Chapter Review

Developments in Management Theory

Objectives...

1 recall the classical approach to management

2 identify what is meant by the bureaucratic form of organization

3 explain the fundamental idea behind the human relations approach to management

4 discuss the application of systems theory to business

5 discuss modern approaches to management in terms of effectiveness and efficiency

Key Terms

Bureaucracy	Describes a form of business administration based on formal rational rules and procedures designed to govern work practices and organization activities through a hierarchical system of authority (See Standardization, Centralisation, Formalisation, Specialisation).
Classical approach to management	The organisation is thought of in terms of its purpose and formal structure and this approach aims to identify how methods of working can improve productivity. Emphasis is placed on the planning of work, the technical requirements of the organisation, principles of management and the assumption of rational and logical behaviour.
Systems theory	the study of the behaviour and interactions within and between systems

17. The task of management is carried out in the context of an organisation. Over the past century or so the development of coherent theories to explain organisational performance has moved away from approaches that relied purely on a consideration of structural or human relations issues, in favour of more comprehensive perspectives. Early ideas about management were put forward at a time when organisations were thought of as machines requiring efficient systems to enable them to function effectively. The emphasis, therefore, was on the efficient use of resources, especially human resources, in the service of a mechanistic model of organisations. Later theorists modified this approach by taking account of social and environmental as well as technical factors in the workplace. Their emphasis was as much on employee satisfaction as on organisational effectiveness. Modern approaches to the analysis of organisational effectiveness do not necessarily rule out the ideas put forward by earlier theorists, but emphasise that they must be evaluated in the context of an organisation's overriding need for flexibility in responding to change in its external and internal environment, in order to meet the competing demands of all its various stakeholders – customers, suppliers, employees and shareholders etc.

Definitions of Management

1 explain what is meant by the terms "Management" and "Organization"

Key Terms

Management	Coordinated activities (forecasting, planning, deciding, organising, commanding) to direct and control an organization
Organization	A group of people with a common purpose who work together to achieve shared goals (see formal organization and informal organization)

25. In this chapter we explained what is meant by 'management' and 'organisation'. There is no generally accepted definition of 'management' but we consider it to be coordinated activities (forecasting, planning, deciding, organising, commanding) to direct and control an organization. We distinguished the concept of 'management' from that of 'administration', recognising that the term 'management' has been understood as encompassing much more than 'administration', which has tended to embrace the narrower process of developing and maintaining procedures, e.g. as in office administration. That is to say 'administration' is seen primarily as an aspect of organising. 'Management', by comparison, is also concerned with planning, controlling and motivating staff. Similarly there is no widely-accepted definition of an organisation. Nevertheless, there are some commonly-accepted features of organisations such as purpose, people and structure. An organisation, is a group of people with a common purpose who work together to achieve shared goals. The collection of work groups that has been consciously designed by management to maximize efficiency and achieve organizational goals is referred to as the formal organization.

Objectives...

1 Identify the general principles of management defined by classical theorists
2 Evaluate the principles of Scientific Management
3 Evaluate Urwick's principles of management

Key Terms

Management, principles of
14 elements of what being a manager involved, developed by Fayol .

Scientific management
a school of classical management theory, dating from the early twentieth century, based on the application of work study techniques to the design and organization of work in order to maximize output - increased productivity (to find the 'one best way' of performing each task); it is a form of job design theory and practice which stresses short, repetitive work cycles; detailed, prescribed task sequences; a separation of task conception from task execution; and motivation based on economic rewards (see also Taylorism, after Frederick Taylor who was influential in founding its principles).

Span of control
A measure of the number of employees who report to one supervisor or manager

Specialization
The degree to which an organization's activities are divided into specialist roles

43. This chapter considered early thoughts and important ideas on management - coordinated activities (forecasting, planning, deciding, organising, commanding) to direct and control an organization - and the search for universally applicable principles of management; 14 elements of what being a manager involved, developed by Fayol. Several of these principles are considered later in the book. For example authority is considered in chapter 4. Next, we considered Taylor's ideas concerning 'scientific management' considered later in chapter 21.This is a school of classical management theory, dating from the early twentieth century, based on the application of workstudy techniques to the design and organization of work in order to maximize output - increased productivity (to find the 'one best way' of performing each task); it is a form of job design theory and practice which stresses a separation of task conception from task execution and motivation based on economic rewards (see also Taylorism). We introduced McGregor's Theory X and Theory Y considered later in chapter 5, theory Z considered in chapter 6. We also introduced the terms mechanistic system and specialization, considered later in chapter 10. Finally, the chapter ended with summaries of the ideas of two latter-day scientific managers, Urwick and Brech, who developed many of the ideas of Fayol and Taylor in the period following the Second World War.

Chapter Review

4

Max Weber and the Idea of Bureaucracy

Objectives...

1 Describe and discuss the bureaucratic form of organization

2 List and describe three types of legitimate authority

3 Distinguish power from the concept of authority

4 List the main features of bureaucracy

5 Evaluate bureaucracy commenting on side-effects and dysfunctions

Key Terms

Authority	the right to make particular decisions and to exercise control over resources
Bureaucracy	Describes a form of business administration based on formal rational rules and procedures designed to govern work practices and organization activities through a hierarchical system of authority (See Standardization, Centralisation, Formalisation, Specialisation).
Power	the ability of individuals or groups to persuade, induce or coerce others into following certain courses of action

15. It is important to recognise that organizations do not simply decide to be bureaucratic or not – all large organizations are bureaucratic to some degree. The question is – how much? Bureaucracy describes a form of business administration based on formal rational rules and procedures designed to govern work practices and organization activities through a hierarchical system of authority (See Standardization, Centralisation, Formalisation, and Specialisation). It emphasises efficiency. In the next chapter we will consider employee motivation (also a factor of productivity (efficiency) and effectiveness). In doing so, we will consider bureaucracy and its impact on motivation. We will also revisit a number of related concepts such as power and authority (such concepts also feature in chapters 7, 22 and 23).

Objectives...

1 explain what is meant by the term motivation (in the work place)

2 compare the work of several prominent social scientists on motivation at work

Key Terms

Content theories of motivation	These theories attempt to explain those specific things which actually motivate the individual at work and are concerned with identifying people's needs, the strength of those needs and the goals they pursue in order to satisfy those needs
Hierarchy of Needs	a theory of motivation developed by Maslow which states that people's behaviour is determined by their desire to satisfy a progression of physiological, social and psychological needs
Motivation	A driving force that encourages an individual to behave in particular ways as they seek to achieve a goal

49. The word "motivation" is often used to describe certain sorts of behaviour. This (and the next) chapter is mainly concerned with the basic management and leadership problem of how we motivate or persuade others to do what we want them to do. Since it is part of a manager's job to get work done through others, managers need to understand why people do things (that is, what motivates them) so they can influence others to work towards the goals of the organisation. The chapter began with an explanation of the basic concept of motivation, and was followed by a summary of different models of motivation; we provided an account of the Hawthorne Studies and continued with an outline of the work of a number of American social scientists, namely Follett, Maslow, McGregor, Herzberg, Likert, Argyris and McClelland.

Motivation- Later Theorists

Objectives...

1 explain the process theory of motivation

2 recall the expectancy theory of motivation

3 recall the equity theory of motivation

4 recall the goal theory of motivation

5 discuss theory Z and its application to Western organizations

6 discuss how attribution theory may help managers to motivate their employees

Key Terms

Attribution theory	The way in which individuals make sense of other people's behaviour through attributing characteristics to them by judging their behaviour and intentions on past knowledge and in comparison with other people they know.
Equity theory	A theory of motivation which focuses on people's feelings of how fairly they have been treated in comparison with the treatment received by others.
Expectancy theory	a process theory which argues that individual motivation depends on the valence of outcomes, the expectancy that effort will lead to good performance, and the instrumentality of performance in producing valued outcomes.
Goal theory	A theory of motivation that is based on the premise that people's goals or intentions play an important part in determining behaviour. Goals guide people's responses and actions and direct work behaviour and performance, leading to certain consequences or feedback.
Reinforcement	The encouragement of particular behaviours through the application of positive and/or negative rewards
Theory z	The management style (characteristic of many Japanese companies) that combines various aspects of scientific management and behaviouralism; the characteristics include long-term employment, development of company-specific skills, participative and collective decision-making and a broad concern for the welfare of workers

24. In this and the previous chapter we have considered the problem of how we motivate or persuade others (employees etc) to do what we want them to do. Motivation theories are important to managers and others seeking to be effective leaders. Whilst there is no all-encompassing explanation, the aforementioned theories (alongside those outlined in the previous chapter) are helpful in understanding motivation. Expectancy theory attempts to explain behaviour in terms of an individual's goals and choices and the expectation of achieving the objectives. In short, this theory suggests that employee motivation depends upon whether the employee wants the reward on offer for doing a good job and whether they believe more effort will lead to that reward. Therefore, in order to motivate people we must show them something desirable, indicate how straightforward it is to obtain it, and then support their self-belief that they can complete the task and achieve the reward. Equity Theory is a process theory of motivation which argues that the perception of unfairness in an organizational setting leads to tension, which drives the individual to act to resolve that unfairness. The theory proposes that individuals who perceive themselves as either under-rewarded or over-rewarded will experience distress, and that this distress leads to efforts to restore equity within the relationship. People are motivated by what they consider a fair/equitable return for their efforts. Inequity is uncomfortable and tends to generate behaviour aimed at restoring equity, such as altering inputs (e.g. effort) or outcomes or cognitively distorting them, leaving the organization, attempting to distort the other person's perceptions of inputs or outcomes, or changing the person used as a point of comparison. Goal setting is a powerful way of motivating people. Goal-setting theory states that goals can be a major motivational source at work. Goals, when accepted, lead to higher performance levels. We also discussed attribution theory, noting the importance of perception to many theories of motivation. We considered reinforcement theory and finished with a brief review of theory Z. For Ouchi, Theory Z focused on increasing employee loyalty to the company by providing a job for life with a strong focus on the well-being of the employee. According to Ouchi, Theory Z management tends to endorse stable employment, high productivity, and high employee morale and satisfaction.

Chapter Review

Leadership- Theory and Practice

Objectives...

1 review the main theories of leadership
2 discuss alternative styles of leadership
3 compare various types of leader
4 contrast the leader and manager roles

Key Terms

Appointed Leader	A leader who influences others by virtue of their position
Charismatic leadership	The ability to exercise leadership through the power of the leader's personality.
Contingency theory of leadership	a view which argues that leaders must alter their style in a manner consistent with aspects of the context
Functional Leader	A person who leads by action rather than by position
Leadership	the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives
power	the ability of individuals or groups to persuade, induce or coerce others into following certain courses of action
Situational leadership	an approach to determining the most effective style of influencing
Traits approach to leadership	assumes leaders are born and not made. Leadership consists of certain inherited characteristics, or personality traits, which distinguish leaders from followers. Attention is focused on the person in the job and not the job itself

19. Organizational leadership is the ability of an individual to influence, motivate, and enable others to contribute toward the effectiveness and success of the organizations of which they are members.

A comparison between the various leadership theories is shown in Figure 7.6, which concludes this chapter. Leadership appears to be a critical determinant of organisational effectiveness – much of leadership is about Influencing the behaviour of others. To be a successful leader, managers are likely to need a variety of cognitive (memory of detail and analytical ability), interpersonal (persuasive/good communicators) and technical skills. The function of the leader is to ensure the organisation does the right thing (effectiveness) whilst that of the manager is to ensure things are done right (efficiency); the leader is concerned with establishing direction, the vision and organisational goals and influencing followers to obtain commitment. Consequently, the leader must be a good communicator and able to influence others-motivating and inspiring.

[Insert Figure 7.6 here] Figure 7.6 Summary of leadership theories

Leadership behaviours tend to be grouped into those focussing on work (task oriented behaviour) and those considering the follower. Consideration behaviours are based on relationship building (relations-oriented behaviour), supporting, developing, recognising and helping others. Specific task behaviours include planning work activities, clarifying roles and objectives and monitoring operations and performance - how things get done. The two key orientations (task and relationship building) reflect a concern for people and a concern for production, both of which are important for effective leadership. Subsequent research added a third orientation, behavioural set, based on approaches to change. Power describes the ability to influence others, to get them to do things. In some cases the leader may influence subordinate or follower attitudes and in other cases their behaviour. Scholars have identified several types of power: reward, coercive, referent (Charisma), legitimate (position power), expert, informational, affiliation and group. The type of behaviour used intentionally to influence the attitudes and behaviour of another person is usually called an influence tactic.

Participative leadership involves effort by a leader to encourage and facilitate participation by others in making important decisions. Participative leadership, delegation and empowerment are concepts linking the power and behaviour approaches to leadership.

Chapter Review

Groups and Group Behaviour

Objectives...

1 identify Tuckman's five stages of group development

2 identify categories of group behaviour

3 list characteristics of effective teamwork

4 discuss Belbin's eight team roles

Key Terms

group An association of two or more individuals who have a shared sense of identity and who interact with each other in structured ways on the basis of a common set of expectations about each other's behavior

Team Implies a small, cohesive group that works effectively as a single unit through being focused on a common task.

In this chapter we recognised the important role of groups in helping organizations attain their goals but argued that not all groups are effective; they need to work at developing cooperative structures. Stages of development, group structures and dynamics were considered alongside tools to classify certain types of group behaviour and the roles group members may adopt. Aside from considering within group issues we also considered the challenges associated with inter-group working. We closed with a discussion about teams, recognising there to be many types of team. More recently, as a result of social and technological forces, organizations have given increased attention and made greater use of virtual and multicultural teams.

Organisations as Systems

1 review the role of systems theory in understanding organizations

2 list the main characteristics of open systems

3 explain what a cybernetic system is

4 identify the key variables considered in the systems approach to organizations

5 list four types of environment

6 discuss the five sub-systems at work in organizations

Key Terms

Socio-technical system	A sub-division of the systems approach which is concerned with the interactions between the psychological and social factors and the needs, demands of the human part of organisation and its structural and technological requirements.
System	a set of elements connected together which form a whole, thereby possessing properties of the whole rather than of its component parts
Systems approach	A management approach which is focused on the total work of the organisation and the interrelationships of structure and behaviour and the range of variables within the organisation. The organisation is viewed within its total environment and emphasises the importance of multiple channels in interaction.
Systems thinking	a holistic approach to analysis that focuses on the way a system's constituent parts interrelate and how systems work over time and within the context of larger systems

29. In this chapter we have described the evolution of management and organization theory. Whereas the classical approach may be criticised for almost viewing organizations without any regard for their people and the human relations approach emphasised people without organizations (and neither particularly considered organizations in turbulent environments), the systems approach takes a holistic perspective, encouraging managers to view organizations both as a whole and as part of a larger environment (open system). The approach considers the interdependency of organization parts, changes in one part – technical or social – will affect other parts, a matter we build upon in the next chapter. The concept of socio-technical systems arose from the work of scholars at the Tavistock Institute – they first developed the concept of the organization as a system. The systems approach and systems thinking has formed the backbone of organizational analysis and can be applied to organizational design problems, strategy, change management, information systems and was later adapted in the concept of the learning organization.

Contingency Approaches to Management

1 discuss what is meant by the contingency approach to management

2 contrast mechanistic and organic systems

3 distinguish six primary variables of structure

4 explain the congruence model of organisational behaviour based on the system paradigm

5 evaluate the contribution of systems theory to theories of management and organization

Key Terms

contingency approach	An extension of the systems approach that implies organisational variables (e.g. strategy, structure, and systems) and its success or performance is dependent upon environmental influences (forces). There is, therefore, no one best way to structure or manage organisations; rather it must be dependent upon the contingencies of the situation.
Differentiation	the degree to which the tasks and the work of individuals, groups and units are divided up within an organization
Integration	The required level to which units in an organization are linked together, and their respective degree of independence (Integrative mechanisms include rules and procedures and direct managerial control)
mechanistic system	A rigid system of management practice and structure which is characterised by a clear hierarchical structure, specialisation of task, defined duties and responsibilities and knowledge centred at the top of the hierarchy.
Organic system	A fluid and flexible system of management practice and structure which is characterised by the adjustment and continual redefinition of tasks, a network structure of control, authority and communication and where superior knowledge does not necessarily coincide with positional authority.
situational approach	A viewpoint that emphasizes the importance of the environmental situation in determining (organization) behaviour

[Insert Figure 10.2 the principal systems and contingency approaches to organisation and management theory here]

32. In summary the contingency approach is an extension of the systems approach that implies organisational variables (e.g. strategy, structure, and systems) and its success or performance is dependent upon environmental influences (forces). There is, therefore, no one best way to structure or manage organisations; rather it must be dependent upon the contingencies of the situation (see also environmental determinism). The table (Figure 10.2) summarises the principal systems and contingency approaches to organisation and management theory. The dates refer to the first publication of the relevant theory or research report. The general model implicit in contingency theory is shown in figure 10.3.

[Insert Figure 10.3 General model of contingency theory here]

33. Whilst the classical theorists argued for universal principles of administration, the simple idea behind Contingency theory is that organization structure should be dependent upon the organization context i.e. it should be regarded as a contingent variable. Organization theory is not therefore about one-best-way to manage but to guide managers through insights that enable the formulation of responses enabling their organizations to fit their specific internal and external context. The contingency approach emphasises the need for flexibility. Later theorists (see Child in particular) developed the view that an organization's environment, market and technology is the result of senior management decisions (strategic choice).

Modern Approaches to Management

Objectives...

1 explain how management theory has evolved

2 identify and discuss the key management issues of the first decade of the 21st century

3 list the main contributors to management theory over the past 25 years

4 compare traditional with contemporary management approaches

Key Terms

learning organization	An organization skilled at creating, acquiring, and transferring knowledge, and at modifying its behaviour to reflect new knowledge and insights
Postmodernism	A more recent view of organisations and management that rejects a rational, systems approach and accepted explanations of society and behaviour. Postmodernism places greater emphasis on the use of language and attempts to portray a particular set of assumptions or versions of the 'truth'.

[Insert Figure 11.2 Evolution of Management Theory here]

12. Management is complex. Throughout this part of the book we have tried to arrange and organise the major (popular) approaches to management, successful throughout the 20th century, see Figure 11.2 Evolution of Management Theory. We have presented an overview of the ideas, theories and management philosophies that have contributed to making the workplace what it is today. The principles provide a foundation and framework for us to explore the practice of management and analyse organisations. In this chapter, we have considered more recent trends and approaches and built on our management understanding. Since no one management approach provides universally applicable principles of management, today's manager must take those ideas, from the different approaches, which best suit the particular requirements of their culture, organisation and their job. In some cases the classical theories and principles along with systems theory and contingency approaches may be adopted whilst in other cases ideas from the human relations movement may be of more value. The different approaches are not generally in competition with each other and in many cases we can trace a progression of ideas, each building upon or complementing the other; all of the approaches discussed in this part of the book contribute to the blend that defines contemporary management. We should also recognise, particularly in complex and ever changing contexts, that many view management as much of an art as science. There are many aspects to management and we will attempt to illuminate some of the more important ones over the following chapters of this book.

Chapter Review 12

Business Organisations and Corporate Governance

Objectives...

1 compare and contrast the most common types of business organisation

2 discuss the responsibilities of a company director

3 identify the basic principles of good governance

4 discuss the risk management process and its contribution to corporate governance

5 discuss what is meant by the theory of the firm and contrast it with the triple bottom line

Key Terms

Corporate governance	the system used to control and direct a company's operations
enterprise risk management	A framework of methods and processes used by organizations to manage their risks and take opportunities related to the attainment of their objectives
Limited company	a corporation with shareholders whose liability is limited by shares
Partnership	When you go into business with someone else (more commonly associated with professional services such as accountants, solicitors and doctors)
public limited company (plc)	a limited company whose shares may be purchased by the public and traded freely on the open market and whose share capital is not less than a statutory minimum (for the UK -a company registered under the Companies Act (1980) as a public company)
Sole trader	a type of business entity which legally has no separate existence from its owner (the limitations of liability benefited from by a corporation, and limited liability partnerships, do not apply to sole traders) - the simplest form of business

26. In part one we explored management and organisational theory, discussing how organisations should be managed. Whilst in chapter 2 we stated, in broad terms, what is meant by the term 'organisation' , we did not explore types of organisation in practice. That was the focus of this chapter. Different types of company can exist in law and each have different advantages and disadvantages and rules within which they must comply. In this chapter we explored the main types of organisation (limited companies, sole traders, partnerships and cooperatives) and how they come into existence. We recognised that in some cases the owners and investors may not be employed by the company, typically in public limited companies. In such situations there is a need for mechanisms to ensure that the board, directors, managers and employees act in the best interests of the shareholders. We introduced the concept of corporate governance, explicit 'rules' and principles to guide the management of such companies by their directors. One key aspect of managing a company on behalf of shareholders is the management of risk - to assure assets are safeguarded and organisational goals attained. We highlighted the importance of risk management and introduced several risk standards and a generic risk management process. Finally, we recognised the importance of understanding company goals and introduced the theory of the firm and the triple bottom line.

1 explain what is meant by organization culture

2 discuss types of culture

3 differentiate several dimensions of organization culture

4 list factors that may be a source or manifestation of organization culture

5 Discuss culture change

Key Terms

Corporate culture	Defined by Bower (1966) as 'the way we do things around here'. Trice and Beyer (1984) elaborated this as: 'the system of ... publicly and collectively accepted meanings operating for a given group at a given time'. Hofstede (1994) describes corporate culture as 'the psychological assets of an organization, which can be used to predict what will happen to its financial assets in five years time'. See also 'Culture'.
Culture	Shared ways of thinking and behaving (Uniformity)
Organisational (corporate) culture	A set of values, beliefs, goals, norms and rituals that members of an organisation share

25. In this chapter we introduced and defined culture, noting it to have many functions but also arguing that it can be dysfunctional, ultimately impacting upon organizational performance. It is a very important but imprecise concept as it exists in many levels and is diffused throughout the organization. Culture is always about groups and the way they behave; in some cases we might also consider the way they think and their assumptions about the problems they face. Culture can be strong or weak and this is a measure of how similar thinking and behaviour is within the group. We noted that strong culture may be more appropriate in stable or predictable environments where efficiency is emphasised but that weak cultures may encourage the creativity and constant challenging attitude of employees needed to question their goals and ways of achieving them. Cultural differences encourage a contingency approach to management and cultural changes should reflect environmental changes. Culture change is difficult and incremental and relies heavily on organizational leaders.

Objectives...

1 discuss attitudes to the role of women at work

2 identify how women may be discriminated against in the workplace

3 distinguish gender based role differences in the workplace

4 discuss the organisation consequences of discriminatory behaviours

5 explain, with reference to social identity theory, stereotyping, generalising, perception and attribution theory why some employees may be treated differently from others

Key Terms

Diversity	All the ways in which we differ
Gender discrimination	Many countries, including all members of the EU, have sex discrimination and equal pay legislation. However, informal psychological and organizational barriers continue to bar the progress of women. The processes of occupational segregation and sex-typing of jobs continue so that women tend to be concentrated at the base of most organizational hierarchies in jobs which are less prestigious and lower paid than those favoured by men.
Glass Ceiling	Expression used to denote a subtle barrier to women's promotion to senior posts in an organisation, and usually implying that it is kept in place by men's innate prejudice against women in senior management positions.
sex discrimination	Discriminatory or disparate treatment of an individual because of his or her sex

16. In this chapter we considered the importance of treating employees fairly, focusing on sex discrimination in particular. We explained causes of the discriminatory behaviour with a reference to SIT, perception, stereotyping and other cognitive processes. Such theories help explain why minorities in the workplace (e.g. women) may operate under a glass ceiling which details their career progression and opportunities. Ideas at the strategic and tactical level were suggested to help organisations overcome such problems and embrace diversity. Ultimately, however, the problems highlighted are seen as cultural problems. As was noted in the previous chapter, culture change is far from simple and can take many years to accomplish.

Chapter Review

15

The International Context of Management

Objectives...

1 distinguish between types of international organization

2 explain what is meant by globalization

3 distinguish differences between the domestic and global business environment

4 examine the impact of national culture on aspects of business and management

Key Terms

Global	A form of international organizational design where foreign subsidiaries are modelled on the parent companies' domestic approach (replication) – standardization and centralisation are emphasised in order to achieve integration
Globalisation	growth and integration to a global or worldwide scale
International organization	any organization that engages in international trade, investment or offers products or services outside their home country
Internationalisation	the gradual process of taking organizational activities into other countries
Multinational	The multinational (multidomestic) is a collection of national companies that manage their businesses with minimal direction from headquarters – decentralisation is emphasised to achieve differentiation and a local response

In this chapter we have described, and presented frameworks (PESTLE etc) to analyse, the external (international) environment and commented on the concept of globalisation. We presented arguments suggesting why domestic companies may internationalise and described this as a process. The international context is relevant to both domestic and international organizations. Building on systems theory we introduced the value chain as a framework to analyse organizations but also explored the concept of value chain fragmentation where organizations may 'separate' activities and then locate them around the world. The extent of internationalisation and the way organizations see the world can be used to categorise companies – as domestic, domestic with an export department, global, multidomestic and transnational. Whatever the company type, globalisation means that the internal workforce is likely to be diverse and employees are likely to come into contact with customers, suppliers, partners, and subsidiary employees etc who are different. We therefore discussed practical implications of intercultural encounters and the need for organizations to get these right. Finally, we recognised that management styles are not universal and practices may need to be adapted when working in other countries.

Chapter Review 16

Strategic Aspects of Management

Objectives...

1 review the significance of the external and internal environment for strategy formulation
2 explain what (corporate and business) strategy is and how it is formed
3 identify the generic corporate and business strategies
4 discuss theories of strategy formulation

Key Terms

Business Strategy	describes ho wthe organization competes within an industry or market
Capabilities	what the organization can do
Competitive advantage	used interchangeably with "distinctive competence" to mean relative superiority in skills and resources
Competitive strategy	Competitive strategy is concerned with the basis on which a business unit might achieve competitive advantage in its market
resource-based view of strategy	The resource-based view of strategy: the competitive advantage of an organisation is explained by the distinctiveness of its capabilities
Strategic Management Process	a sequential set of analy-ses that can increase the likelihood of a firm's choosing a strategy that generates competitive advantages
Strategy	Strategy is the direction and scope of an organisation over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations.
Sustained Competitive Advantage	a competitive advan-tage that lasts for a long period of time; an advantage that is not competed away through strategic imitation
VRIO Framework	four questions that must be asked about a resource or capability to determine its competitive potential: the questions of value, rarity, imitability, and organization

35. Strategy is often defined as the match between what a company can do (organizational strengths and weaknesses) within the universe of what it might do (environmental opportunities and threats). Much of strategy focuses on competing and advantage. As was noted, dominant theories about the sources of competitive advantage cluster around the internal or external environment. The dominant paradigm in the 1980s was the competitive forces approach, developed by Porter, which focussed on the external environment. The key aspect of the firm's environment is the industry or industries within which it competes. Industry structure strongly influences the competitive rules of the game as well as the strategies available to firms. In the competitive forces model, five industry- level forces—entry barriers, threat of substitution, bargaining power of buyers and suppliers, and rivalry amongst industry incumbents—determine the inherent profit potential of an industry. The approach can be used to help the firm find a position in an industry from which it can best defend itself against competitive forces or influence them in its favour. Such an approach is often referred to as a model of strategy emphasizing the exploitation of market power. Later, the 'resource-based perspective,' was proposed, with an internal focus, emphasizing firm specific-capabilities as the fundamental determinants of organizational performance. This perspective represents a strategy model emphasizing efficiency. The resource-based (RBV) approach sees organizations with superior systems and structures being profitable not because they engage in strategic investments that may deter entry and raise prices above long- run costs, but because they have markedly lower costs, or offer markedly higher quality or product performance. Organizations which are able to accumulate resources and capabilities that are rare, valuable, nonsubstitutable, and difficult to imitate will achieve a competitive advantage.

36. The different approaches to strategy and the attainment of superior and sustainable organizational performance discussed thus far, view differently the sources of wealth creation and the essence of the strategic problem faced by organizations. The competitive forces framework sees the strategic problem in terms of industry structure, entry deterrence, and positioning. Resource-based perspectives have focused on the exploitation of firm-specific assets. Each approach asks different, often complementary questions. The approaches discussed are generally considered to be complementary and practitioners must work out which frameworks are appropriate for the problem in hand. Mindless devotion to one approach to the neglect of all others is likely to generate strategic blindspots. Winners in the global marketplace are organizations who can demonstrate timely responsiveness and rapid and flexible product innovation, coupled with the management capability to coordinate and redeploy internal and external competences effectively.

Objectives...

1 discuss the role of corporate objectives in strategy and management planning

2 review the role of policy in strategy implementation

3 identify and discuss the application of ethics to managerial decision making and business conduct

4 explain what is meant by corporate social responsibility and the reasons organizations pursue CSR strategies

5 appraise how organizations create business plans

6 apply the SWOT framework to support strategy

Key Terms

Business ethics	the accepted principles (beliefs and values) of right or wrong governing the conduct of business people
Business model	the organization's essential logic for consistently achieving its principle objectives- explains how it consistently makes money, highlights the distinctive activities and approaches that enable the firm to succeed—to attract customers and deliver products and services profitably
Business Plan	a document that summarizes how an entrepreneur will organize a firm to exploit an opportunity, along with the economic implications of exploiting that opportunity
Corporate social responsibility	a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on all stakeholders, including the environment
Objectives	Objectives are statements of specific outcomes that are to be achieved
Policy	A guiding principle designed to influence decisions, actions, etc
SWOT analysis	summarises the key issues from the business environment and the strategic capability of an organisation both of which are most likely to impact upon strategy development

30. Business planning at the corporate/strategic level is a continuing process by which the long-term objectives of an organisation may be formulated, and subsequently attained, by means of long-term strategic actions designed to make their impact on the organisation as a whole. Corporate planning also involves deciding the policies, or code of conduct, of the organisation in pursuit of its objectives. Thus business aims and ethical considerations are brought together. The typical planning process adopts a contingency perspective and is based upon analysis of the environment. However, the process is not entirely mechanical and rational/ economic and there is plenty of scope for choices to be made that are influenced by the values and beliefs of managers and other stakeholders.

Chapter Review

Performance Standards in Management

Objectives...

1 appraise the role of performance management systems and processes in putting strategy into action

2 explain management by objectives (MBO)

3 review the role of performance standards in the planning process

Key Terms

core competence	those capabilities fundamental to the organization's strategy and perfromance
Management by Objectives	An approach to management which aims to integrate the organisation's objectives with those of individuals; it involves the reduction of overall objectives into unit and individual objectives; in the UK the approach is associated with John Humble. (See also Key Result Area.)
Performance Management	Any system for improving management effectiveness by means of standard-setting, appraisal and evaluation; combines informal day-to-day aspects with formal appraisal interviews and goal-setting.
Performance standard	An expected level of performance against which actual performance can be compared

19. This chapter builds on the previous chapter concerning corporate and strategic planning. In this chapter we highlighted mechanisms to ensure that strategy cascades down the organisation and leads to action. In particular we focussed on the performance management system as a tool to align every manager and employee with the organization's goals thus ensuring effective and efficient behaviours and ultimately helping to assure that organizational goals are attained.

Objectives...

1 examine how decisions may be made within organizations

2 list the main types of decision made within organizations

3 name three decision making tools

Key Terms

Classical decision theory	a theory which assumes that decision-makers are objective, have complete information and consider all possible alternatives and their consequences before selecting the optimal solution.
decision	commitment of resources
Decision making	the process of making choices from among several options

12. Decision making is a very important aspect of management. There are many types of decision and many ways of making decisions. The scientific school makes used of the rational decision making process, supported by a range of technologies to improve the quality and speed of decision making. However, such an approach has limitations as the decision may be constrained through a lack of time, information or the abilities of decision makers. Furthermore, decisions may be coloured by decision maker values and politics. Whilst scientific management has more to offer when making structured and repetitive decisions, managerial judgement is more preferable for strategic decisions made in the face of considerable uncertainty. Consequently we may view decision making as much about management as an art as well as a science.

Objectives...

1 explain what is meant by HRM

2 discuss the purpose and methods of HR Planning

3 assess why human resource planning is essentially a corporate activity

Key Terms

Employee resourcing

Resourcing is the process by which people are identified and allocated to perform necessary work. Resourcing has two strategic imperatives: first, minimizing employee costs and maximizing employee value to the organization; secondly, obtaining the correct behavioural mix of attitude and commitment in the workforce

Human resource management

A philosophy of people management based on the belief that human resources are uniquely important to sustained business success. An organization gains competitive advantage by using its people effectively, drawing on their expertise and ingenuity to meet clearly defined objectives. HRM is aimed at recruiting capable, flexible and committed people, managing and rewarding their performance and developing key competencies. See also 'Hard HRM', 'Soft HRM'.

Human resource planning (HRP)

A process which anticipates and maps out the consequences of business strategy on an organization's human resource requirements. This is reflected in planning of skill and competence needs as well as total headcounts.

Human resource strategy

Overall plan for staffing, developing and rewarding employees and outsourced human resources tied to business objectives.

18. Human Resource is viewed as strategically important due to attributes which are difficult to imitate thus ensuring any derived competitive advantage is sustainable. As companies move into the war for talent and as individuals with specialized knowledge, skills and expertise are recognized as the scarce strategic resource, HR professionals must become key players in the design, development and delivery of a company's strategy. The HRM role can be both strategic and operational. It is strategic in that the continued availability of human capital must be assured in order for the strategy to be met. However, it must also be operational via the administration of certain HR practices such as resourcing, training and development and performance management (see later chapters).

Chapter Review 21

Work Structuring, Job Design and Business Process Re-engineering

Objectives...

1 discuss the strengths and weaknesses of early ideas on the design of work

2 identify the main approaches to the design of work

3 evaluate the factors likely to influence job/ work design

4 list job characteristics thought critical to job satisfaction

5 list the main benefits of job enrichment

6 evaluate the business process reengineering approach

Key Terms

Term	Definition
Business Process Reengineering (BPR)	The redesign of business processes in an effort to reduce costs, increase efficiency and effectiveness, and improve quality.BPR is characterized as radical rather than incremental in its approach to change and broad rather than narrow in its organization impact.
Division of labour	An approach to job design that involves dividing a task down into relatively small parts, each of which is accomplished by a single person.
job design	Involves determining the specific job tasks and responsibilities, the work environment, and the methods by which the tasks will be carried out to meet the goals of operations
Job Enlargement	The horizontal increasing of job responsibility, ie by the addition of tasks of a similar nature to be distinguished from job enrichment.
job enrichment	The process of vertically increasing the responsibilities of a job, by the addition of motivators, eg more discretion, improved job interest etc.
Job satisfaction	An attitude or internal state which is associated with the working environment and working experiences. In recent years it has been closely associated with improved job design and work organisation and the quality of working life.
Job simplification	An approach to job design based on a minimization of the range of tasks into the smallest convenient size to make the job efficient and cost effective.

30. Designing and redesigning jobs is not easy. Changes in one part of a job hierarchy are bound to bring about changes elsewhere. Change maybe welcome in one group, but not in another. This is likely to cause tensions between groups. Individuals may initially welcome change, but then feel less enthusiastic if related job conditions (pay, re-training etc) do not meet their needs. Supervisory staff may feel particularly threatened by any form of job redesign, but will expect to benefit ultimately. However, when work can be redesigned effectively, the rewards are twofold. For individuals, there is the opportunity to find personally challenging and satisfying work. For firms, there is the opportunity to achieve lower costs, better quality and improved productivity through a more effective match between the needs of people and the requirements of technology. The approach to work structuring and job design embodied in some aspects of Business Process Re-engineering focuses on key business processes rather than on tasks and operational structures in designing work. This may lead to job losses for some, but also to more interesting and challenging jobs for others. Organisations employing BPR may enjoy reduced costs of production and improved customer relations.

Organisation Structures

1 define and discuss the nature of organization design

2 identify factors likely to determine the design of organizations

3 explain the basic parts of organizations

4 evaluate common organization designs (structural forms)

5 compare centralisation and decentralisation

6 discuss organization levels in different contexts

Key Terms

Contingency approach to organization structure	a perspective which argues that an organization, to be effective, must adjust its structure in a manner consistent with the main type of technology it uses, the environment within which it operates, its size and other contextual factors
Design (structure) purpose	The primary purposes of design are to divide and allocate work and then coordinate and control that work so that goals are met
Functional Structure	The organization is structured according to functional areas such as finance, marketing and HR
Organizational design	The design of an organization patterns its formal structure and culture. It allocates purpose and power to departments and individuals. It lays down guidelines for authoritarian or participative management by its rigidity or flexibility, its hierarchical or non-hierarchical structure.
Organizational structure	The way in which the interrelated groups of an organization are constructed
Product Structure	The organization is structured according to related products or services
Structure	The structure of an organization is the way in which employees are formally divided into groups for co-ordination and control
Tall hierarchical structure	An organisation that has narrow spans of control and a relatively large number of levels of authority.

38. This chapter focused on how to (organise) make efficient and effective use of human resources in order to attain goals through design and structure. We identified the purpose of design - to divide up organizational activities, allocate resources, tasks and goals and to coordinate and control activities so that goals can be achieved. An appropriate design might yield benefits such as efficiency, access to specialized and location-embedded resources, enhanced innovation and the creation of operational flexibility; the design can impact upon performance through employee motivation, commitment and loyalty and has the ability to link interdependent activities.

39. Mintzberg identified five basic parts of an organizational structure: strategic apex, middle line, operating core, technostructure and support staff. This presents a broad framework to guide thoughts at the start of the design process. Departmentalization is a process of grouping employees together. Such employees can then be assigned line, functional or lateral relationships with one another. Employees are often grouped together by area, function/ specialism, product, customer group or process. Arguments stating why organizational parts should be configured in particular ways were presented through contingency theory. However, ultimately design is determined by decision-makers who make choices based on their predispositions (experience, values and beliefs).

40. The tools used to structure organizations include: organisational charts, job definitions, span of control, authority, responsibility and accountability descriptions. A key concept in contemporary design is decentralisation, where specific delegation is given to sub-units or groups within an organisation such that they enjoy a measure of autonomy or independence.

Chapter Review

Delegation and Empowerment

Objectives...

1 evaluate when and why to delegate, empower and engage employees within the organization

2 discuss good practice (how to) in delegating and empowering employees

3 Evaluate arguments for and against greater empowerment and engagement in contemporary organizations

Key Terms

authority	the right to make particular decisions and to exercise control over resources
Delegation	a distinct type of power sharing process that occurs when a manager gives subordinates the responsibility and authority for making certain decisions previously made by the manager
Empowerment	A climate whereby employees are allowed greater freedom, autonomy and self-control over their work, and the responsibility for decision-making
power	the ability of individuals or groups to persuade, induce or coerce others into following certain courses of action
responsibility	an obligation placed on a person who occupies a certain position in the organization structure to perform a task, function or assignment
span of control	A measure of the number of employees who report to one supervisor or manager

16. In this chapter we discussed various forms of employee involvement (participation) and engagement. In turbulent environments and where work is surrounded by uncertainty, employees typically require greater freedom, autonomy and self control over their work and responsibility for decision-making. We discussed delegation as the process of allocating authority and responsibility to others throughout the various levels of the organisation. Whereas managers occasionally used delegation throughout the 20th century, in the 21st century empowerment and engagement became the norm. As environments became more dynamic and turbulent, empowerment and engagement (more than simple delegation) became a necessity in many organisations.

Objectives...

1 describe the main theoretical foundations of change management

2 explain the planned and the emergent approach to change

3 discuss the common change management models

4 Understand resistance to change

Key Terms

Change model	an abstract representation describing the content or process of changes
Continuous Change	organizational changes that tend to be ongoing, evolving, and cumulative
Episodic Change	organizational changes that tend to be infrequent, discontinuous, and intentional
Force-field analysis	a process of identifying and analysing the driving and restraining forces associated with a change
Organizational change	the alteration of organizational components (such as the mission, strategy, goals, structure, processes, systems, technology and people) to improve the effectiveness or efficiency of the organization
Readiness for change	a predisposition to welcome and embrace change.
Resistance to change	the desire not to pursue change

27. Organizational change concerns the alteration of organizational components (such as the mission, strategy, goals, structure, processes, systems, technology and people) to improve the effectiveness or efficiency of the organization. Change may take place in any part and at any level of the organization. When we think of organisational change, we may think of significant changes aimed at making the organisation more effective or smaller (efficiency based) changes such as departmental reorganisations, the implementation of new technologies and systems. The primary needs for change derive from the need for alignment between the organizations' internal and external environments. Diagnosis (Through models such as the McKinsey 7- S model, the Nadler and Tushman congruence framework and the Burke-Litwin model) is used to motivate and determine what to change. Having established the need for change, change initiators then consider whether the organisation is in fact ready for change. Lewin concluded that the change process needs to follow a three-step procedure: unfreezing, moving and refreezing. Many change agents use force-field analysis as an analytical tool to understand the dynamics of change.

Objectives...

1 understand the role of leaders, managers and change agents in the change process

2 critically compare and contrast the planned and emergent approaches to implementing change

3 review the application of organization development (OD) theory to implement change within organizations

4 discuss typical difficulties associated with implementing change

Key Terms

Change agent — any person seeking to promote, further, support, sponsor, initiate, implement or help to deliver change within the organization

Organisation Development — A systematic process aimed at improving organisational effectiveness and adaptiveness on the basis of behavioural science knowledge; typical stages in an OD programme include analysis, diagnosis, action plans and review, an external third party assists the process. (See also Change Agent.)

24. We have described two dominant approaches to change: planned and emergent. With foundations laid by Kurt Lewin the planned approach, reflected in the organisation and development movement in particular, dominated management for much of the 20th century. However, planned change has faced increasing levels of criticism due to the changing organisational context i.e. from predictable to turbulent environments. In such environments, change must be a continuous process and in many cases it is difficult to determine what must be done and then create a sophisticated plan to achieve it. The emergent approach tends to see changes driven from the bottom up rather than from the top down and stresses change as an open-ended and continuous process of adaptation to changing conditions and circumstances.

25. Diagnosis (Through change models), problem information (from surveys, observations and data analysis), gap analysis and visioning are used to motivate and determine what to change. Having established the need for change, change initiators then consider whether the organisation is in fact ready for change. Lewin concluded that the change process needs to follow a three-step procedure: unfreezing, moving and refreezing. Many change agents use force-field analysis as an analytical tool to understand the dynamics of change. It is used in conjunction with stakeholder analysis.

26. Various people are responsible for making change happen; leaders need to be persuasive and political and overcome resistance. They must monitor the environment, identify and establish the need for change and provide clear direction for organisational change effort. They must also communicate that need and initiate activities. Managers can identify opportunities, promote ethical behaviour, and develop capabilities within the organisation in order to keep it aligned with its environment. The success of implementing change is associated with those who facilitate the change process. Change leaders need to understand why people react to change as they do - they should consider those on the receiving end. Change recipients may be concerned about how the change will impact upon their relationships with others (the people they currently work with), their ability to do what is being asked of them and their future needs.

1 identify the main functions of communication

2 describe the communication process and distinguish between formal and informal communication

3 contrast different lines of (downward, upward and lateral) communication within organizations

4 review common barriers to communication within the context of organizations

5 evaluate the use of committees within organizations

Key Terms

Communication	the activity of conveying information
Formal communication.	Formal communication involves presenting information in a structured and consistent manner. Such information is normally created for a specific purpose, making it likely to be more comprehensive, accurate and relevant than information transmitted using information communication. An example of formal communication is an accounting statement. See Informal communication.
Informal communication.	This describes information that is transmitted by informal means, such as casual conversations between members of staff. The information transmitted in this way is often less structured and less detailed than information transmitted by formal communication. In addition, the information may be inconsistent or may contain inaccuracies. Furthermore, the information may also include a subjective element, such as personal opinions. See Formal communication.
Lateral communication	communication within an organisation which exist between individuals in different departments or sections, especially between individuals on the same level
vertical communication	communication flows up and down the management hierarchy

25. Communication affects organisational performance and is central to an understanding of organisational behaviour. Effective communication is required to ensure that the goals, feedback and other management messages to employees are received as ntended. Trust and clarity help ensure efficiency and effectiveness. Through effective communication, managers can develop productive employees. Effective communication requires an understanding of the communication process, an ability to select the correct channel, deliver the right message in the right form, in the right place and at the right time. This chapter has explored a number of concepts, tools and techniques to assist with these issues.

Objectives...

1 discuss the importance of time management by individuals at work

2 discuss the main factors affecting time management

3 identify factors that might lead to the ineffective or inefficient use of time

4 explain why it is important for a manager to understand their role if they are to be effective

Key Terms

Role	A set of actions and activities that a person in a particular position is supposed to perform, based on the expectations of both the individual and surrounding people
time management	refers to a range of skills, tools, and techniques used to manage time when accomplishing specific tasks, projects and goals

26. Managers are typically busy each and every day and find it almost impossible to do everything. The management of time is therefore an issue which is fundamental to job performance. Managers wanting to be more effective must recognize what their job really is. That is to say, the manager's effectiveness is significantly influenced by their insight into their own work. The manager's job can be described in terms of various "roles," or organized sets of behaviours identified with a position. Performance depends upon how well the manager understands and responds to the pressures and dilemmas of the job. Thus managers who can be reflective about their work are likely to be effective at their jobs. They must develop ability and methods to help them decide what to do and when to do it. They must also consider what to delegate. Assertiveness can contribute to the better use of managers' time by enabling managers to deal more effectively with interruptions. Assertion is the ability to express ideas, opinions or feelings openly and directly without putting down ourselves or others. Finally, a manager's use of time can be made more productive if personal communication skills are improved.

Controlling Performance

Objectives...

1 distinguish the concepts of coordination and control

2 explain the nature and importance of control

3 with reference to contingency theory and strategic (managerial) choice explain how and why control strategies vary between organisations

4 contrast common techniques for control

Key Terms

budget	A financial plan to manage the spending and saving of money
Control	Ensuring plans are properly executed; assuring the organization functions as planned
Controlled performance	setting standards, measuring performance, comparing actual with standard and taking corrective action if necessary
cybernetic system	a system with reference to the components and operation of feedback control (see self-regulation)
Diagnostic control system	Formal information systems used to monitor organizational outcomes and correct deviations from preset standards of performance
Formal Management Controls	a firm's budgeting and reporting activities that keep people higher up in a firm's organizational chart informed about the actions taken by people lower down in the organizational chart
Informal Management Controls	include a firm's culture and the willingness of employees to monitor each others' behavior

33. No amount of planning and organising will assure that goals are attained. Control is therefore the essential final step in the management process to ensure that things proceed as planned or that unrealistic plans and targets are revised, where appropriate. As the final step in the management process, controlling provides the critical link back to planning. There are many purposes for control such as assuring goals are attained, employees empowered and motivated and organisational resources protected. There are also many business aspects that can be controlled, from plans, through behaviour to the raw materials and transformational resources of the organisation. This chapter has emphasised the control of employee behaviour and their performance in relation to organisational goals but made reference to other targets for control. A key aspect of control is to enable the organisation to function as planned, to minimise disruption, enable coordination and integration and help the organisation to adapt to its environment.

Objectives...

1. review what is meant by quality and quality management
2. define the key concepts associated with quality
3. discuss the importance of quality to contemporary organizations
4. Identify key quality standards and frameworks and discuss their benefits
5. list the eight quality management principles defined in ISO 9000

Key Terms

Quality assurance	The specific actions firms take to ensure that their products, services, and processes meet the quality requirements of their customers
quality management	Refers to systematic policies, methods, and procedures used to ensure that goods and services are produced with appropriate levels of quality to meet the needs of customers
Quality management system (QMS)	A systematic approach to proactively managing quality based on documented standards and operating procedures. The best known QMSs are those based on the ISO9000 series of quality standards
quality standard	a framework for achieving a recognized level of quality within an organization. Achievement of a quality standard demonstrates that an organization has met the requirements laid out by a certifying body.
Total Quality Management (TQM)	A quality approach that emphasises a continuous process of improvement, through the involvement of people
Value perspective	A quality perspective that holds that quality must be judged, in part, by how well the characteristics of a particular product or service align with the needs of a specific user. Value is often described in terms of quality and cost i.e. value = higher quality for lower cost (price)

24. Quality is an extremely important omnipresent strategic, tactical and operational management concept, associated both with differentiation and cost reduction strategies. It focuses on effectiveness and efficiency. Quality management typically begins with a consideration of customers, be they internal employees, other businesses or members of the public. Their wants and needs must be translated into specifications of one kind or another. These specifications need to be developed and tested. Resources and operational plans have to be drawn up. Then production (or delivery, if a service) can begin. The process of production (or delivery of a service) must be assessed and monitored at every stage in order to see where improvements could be made and ensure that the outputs meet customer needs. Once the customer has received the goods or service, procedures need to be in place to deal with after-sales problems or queries, and to assess the level of customer satisfaction. Then the quality process can begin all over again – in a total quality management system it is a cyclical process which never stops. Organisations may use standards to help them develop their quality management systems. Certification of compliance with a standard such as ISO 9001:2008 can bring many benefits and may help a company win business.

Objectives...

1 differentiate between the concepts of data, information and knowledge resources

2 Identify the role of information resources within the organization

3 discuss how information resources can be used to deliver value and help the organization compete

4 explain the roles of technology, people, structure, culture and processes in knowledge management

5 identify the various types of information system

6 identify ways the use of the Internet and Internet (Net) technologies can help the organization compete, create wealth and add value

7 explain what is meant by e-commerce and e-business

Key Terms

Term	Definition
Business information system	specific information system used to support business
Digital organization	an Organization where nearly all significant business processes and relationships with customers, suppliers, and employees are digitally enabled and key corporate assets are managed through digital means
Enterprise system	An information system that integrates information from all functional areas of an organization with the goal of providing a more whole or complete information resource for the organization
Information	data that has been processed (sorted, summarised, manipulated, filtered) so that it is meaningful to people
information system	A set of people, procedures, and resources that collects, transforms, and disseminates information in an organization - accepts data resources as input and processes them into information products as output.
Information technology	the hardware and software that are used to store, retrieve, and manipulate information

36. Information resources include data, information, and knowledge. Data refers to raw facts and Information is the summarization of data. Technology and information/ knowledge represent 'hard' and 'soft' resources available to the organization. Unlike most resources which deplete when used, information and knowledge can be shared, and actually grow through application. It is now widely accepted that winning strategies are more often grounded in the accumulation and creative exploitation of intangibles that are more difficult to replicate. Computer-based Information Systems are used to support all roles at all levels of the organisation. They improve information access and (in the case of integrated systems) the flow of information within the whole organisation. Traditionally, the business functions acquired and developed computer-based Information Systems to help them meet their localised goals. A functional business information system is used to support a specific organisational activity. Businesses compete in two worlds: a physical and a virtual world. The latter has given rise to the world of electronic commerce (EC) and e-business (EB), a new focus of value creation. Much of the value created by e-business is due to the more effective use of information. Managers must now focus upon how their companies create value in both worlds alike. The effectiveness and efficiency of organizational information systems can be enhanced significantly by a move to Internet technologies. Internet technologies enable EC and EB. The Web provides the connective tissue for information flow within and between organizations anytime- anyplace. Interoperability of Web services permits the creation of enterprise-wide information-system architectures linking all the corporate core business systems to the firm's Web site. Information systems extend far beyond the boundaries of the organization to encompass vendors, customers and even competitors. The Internet has both created new industries and enabled the reconfiguration of existing industries. Whilst the Internet presents new opportunities it also intensifies competition. The Internet is an enabling technology - a powerful set of tools which rarely offers a direct competitive advantage. Internet technology, itself is not as a source of advantage because it is readily available to all. Competitive advantages arise from traditional strengths fortified through Internet technology - by tying a company's activities together in a more distinctive system.

The Marketing Concept, Competitiveness and the Global Dimension

Objectives...

1 outline the marketing concept

2 evaluate alternative generic competitive strategies

3 discuss the impact of globalisation on marketing

4 explain the internationalisation process

Key Terms

Competitive Dynamics	how one firm responds to the strategic actions of competing firms
Diamond of competitive advantage	Configuration of four sets of attributes (factor conditions, demand conditions, supporting industries and inter firm rivalry) which, in Porter's theory, determine a nation's competitive advantage.
Global strategy	assumes a single market and offers a standard product(s) to meet customer needs wherever they are located
internationalisation	the gradual process of taking organizational activities into other countries
Marketing	the processes associated with the transfer of goods from and the relationships between producer and consumer - it is also concerned with anticipating the customers' future needs and wants - marketing involves researching, promoting, selling, and distributing products or services
Marketing concept	The philosophy that an organisation should try to provide products that satisfy customers' needs through a coordinated set of activities that also allows the organisation to achieve its goals
marketing orientation	A marketing-oriented organisation devotes resources to understanding the needs and buying behaviour of customers, competitors' activities and strategies, and of market trends and external forces – now and as they may shape up in the future; inter-functional coordination ensures that the organisation's activities and capabilities are aligned to this marketing intelligence

19. This chapter sets the scene for the marketing section of the book. We defined marketing and the marketing concept and then contrasted marketing from a domestic and global standpoint. We went on to recognise that when customers have a choice, the organization must compete for their business. With this in mind we outlined how companies compete.

The Marketing Mix: Product and Price

Objectives...

1 specify the key elements of the marketing mix

2 discuss what is meant by branding and explain how packaging and labelling can contribute to a brands success

3 understand how the management of products and services changes over the different stages of the lifecycle and explain the process by which new products are developed and adopted by markets

4 understand how to price product and services

Key Terms

Marketing mix	the tactical 'toolkit' of the marketing programme; product, place/distribution, promotion, price and people variables that an organisation can control in order to appeal to the target market and facilitate satisfying exchange
Marketing plan	the written arrangements for specifying, implementing and controlling an organisation's marketing activities and marketing mixes
Price variable	The aspect of the marketing mix that relates to activities associated with establishing pricing policies and determining product prices
Product development	a strategy of increasing sales by improving present products or developing new products for current markets
Product life cycle	the four major stages through which products move: introduction, growth, maturity and decline

20. Products (including services) must be developed and launched in order to generate revenue for the organisation. They then pass through various stages as reflected in the product lifecycle. Organisations rarely rely on a single product and the process of managing groups of brands and product lines is called portfolio planning. We introduced the Boston matrix to help consider management of the portfolio. Products must compete with similar offerings of rivals and brands help customers to differentiate between offerings. Packaging and labelling can help contribute to the success of a product/ brand. Before a product is offered, the organisation must decide on the price to offer it at. This is important because price determines profitability and revenue generation. Price, costs, quality and value are interconnected. There are a variety of pricing policies and strategies and the marketing manager must consider many factors when setting price. Whilst competitor pricing must be considered, price wars can devastate companies and there are ways to avoid them.

The Marketing Mix: Promotion

Objectives...

1 understand the role, purpose and aims of promotion in the marketing mix

2 discuss and evaluate the principal methods of promotion

3 explain what is meant by relationship marketing

4 discuss the technologies used to enable marketing

Key Terms

Customer relationship management (CRM)	The entire process of maximizing the value proposition to the customer through all interactions, both online and traditional. Effective CRM advocates one-to-one relationships and participation of customers in related business decisions.
Marketing communication	the diffusion of persuasive information about a product aimed at key stakeholders and consumers within the target market segment
Promotion	Communication with individuals, groups or organisations in order to facilitate exchanges by informing and persuading audiences to accept a company's products
Promotional mix	The combination of five key communication tools: advertising, sales promotions, public relations, direct marketing, and personal selling.
Relationship marketing	Places emphasis on the interaction between buyers and sellers, and is concerned with winning and keeping customers by maintaining links between marketing, quality and customer service

32. The primary role of promotion is to communicate with a range of stakeholders with the aim of directly or indirectly facilitating exchanges. Promotion is often referred to as marketing communications. To gain maximum benefit from promotional efforts, marketers must make every effort to properly plan, implement, coordinate and control (manage) communications. An important purpose of promotion is to influence and encourage prospects and customers to access or adopt goods and services. The major promotional methods include advertising, personal selling, public relations and sales promotion and may include sponsorship, direct marketing and the use of Internet technologies such as the World Wide Web. The basic (traditional) marketing approach is presented around the marketing mix (4Ps) concept. However, some practitioners and scholars consider this to be both an outdated and inappropriate explanation of how marketing works. Marketing may also be regarded in terms of interactions with individuals (prospects and customers). Traditional marketing places emphasis on the marketing mix and individual transactions whereas relationship marketing focuses on winning and retaining customers. Relationship marketing requires a different philosophy in the organisation and is reliant upon database technologies to support customer acquisition, retention and continued selling activities.

The Marketing Mix: Distribution

Objectives...

1 explain the purpose of distribution as a variable in the marketing mix

2 define what a channel of distribution is (including functions) and key considerations in channel strategy and decision-making

3 discuss the types and roles of intermediaries

4 explain the importance of supply chain management

Key Terms

Distribution channel — Interlinked stages and organizations involved in the process of bringing a product or service to the consumer or industrial user.

Place or distribution — Is essentially about how you can place the optimum amount of goods and/or services before the maximum number of members of your target market, at times and locations which optimize the marketing outcome, i.e. sales.

23. Distribution or place is the marketing mix variable that refers to activities which aim to make products available to customers when and where they want to purchase them. Activities are organised within distribution channels which may be direct, indirect or hybrid. In the case of the direct channel, the manufacturer distributes products and services to the end consumer. In the case of the indirect channel, the manufacturer makes use of intermediaries as a link between themselves and the ultimate consumer. Each channel has different advantages and disadvantages particularly in terms of economics, coverage and control. The distribution channel is responsible for many functions and their joint efforts may be captured under the general banner of supply chain management. This latter concept promotes the coordination of all business entities engaged in the activities of providing customers with the products or services demanded. Internet technologies have impacted upon the supply chain to enable both e-procurement, upstream, and e-commerce downstream. Such technologies reduce transaction costs and enable two-way communication with consumers. They also enable manufacturers to adopt direct channels or hybrid models that this can lead to channel conflict and cannibalisation.

Marketing Research

1 identify what is meant by, and the purpose of, marketing research

2 list the steps typically included in the marketing research process

3 evaluate how technology may enable market research

4 discuss the purpose of a marketing audit

Key Terms

Marketing intelligence	Information about buyer needs and competitor activities compiled, analyzed, and/or disseminated in an effort to provide insight and assistance in decision-making
Marketing research	the process of gathering, interpreting and disseminating information to help solve specific marketing problems or take advantage of marketing opportunities

16. Marketing research is fundamentally about the acquisition and analysis of information required for the making of marketing decisions – to shape the marketing mix variables. The process used to conduct marketing research usually includes the following steps: problem definition and specification of research purpose; design of study/project, with particular reference to data collection methods, instrumentation and sample design; field work to collect data; analysis and the creation and presentation of a report. The internet and database technologies enable the whole process.

Marketing Organisation

Objectives...

1 review the major structural alternatives that are available to a marketing department

2 discuss the principal objectives of the marketing department

3 evaluate sources of conflict between the marketing and other departments

Key Terms

Marketing objective	A statement of what is to be accomplished through marketing activities – the results expected from marketing efforts
Organising by function	A way of structuring a marketing department in which personnel directing marketing research, product development, distribution, sales, advertising and customer relations report to the top-level marketing executive

<insert Conclusion>

Chapter Review

37

Customer Services and Consumer Protection

Objectives...

1 list common methods to protect consumer interests

Key Terms

Customer satisfaction	when an exchange meets the needs and expectations of the buyer
Customer service	Customer satisfaction in terms of physical distribution, availability, promptness and quality
marketing orientation	A marketing-oriented organisation devotes resources to understanding the needs and buying behaviour of customers, competitors' activities and strategies, and of market trends and external forces – now and as they may shape up in the future; inter-functional coordination ensures that the organisation's activities and capabilities are aligned to this marketing intelligence

<insert Conclusion>

Chapter Review

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Production Planning and Control

Objectives...

1 list the basic elements of a typical production planning and control system

2 explain why purchasing is an important part of production management

3 explain Material requirements Planning (MRP)

4 discuss the use of Just-in-Time Systems in production operations

5 evaluate the need for inspection and quality control throughout the production process

Key Terms

Economic order quantity (EOQ)	The order size that minimises the total cost of ordering and carrying inventory
just-in-time (JIT)	methods of managing inventory (stock)whereby items are delivered when needed in the production process instead of being stored by the manufacturer
Master production schedule (MPS)	the important schedule that forms the main input to material requirements planning, it contains a statement of the volume and timing of the end products to be made.
Material requirements planning (MRP)	A planning process (usually computerized) that integrates production, purchasing, and inventory management of interrelated products.
Production process	the way that businesses create products and services
Purchasing	the organizational function, often part of the operations function, that forms contracts with suppliers to buy in materials and services.

<insert Conclusion>

Types of Production

Objectives...

1 distinguish between types of procudtion and production systems

2 explain jobbing production

3 list the key characteristics of batch production

4 list the key characteristics of mass production

Key Terms

Batch manufacturing	a type of manufacturing process where items are moved through the different manufacturing steps in groups, or batches
flow shop processes	Organized around a fixed sequence of activities and process steps, such as an assembly line to produce a limited variety of similar goods or services
Job shop	a type of (flexible) manufacturing process used to make a wide variety of highly customized products in quantities as small as one
Production process	the way that businesses create products and services

<insert Conclusion>

Chapter Review

Aids to Production

Objectives...

1 list the reasons why work study techniques are utilised in production

2 explain the 'Method Study' technique

3 explain the 'Work Measurement' technique

4 list the typical stages of value analysis

5 evaluate quality circles

Key Terms

Quality circles	These are meetings of group of workers committed to continuous improvement in the quality and productivity of a given line of production.
Value Analysis	A term used to describe an analytical approach to the function and costs of every part of a product with a view to reducing costs whilst retaining the functional ability; sometimes known as value engineering.
Value engineering	an approach to cost reduction in product design that examines the purpose of a product or service, its basic functions and its secondary functions.
Work Study	A term describing several techniques for examining work in all its contexts, in particular those factors affecting economy and efficiency, with a view to making improvements; the two most common techniques of Work Study are Method Study and Work Measurement. (See also Method Study and Work Measurement.)

<insert Conclusion>

Chapter Review

New Technology in Manufacturing

Objectives...

1. distinguish CAD from CAM
2. explain what a Flexible Manufacturing System (FMS) is
3. list reasons why organizations introduce robots into their manufacturing plants
4. review the use of ERP systems in manufacturing

Key Terms

Computer-aided design (CAD) software	Software that allows designers to design and "build" production prototypes, "test" them as a computer object under given parameters, compile parts and quantity lists, outline production and assembly procedures, and then transmit the final design directly to milling and rolling machines.
Computer-aided manufacturing (CAM) software	Software that uses a digital design such as that from a CAD system to directly control production machinery.
Enterprise resource planning (ERP) systems	Large, integrated, computer-based business transaction processing and reporting systems. ERP systems pull together all of the classic business functions such as accounting, finance, sales, and operations into a single, tightly integrated package that uses a common database
flexible manufacturing systems	Two or more computer controlled machines or robots linked by automated handling devices such as transfer machines, conveyors, and transport systems Computers direct the overall sequence of operations and route the work to the appropriate machine, select and load the proper tools, and control the operations performed by the machine
robot	A programmable machine designed to handle materials or tools in the performance of a variety of tasks

<insert Conclusion>

Human Resource Management

Objectives...

1 explain the role of the HRM function and HR specialist (personnel)

2 list the key areas of HR policy

3 discuss alternative structures for the HR function

Key Terms

human resource management	A philosophy of people management based on the belief that human resources are uniquely important to sustained business success. An organization gains competitive advantage by using its people effectively, drawing on their expertise and ingenuity to meet clearly defined objectives. HRM is aimed at recruiting capable, flexible and committed people, managing and rewarding their performance and developing key competencies. See also 'Hard HRM', 'Soft HRM'
Personnel management	the specialist management function which determines and implements policies and procedures which affect the stages of the employment cycle.

<insert Conclusion>

Recruitment and Selection

Objectives...

1 distinguish the typical stages of the recruitment and selection process

2 discuss the content of recruitment policies and procedures

3 list the typical content of a job description

4 discuss the content of a candidate profile

5 review the content of an effective job advertisement

6 evaluate the job interview as a selection approach

7 list four categories of selection test

Key Terms

Recruitment	Locating, identifying, and attracting capable applicants
Selection	Screening job applicants to ensure the most appropriate candidates are hired

<insert Conclusion>

Employee Development and Training

Objectives...

1 review the role of training and development activities within the organization
2 review the key features of the training and development sub-system within the HR function
3 distinguish the terms training, development, learning, competence and education
4 discuss a systematic approach to training
5 list the benefits of systematic training
6 explain what is meant by the learning organization

Key Terms

development	anything that helps a person to grow, in ability, skills, confidence, inter-personal skills, understanding, self-control, and more
learning organization	An organization skilled at creating, acquiring, and transferring knowledge, and at modifying its behaviour to reflect new knowledge and insights
Performance Appraisal	The process of assessing the performance of an employee in his job; appraisal can be used for salary reviews, training needs analysis and job improvement plans, for example.
Training	Any intervention aimed at increasing an individual's knowledge or skills
Training & Development	The design and delivery of workplace learning to improve performance

<insert Conclusion>

Chapter Review

Performance Appraisal, Discipline and Grievances

Objectives...

1 list several reasons why appraisals are carried out in organizations

2 explain the appraosal process

3 identify key elements of the appraisal form

4 evaluate methods to measure individual perfromance at work

5 evaluate three basic approaches to the appraisal interview

6 review disciplinary and grievance procedures

Key Terms

Disciplinary Procedure	A set of rules or guidelines for dealing with instances of bad behaviour or rule-breaking amongst employees; the most common sanctions are warnings, suspensions and dismissals.
Grievance	Complaint made by an employee about wages, conditions of employment, or the actions of management; most organisations have a special procedure for handling grievances.
performance appraisal	The process of assessing the performance of an employee in his job; appraisal can be used for salary reviews, training needs analysis and job improvement plans, for example.

<insert Conclusion>

Developing Managerial Competencies

Objectives...

1 discuss how organizations may develop the capabilities of current or future managers (management development methods)

2 discuss the management development process

3 list the features/ attributes of an effective (successful) manager

Key Terms

Management Development	A systematic process for ensuring that an organisation meets its current and future needs for effective managers; typical features include manpower reviews, succession planning, performance appraisal and training.
succession planning	a process through which senior-level openings are planned for and ultimately filled

<insert Conclusion>

Stress Management and Employee Counselling

Objectives...

1 list examples of factors that have been found to contribute to stress

2 distinguish three categories of stress symptom

3 explain what employers can do to help employees suffering from stress

4 propose steps and employer could take in order to minimise the possibility of harassment

Key Terms

<insert Conclusion>

Job Evaluation

Objectives...

1 explain what is meant by job evaluation

2 contrast job evaluation methods

Key Terms

job evaluation	A technique for determining the size of one job compared with another, and the relationship between the two; job evaluation schemes can broadly be divided into analytical and non-analytical; the technique forms the basis for wage and salary administration.
job grading	A job evaluation scheme based on an organisation's hierarchy of job grading
job ranking	A job evaluation scheme based on job descriptions

<insert Conclusion>

Employee Relations and Collective Rights

Objectives...

1 review perspectives on employee relations

2 review where the main body of rules in employee relations is drawn from

3 list the matters and topics covered by procedural and substantive agreements

4 define the four main types of trade union

5 discuss the various degrees of participation that can be available to employees

Key Terms

Collective Agreements	The results of collective bargaining are expressed in agreements; these are principally procedure agreements and substantive agreements; they are not legally enforceable in the UK. (See also Procedure Agreements and Substantive Agreements.)
Collective Bargaining	The process of negotiating wages and other working conditions collectively between employers and trade unions, it enables the conditions of employees to be agreed as a whole group instead of individually.
Employee relations	Employee relations is an alternative label for 'industrial relations'. It is not confined to unionized collective bargaining but encompasses all employment relationships. It goes beyond the negotiation of pay and benefits to include the conduct of the power relationship between employee and employer.
Procedure Agreement	A collective agreement setting out the procedures to be followed in the conduct of management–union relations with particular reference to negotiating rights, union representatives, disputes and grievance procedures. (See also Substantive Agreement.)
Substantive Agreement	A collective agreement dealing with terms and conditions of employment, eg wages, hours of work, holidays etc. (See also Procedure Agreement.)

<insert Conclusion>

Chapter Review

Legal Aspects of Employment- Individual Rights

Objectives...

1 identify four sources of employment law in England and Wales

2 discuss employee rights

3 explain the role of employment tribunals in enforcing employment rights

Key Terms

Psychological contract
An informal understanding between the employer and employee. Unlike the formal employment contract, this has no physical existence. It is a set of expectations held by both employers and employees in terms of what they wish to give and receive from their working relationship (Rousseau and Parks, 1993)

Unfair Dismissal
A statutory definition of dismissal now part of the Employment Protection (Consolidation) Act, 1978; the Act states that every employee shall have the right not to be unfairly dismissed; remedies for unfair dismissal must be pursued via an industrial tribunal, which may award compensation or reinstatement or re-engagement

<insert Conclusion>

Company Accounts

Objectives...

1 contrast finance with accounting

2 list the principal statements of accounts

Key Terms

Accounting	is the recording of financial or money transactions. Accounting is the systematic recording, reporting, and analysis of financial transactions of a business
Accounting standards	Rules for preparing financial statements
Annual Report	Document detailing the business activity of a company over the previous year, and containing the three main financial statements: Income Statement Cash Flow Statement Balance Sheet
Balance Sheet	A statement that lists the assets of a business or other organization, at some specified point in time, together with the claims against those asstes.
Financial accounting	reporting of the financial position and performance of a firm through financial statements issued to external users on a periodic basis
Management accounting	the process of identifying, measuring, analyzing, interpreting, and communicating information for the pursuit of an organization's goals
Profit and Loss account	a statement that sets the total revenues (sales) for a period against the expenses matched with those revenues to derive a profit or loss for the period

<insert Conclusion>

Chapter Review

Budgets, Forecasts and Business Plans

Objectives...

1 evaluate capital budgeting techniques used by organizations

2 discuss the process for developing busgets

3 describe the key contents of a typical business plan

4 apply investment appraisal techniques such as NPV and IRR

Key Terms

budget	A financial plan to manage the spending and saving of money
business plan	a document that summarizes how an entrepreneur will organize a firm to exploit an opportunity, along with the economic implications of exploiting that opportunity
Capital budgeting	the process of analyzing and selecting various proposals for capital expenditures
Net Present Value (NPV)	An investment appraisal technique that determines the amount of money an investment is worth, taking into account its cost, earnings, and the time value of money

<insert Conclusion>