22 percent of its population aged 65 or over, has supplanted Italy as the world's oldest major country.

# Types of Diversity

- **Age -** Both Title VII of the *Civil Rights Act of 1964* and the *Age Discrimination in Employment Act of 1967* prohibit age discrimination.

- **Gender -** Women (49.8%) and men (50.2%) now each make up almost half of the workforce.

# Challenges in Diversity (cont.)

- **Stereotyping -** judging a person based on a prejudicial perception of a group to which that person belongs.

- **Discrimination -** when someone acts out their prejudicial attitudes toward people who are the targets of their prejudice.

- **Glass Ceiling -** the invisible barrier that separates women and minorities from top management positions.

# Exhibit 4-5: Types of Diversity Found in Workplaces

# Challenges in Managing Diversity

- **Bias -** a tendency or preference toward a particular perspective or ideology.

- **Prejudice -** a pre-conceived belief, opinion, or judgment toward a person or a group of people.

# Types of Diversity

- **Disability/Abilities -** The *Americans With Disabilities Act of 1990* prohibits discrimination against persons with disabilities.

- **Religion -** Title VII of the *Civil Rights Act* prohibits discrimination on the basis of religion.

- **GLBT: Sexual Orientation and Gender Identity -** U.S. federal law does not prohibit discrimination against employees on the basis of sexual orientation.

# Exhibit 4-6: Employers' Fears About Disabled Workers

▶ **FEAR:** *Hiring people with disabilities leads to higher employment costs and lower profit margins*
- **REALITY:** Absentee rates for sick time are virtually equal between employees with and without disabilities; workers' disabilities are not a factor in formulas calculating insurance costs for workers' compensation

▶ **FEAR:** *Workers with disabilities lack job skills and experience necessary to perform as well as their abled counterparts*
- **REALITY:** Commonplace technologies such as the Internet and voice-recognition software have eliminated many of the obstacles for workers with disabilities; many individuals with disabilities have great problem-solving skills from finding creative ways to perform tasks that others may take for granted

▶ **FEAR:** *Uncertainty over how to take potential disciplinary action with a worker with disabilities*
- **REALITY:** A person with a disability for whom workplace accommodations have been provided has the same obligations and rights as far as job performance

▶ **FEAR:** *High costs associated with accommodating disabled employees*
- **REALITY:** Most workers with disabilities require *no* accommodation but for those who do, more than half of the workplace modifications cost $500 or less

# Exhibit 4-7: Forms of Discrimination

| Type of Discrimination | Definition | Examples from Organizations |
|---|---|---|
| **Discriminatory policies or practices** | Actions taken by representatives of the organization that deny equal opportunity to perform or unequal rewards for performance | Older workers may be targeted for layoffs because they are highly paid and have lucrative benefits.[a] |
| **Sexual harassment** | Unwanted sexual advances and other verbal or physical conduct of a sexual nature that create a hostile or offensive work environment | Salespeople at one company went on company-paid visits to strip clubs, brought strippers into the office to celebrate promotions, and fostered pervasive sexual rumors.[b] |
| **Intimidation** | Overt threats or bullying directed at members of specific groups of employees | African American employees at some companies have found nooses hanging over their work stations.[c] |
| **Mockery and insults** | Jokes or negative stereotypes; sometimes the result of jokes taken too far | Arab Americans have been asked at work whether they were carrying bombs or were members of terrorist organizations.[d] |
| **Exclusion** | Exclusion of certain people from job opportunities, social events, discussions, or informal mentoring; can occur unintentionally | Many women in finance claim they are assigned to marginal job roles or are given light workloads that don't lead to promotion.[e] |
| **Incivility** | Disrespectful treatment, including behaving in an aggressive manner, interrupting the person, or ignoring his or her opinions | Female lawyers note that male attorneys frequently cut them off or do not adequately address their comments.[f] |

# Exhibit 4-8: Major Equal Employment Opportunity Laws

| Year | Law or Ruling | Description |
|------|---------------|-------------|
| 1963 | Equal Pay Act | Prohibits pay differences for equal work based on gender |
| 1964 (amended in 1972) | Civil Rights Act, Title VII | Prohibits discrimination based on race, color, religion, national origin, or gender |
| 1967 (amended in 1978) | Age Discrimination in Employment Act | Prohibits discrimination against employees 40 years and older |
| 1978 | Pregnancy Discrimination Act | Prohibits discrimination against women in employment decisions on the basis of pregnancy, childbirth, and related medical decisions |
| 1978 | Mandatory Retirement Act | Prohibits the forced retirement of most employees |
| 1990 | Americans with Disabilities Act | Prohibits discrimination against individuals who have disabilities or chronic illnesses; also requires reasonable accommodations for these individuals |
| 1991 | Civil Rights Act of 1991 | Reaffirms and tightens prohibition of discrimination and gives individuals right to sue for punitive damages |
| 1993 | Family and Medical Leave Act | Gives employees in organizations with 50 or more employees up to 12 weeks of unpaid leave each year for family or medical reasons |
| 2009 | Lilly Ledbetter Fair Pay Act | Changes the statute of limitations on pay discrimination to 180 days from each paycheck |

# Top Management Commitment to Diversity

- **Mentoring -** a process whereby an experienced organizational member (a mentor) provides advice and guidance to a less-experienced member (a protégé).

- **Diversity Skills Training -** specialized training to educate employees about the importance of diversity and to teach them skills for working in a diverse workplace.

# Commitment to Diversity (cont.)

- **Employee Resource Groups -** groups made up of employees connected by some common dimension of diversity.

# Exhibit 4-9: What a Good Mentor Does

- Provides instruction
- Offers advice
- Gives constructive criticism
- Helps build appropriate skills
- Shares technical expertise
- Develops a high-quality, close, and supportive relationship with protégé
- Keeps lines of communication open
- Knows when to "let go" and let the protégé prove what he/she can do

# Terms to Know

- Workforce diversity

- Surface-level diversity

- Deep-level diversity

- Race

- Ethnicity

- Bias

- Prejudice

- Stereotyping

- Discrimination

- Glass ceiling

- Mentoring

- Diversity Skills Training

- Employee resource groups

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# Management

**ELEVENTH EDITION**

Stephen P. **ROBBINS**
Mary **COULTER**

# Chapter 5: Social Responsibility *and* Ethics

## LEARNING OUTCOMES

- **Discuss** what it means to be socially responsible and what factors influence that decision
- **Explain** green management and how organizations can go green
- **Discuss** the factors that lead to ethical and unethical behavior
- **Describe** management's role in encouraging ethical behavior
- **Discuss** current social responsibility and ethics issues

# From Obligation to Responsiveness to Responsibility

- **Social Obligation -** the obligation of a business to meet its economic and legal responsibilities and nothing more.

- **Social Responsiveness -** when a firm engages in social actions in response to some popular social need.

- **Social Responsibility -** a business's intention, beyond its legal and economic obligations, to do the right things and act in ways that are good for society.

# The Classical View

- Management's only social responsibility is to maximize profits (create a financial return) by operating the business in the best interests of the stockholders (owners of the corporation).

- Expending the firm's resources on doing "social good" unjustifiably increases costs that lower profits to the owners and raises prices to consumers.

# The Socioeconomic View

- Management's social responsibility goes beyond making profits to include protecting and improving society's welfare.

- Corporations are not independent entities responsible only to stockholders.

- Firms have a moral responsibility to larger society to become involved in social, legal, and political issues.

- "To do the right thing"

# Exhibit 5-1: Arguments For and Against Social Responsibility

| For | Against |
|---|---|
| **Public expectations** <br> Public opinion now supports businesses pursuing economic and social goals. | **Violation of profit maximization** <br> Business is being socially responsible only when it pursues its economic interests. |
| **Long-run profits** <br> Socially responsible companies tend to have more secure long-run profits. | **Dilution of purpose** <br> Pursuing social goals dilutes business's primary purpose—economic productivity. |
| **Ethical obligation** <br> Businesses should be socially responsible because responsible actions are the right thing to do. | **Costs** <br> Many socially responsible actions do not cover their costs and someone must pay those costs. |
| **Public image** <br> Businesses can create a favorable public image by pursuing social goals. | **Too much power** <br> Businesses have a lot of power already and if they pursue social goals they will have even more. |
| **Better environment** <br> Business involvement can help solve difficult social problems. | **Lack of skills** <br> Business leaders lack the necessary skills to address social issues. |
| **Discouragement of further governmental regulation** <br> By becoming socially responsible, businesses can expect less government regulation. | **Lack of accountability** <br> There are no direct lines of accountability for social actions. |
| **Balance of responsibility and power** <br> Businesses have a lot of power and an equally large amount of responsibility is needed to balance against that power. | |
| **Stockholder interests** <br> Social responsibility will improve a business's stock price in the long run. | |
| **Possession of resources** <br> Businesses have the resources to support public and charitable projects that need assistance. | |
| **Superiority of prevention over cures** <br> Businesses should address social problems before they become serious and costly to correct. | |

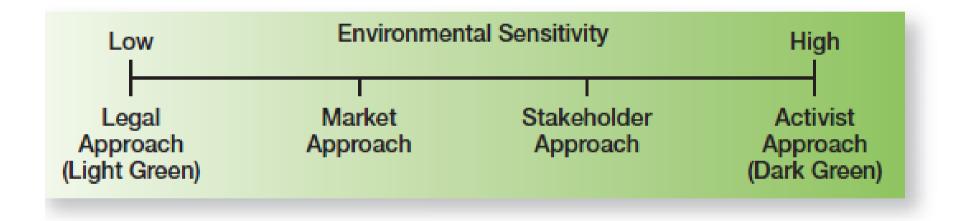# Green Management and Sustainability

- **Social Screening -** applying social criteria (screens) to investment decisions.

- **Green Management -** managers consider the impact of their organization on the natural environment.

# How Organizations Go Green

- **Legal (or Light Green) Approach -** firms simply do what is legally required by obeying laws, rules, and regulations willingly and without legal challenge.

- **Market Approach -** firms respond to the preferences of their customers for environmentally friendly products.

- **Stakeholder Approach -** firms work to meet the environmental demands of multiple stakeholders—employees, suppliers, and the community.

- **Activist Approach -** firms look for ways to respect and preserve the environment and be actively socially responsible.

# Exhibit 5-2: Green Approaches

# Managers and Ethical Behavior

- **Ethics -** principles, values, and beliefs that define right and wrong behavior.

- **Values -** basic convictions about what is right and wrong.

# Personality Variables

- **Ego Strength -** a personality measure of the strength of a person's convictions.

- **Locus of Control -** a personality attribute that measures the degree to which people believe they control their own fate.

# Exhibit 5-3: Factors that Determine Ethical and Unethical Behavior

# Moral Development

- A measure of independence from outside influences

- Levels of Individual Moral Development
  - Preconventional level
  - Conventional level
  - Principled level

- Stage of moral development interact with:
  - Individual characteristics
  - The organization's structural design
  - The organization's culture
  - The intensity of the ethical issue

# Exhibit 5-4: Stages of Moral Development

| Level | Description of Stage |
|---|---|
| **Principled** | 6. Following self-chosen ethical principles even if they violate the law<br>5. Valuing rights of others and upholding absolute values and rights regardless of the majority's opinion |
| **Conventional** | 4. Maintaining conventional order by fulfilling obligations to which you have agreed<br>3. Living up to what is expected by people close to you |
| **Preconventional** | 2. Following rules only when doing so is in your immediate interest<br>1. Sticking to rules to avoid physical punishment |

# Structural Variables

- Organizational characteristics and mechanisms that guide and influence individual ethics

- Examples include:

    – Performance appraisal systems

    – Reward allocation systems

    – Behaviors (ethical) of managers

# Organization's Culture

- **Values-Based Management -** an approach to managing in which managers establish and uphold an organization's shared values.

- The Purposes of Shared Values

  - Guiding managerial decisions
  - Shaping employee behavior
  - Influencing the direction of marketing efforts
  - Building team spirit

- The Bottom Line on Shared Corporate Values

  - An organization's values are reflected in the decisions and actions of its employees

# Issue Intensity

- Characteristics determine issue intensity or how important an ethical issue is to an individual: greatness of harm, consensus of wrong, probability of harm, immediacy of consequences, proximity to victim(s), and concentration of effect.

# Exhibit 5-5: Ethical Intensity

# Ethics in an International Context

- ## Ethical standards are not universal
  - Social and cultural differences determine acceptable behaviors.

- ## Foreign Corrupt Practices Act
  - It is illegal to corrupt a foreign official, yet "token" payments to officials are permissible when doing so is an accepted practice in that country.

# Exhibit 5-6: Ten Principles of the UN Global Compact

**Human Rights**

Principle 1: Support and respect the protection of international human rights within their sphere of influence.

Principle 2: Make sure business corporations are not complicit in human rights abuses.

**Labor Standards**

Principle 3: Freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: The elimination of all forms of forced and compulsory labor.

Principle 5: The effective abolition of child labor.

Principle 6: The elimination of discrimination in respect to employment and occupation.

**Environment**

Principle 7: Support a precautionary approach to environmental challenges.

Principle 8: Undertake initiatives to promote greater environmental responsibility.

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

**Anti-Corruption**

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

# Encouraging Ethical Behavior

1. Hire individuals with high ethical standards.

2. Establish codes of ethics and decision rules.

3. Lead by example.

4. Set realistic job goals and include ethics in performance appraisals.

5. Provide ethics training.

6. Conduct independent social audits.

7. Provide support for individuals facing ethical dilemmas.

# Code of Ethics

- **Code of Ethics -** a formal statement of an organization's primary values and the ethical rules it expects its employees to follow.

# Exhibit 5-7: Code of Ethics

## Cluster 1. Be a Dependable Organizational Citizen

1. Comply with safety, health, and security regulations
2. Demonstrate courtesy, respect, honesty, and fairnes
3. Illegal drugs and alcohol at work are prohibited.
4. Manage personal finances well.
5. Exhibit good attendance and punctuality.
6. Follow directives of supervisors.
7. Do not use abusive language.
8. Dress in business attire.
9. Firearms at work are prohibited.

# Exhibit 5-7: Code of Ethics (cont.)

**Cluster 2. Do Not Do Anything Unlawful or Improper That Will Harm the Organization**

1. Conduct business in compliance with all laws.
2. Payments for unlawful purposes are prohibited.
3. Bribes are prohibited.
4. Avoid outside activities that impair duties.
5. Maintain confidentiality of records.
6. Comply with all antitrust and trade regulations.
7. Comply with all accounting rules and controls.
8. Do not use company property for personal benefit.
9. Employees are personally accountable for company funds.
10. Do not propagate false or misleading information.
11. Make decisions without regard for personal gain.

**Cluster 3. Be Good to Customers**

1. Convey true claims in product advertisements.
2. Perform assigned duties to the best of your ability.
3. Provide products and services of the highest quality.

# The Value of Ethics Training

- Can make a difference in ethical behaviors

- Increases employee awareness of ethical issues in business decisions

- Clarifies and reinforces the organization's standards of conduct

- Helps employees become more confident that they will have the organization's support when taking unpopular but ethically correct stances

# Exhibit 5-8: A Process for Addressing Ethical Dilemmas

Step 1: What is the **ethical dilemma**?

Step 2: Who are the **affected stakeholders**?

Step 3: What **personal**, **organizational**, and **external factors** are important in this decision?

Step 4: What are possible **alternatives**?

Step 5: What is my **decision** and how will I act on it?

# Promoting Positive Social Change

- **Whistle-Blower -** individuals who raise ethical concerns or issues to others.

- **Social Entrepreneur -** an individual or organization who seeks out opportunities to improve society by using practical, innovative, and sustainable approaches.

# Exhibit 5-9: Becoming an Ethical Leader

- Be a good role model by being ethical and honest.
    - Tell the truth always.
    - Don't hide or manipulate information.
    - Be willing to admit your failures.
- Share your personal values by regularly communicating them to employees.
- Stress the organization's or team's important shared values.
- Use the reward system to hold everyone accountable to the values.

# Terms to Know

- Social obligation
- Classical view
- Socioeconomic view
- Social responsiveness
- Social responsibility
- Social screening
- Green management
- Ethics

- Values
- Ego strength
- Locus of control
- Values-based management
- Code of ethics
- Whistle-blower
- Social entrepreneur