Fundamentals of Management 11th edition Robbins Solutions Manual

SKU: 9780135183878-SOLUTIONS

CHAPTER 2

THE MANAGEMENT ENVIRONMENT

LEARNING OUTCOMES

After reading this chapter, students should be able to:

2-1. Explain what the external environment is and why it's important.

2-2. Discuss how the external environment affects managers.

2-3. Define *organizational culture* and explain why it's important.

2-4. Describe how organizational culture affects managers.

2-5. Describe current issues in organizational culture.

Management Myth

MYTH: It doesn't matter what an organization's culture is like. I can be happy working anywhere.
TRUTH: To be happy, don't just "settle" for a job…find a workplace and a culture that "fits" you!

SUMMARY
An organization's culture can be an important indicator of "fit"—will I like working here and does this seem like a place where I can fit in and contribute? Anyone who thinks they can be happy working in any type of organizational setting might be in for a big surprise! Even working at a company rated as a "Best Company to Work For" isn't for everyone. Organizational cultures differ and so do people.

Teaching Tips:

Have students think about the organizational cultures at several companies that have been identified as "best place to work" organizations. How are the cultures in these companies similar? How are they different? Ask students to think about which company they would be most comfortable in and why. Then, ask students to reflect on what their responses tell them about the type of employee that will be most successful at the organization.

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I. WHAT IS THE EXTERNAL ENVIRONMENT AND WHY IS IT IMPORTANT?

A. Introduction

1. The term **external environment** refers to factors, forces, situations, and events outside the organization that affect its performance.
2. Exhibit 2-1 shows the five components of the external environment.
   a) The economic component encompasses factors such as interest rates, inflation, employment/unemployment rates, exchanges in disposable income, stock market fluctuations, and business cycle stages.
   b) The demographic component is concerned with trends in population characteristics such as age, race, gender, education level, geographic location, income, and family composition.
   c) The technological component is concerned with scientific or industrial innovations.
   d) The sociocultural component is concerned with societal and cultural factors such as values, attitudes, trends, traditions, lifestyles, beliefs, tastes, and patterns of behavior.
   e) The political/legal component looks at federal, state, and local laws, as well as laws of other countries and global laws.
   f) The global component encompasses those issues associated with globalization and a world economy.

B. What Is the Economy Like Today?

1. After several years in crisis mode, the U.S. economy and other global economies seem to have turned the corner. However, it's not smooth sailing for managers.

   a) The slowdown in productivity has moderated globally although it continues to lag in the United States.

   b) Global trade grew strongly from the late 1970s through 2008, when it collapsed during the last global recession. However, recent indicators show global trade inching up, with the strongest growth in Europe and Asia.

   c) Total U.S. employment is up. The 4.1 percent unemployment rate has held steady and is at the lowest level in years.

   d) Many U.S. workers, while employed in a steady job, may not have a reliable income. Why? By using flexible work schedules, businesses are exerting more control over employees' work hours, leading to more volatile paychecks.

   e) Many businesses in low-wage industries are using part-time workers to soften the impact of health-care law mandates.

   f) According to a Pew Research Center poll, only 17 percent of Americans believe the American Dream—work hard and you can achieve success and riches – is out of reach.

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2. Economic Inequality and the Economic Context

   a) People are becoming more discontented with the income gap between the rich and everyone else.

   b) People's belief that anyone can achieve prosperity is waning.

   c) Business leaders need to recognize how social attitudes in the economic context affect business decisions.

3. The Sharing Economy

   a) Companies including Uber, Zipcar, and Airbnb are part of a fast-growing phenomenon called the **sharing economy** – an economic environment in which asset owners share with other individuals through a peer-to-peer services, for a set fee, their underutilized physical assets or their knowledge, expertise, skills, or time.

Classic Concepts in Today's Workplace
Just how much difference does a manager make in how an organization performs? Management theory proposes two perspectives in answering this question: the omnipotent view and the symbolic view. The **Omnipotent View** maintains that managers are directly responsible for the success or failure of an organization. The **Symbolic View** of management upholds the view that much of an organization's success or failure is due to external forces outside managers' control. Reality suggests a synthesis—managers are neither helpless nor all powerful. Instead, the more logical approach is to see the manager as operating within constraints imposed by the organization's culture and environment.
Teaching Tips: Questions for students to consider: • Why do you think these two perspectives on management are important? • How are these views similar? Different?

C. What Role Do Demographics Play?

1. The size and characteristics of a country's population can have a significant effect on what it's able to achieve.

2. **Demographics**, the characteristics of a population used for purposes of social studies, can and do have a significant impact on how managers manage.

3. Demographic characteristics of concern to organizations include: age, income, sex, race, education level, ethnic makeup, employment status, and geographic location.

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4. Age is a particularly important demographic for managers since the workplace often has different age groups all working together.

   a) Baby Boomers are those individuals born between 1946 and 1964. The sheer numbers of people in that cohort means they've had a significant impact on every aspect of the external environment—including the Social Security System.

   b) Gen X is used to describe those individuals born between 1965 and 1977. This age group has been called the baby bust generation since it followed the baby boom and is one of the smaller age cohorts.

   c) Gen Y (or the "Millennials") is an age group typically considered to encompass those individuals born between 1978 and 1994. As the children of the Baby Boomers, this age group is large in number and making its imprint on external environmental conditions as well.

   d) Gen Z describes the group born between 1995 and 2010. Gen Z is huge—those under age 20 represent 25.9 percent of the U.S. population. This is the most diverse and multicultural of any generation in the United States. It's the first group whose only reality revolves around the "Internet, mobile devices, and social networking."

II. HOW DOES THE EXTERNAL ENVIRONMENT AFFECT MANAGERS?

A. One of the important organizational factors affected by changes in the external environment is jobs and employment. For example, economic downturns result in higher unemployment and place constraints on staffing and production quotas for managers. Not only does the external environment affect the number of jobs available, but it also impacts how jobs are managed and created. Changing conditions can create demands for more temporary work and alternative work arrangements.

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Managing Technology in Today's Workplace
Can Technology Improve the Way Managers Manage?

Technology includes the equipment, tools, or operating processes to make work more efficient. In some cases, human labor has been replaced by electronic and computer equipment. Technology has also impacted information enabling work to be done anywhere and anytime. In turn, management is impacted by technology while attempting to manage virtual employees in the way they plan, organize, lead, and control.

Teaching Tips:
Many students assume that the loss of jobs to technology is a bad thing. What they may not think about are the positives dynamics that technology can create for the average worker.

Questions for students to consider:
- Is management easier or harder with all the available technology? Explain your position.
- What benefits does technology provide and what problems does technology pose for (a) employees and (b) managers?

B. Environments differ in their amount of **environmental uncertainty**, which relates to (1) the degree of change in an organization's environment and (2) the degree of complexity in that environment (see Exhibit 2-2).

1. Degree of change is characterized as being dynamic or stable.

2. In a dynamic environment, components of the environment change frequently. If change is minimal, the environment is called a stable environment.

3. The degree of **environmental complexity** is the number of components in an organization's environment and the extent of an organization's knowledge about those components.

4. If the number of components and the need for sophisticated knowledge is minimal, the environment is classified as simple. If a number of dissimilar components and a high need for sophisticated knowledge exist, the environment is complex.

5. Because uncertainty is a threat to organizational effectiveness, managers try to minimize environmental uncertainty.

MyLab Management Watch It!: If your instructor has assigned this, go to the **www.pearson.com/mylab/management** to complete the video exercise.

C. The more obvious and secure an organization's relationships are with external stakeholders, the more influence managers have over organizational controls.

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1. **Stakeholders** are any constituencies in the organization's external environment that are affected by the organization's decisions and actions. (See Exhibit 2-3 for an identification of some of the most common stakeholders.)

2. Stakeholder relationship management is important for two reasons:

   a) It can lead to improved predictability of environmental changes, more successful innovation, greater degrees of trust among stakeholders, and greater organizational flexibility to reduce the impact of change.

   b) It is the "right" thing to do, because organizations are dependent on external stakeholders as sources of inputs and outlets for outputs and the interest of these stakeholders should be considered when making and implementing decisions.

Making Ethical Decisions in Today's Workplace
Walt Disney Company. Star Wars. Two powerful forces combined. But is that force for good or for not-so-good? It's not surprising that the popularity of the Star Wars franchise has given Walt Disney Co. exceptional power over the nation's movie theaters. The theater owners want the Star Wars releases, and there's only one way to get them...through Disney. With the latest release, movie theaters had to agree to "top-secret" terms that many theater owners said were the most oppressive and demanding they had ever seen. Not only were they required to give Disney about 65 percent of ticket revenue, there were also requirements about when, where, and how the movie could be shown. You'd think that because Disney needs the theaters to show their movies they might be better off viewing them as "partners" rather than subordinates. What do you think? Questions for students to consider: • Is there are ethical issue here? Why or why not? What stakeholders might be affected and how might they be affected? How can identifying stakeholders help a manager decide the most responsible approach? • Working together in your "assigned" group, discuss Disney's actions. Do you agree with those actions? Look at the pros and cons, including how the various stakeholders are affected. Prepare a list of arguments both pro and con. (To be a good problem solver and critical thinker, you have to learn how to look at issues from all angles!)

II. WHAT IS ORGANIZATIONAL CULTURE?

A. Just as individuals have a personality, so too do organizations. We refer to an organization's personality as its culture.

B. What Is Organizational Culture?

1. **Organizational culture** is the shared values, principles, traditions, and ways of doing things that influence the way organizational members act. This definition implies:

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a) Individuals **perceive** organizational culture based on what they see, hear, or experience within the organization.

b) Organizational culture is a descriptive term. It **describes**, rather than evaluates.

c) Organizational culture is **shared** by individuals within the organization.

C. How Can Culture Be Described?

1. Seven dimensions of an organization's culture have been proposed (see Exhibit 2-4).

   a) Innovation and risk taking (the degree to which employees are encouraged to be innovative and take risks).

   b) Attention to detail (the degree to which employees are expected to exhibit precision, analysis, and attention to detail).

   c) Outcome orientation (the degree to which managers focus on results or outcomes rather than on the techniques and processes used to achieve those outcomes).

   d) People orientation (the degree to which management decisions take into consideration the effect on people within the organization).

   e) Team orientation (the degree to which work activities are organized around teams rather than individuals).

   f) Aggressiveness (the degree to which employees are aggressive and competitive rather than cooperative).

   g) Stability (the degree to which organizational activities emphasize maintaining the status quo in contrast to growth).

D. Where Does Culture Come From?

1. The original source of an organization's culture is usually a reflection of the vision or **mission** of the organization's founders.

2. Founders project an image of *what the organization should be and what its values are*.

3. Founders "impose" their vision on employees.

4. Organizational members create a shared history or "who we are."

E. How Do Employees Learn the Culture?

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A. Culture is transmitted principally through stories, rituals, material symbols, and language. Organizational stories typically involve a narrative of significant events or people.

a) **Corporate rituals** are repetitive sequences of activities that express and reinforce important organizational values and goals.

b) **Material symbols and artifacts:** layout of facilities, how employees dress, size of offices, material perks provided to executives, furnishings, and so forth.

c) **Language:** special acronyms, unique terms to describe equipment, key personnel, customers, suppliers, processes, products.

IV. HOW DOES ORGANIZATIONAL CULTURE AFFECT MANAGERS?

1. An organization's culture is important because it establishes constraints on what employees and managers can do.

A. How Does Culture Affect What Employees Do?

a. **Strong cultures** are found in organizations where key values are intensely held and widely shared.

b. Most organizations have moderate-to-strong cultures. In these organizations, high agreement exists about what is important and what defines "good" employee behavior, for example.

c. Strong cultures can create predictability, orderliness, and consistency without the need for written documentation.

MyLab Management Watch It 2!: If your instructor has assigned this, go to the **www.pearson.com/mylab/management** to complete the video exercise.

B. How Does Culture Affect What Managers Do?

a) Constraints from organizational culture are rarely explicit.

b) The link between corporate values and managerial behavior is fairly straightforward.

c) The culture conveys to managers what is appropriate behavior.

d) An organization's culture, particularly a strong one, constrains a manager's decision-making options in all managerial functions (see Exhibit 2-5).

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MyLab Management Try It!: If your instructor has assigned this, go to the **www.pearson.com/mylab/management** to complete the Mini Sim.

V. WHAT ARE CURRENT ISSUES IN ORGANIZATIONAL CULTURE?

1. Corporate leaders increasingly are recognizing that organizational culture is a critical business issue, particularly since an organization's culture can be a "driver" of employee productivity, engagement and retention.

A. Creating a Customer-Responsive Culture

a. A customer-responsive culture can lead to more satisfied employees and customers, which in turn can affect performance results.

b. What does a customer-responsive culture look like? Exhibit 2-6 describes five characteristics of customer-responsive cultures and offers suggestions as to what managers can do to create that type of culture.

B. Creating an Innovative Culture

a. Innovation is an important issue for organizations and managers. More than half of senior executives surveyed said that the most important driver of innovation for companies was a supportive culture.

b. What does an innovative culture look like? Swedish researcher Goran Ekvall's perspective of an innovative culture is: challenge and involvement; freedom; trust and openness; idea time; playfulness/humor; conflict resolution; debates; and risk taking.

C. Creating a Sustainability Culture

a. For many companies, sustainability is incorporated into the organization's overall culture. What can companies do to create a sustainability culture?

   i. Get everyone involved in defining what sustainability means to the organization.
   ii. Get employees involved in finding ways to be more sustainable.
   iii. Create rituals to reinforce the importance of sustainability.
   iv. Use rewards.

D. Creating an Ethical Culture

a. An **ethical culture** is one in which the shared concept of right and wrong behavior in the workplace reflects the core values of an organization and influences the ethical decision making of employees. Ethical culture champion clear ethical standards.

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E. Crating a Learning Culture

a. Today's quick-changing business environment requires adaptability by managers and employees alike. Work cultures geared to constant learning will be of critical importance.

REVIEW AND APPLICATIONS

CHAPTER SUMMARY

2-1 Explain what the external environment is and why it's important. The external environment refers to factors, forces, situations, and events outside the organization that affects its performance. It includes economic, demographic, political/legal, sociocultural, technological, and global components. The external environment is important because it poses constraints and challenges to managers.

2-2 Discuss how the external environment affects managers. There are three ways that the external environment affects managers: its impact on jobs and employment, the amount of environmental uncertainty, and the nature of stakeholder relationships.

2-3 Define *organizational culture* and explain why it's important. Organizational culture is the shared values, principles, traditions, and ways of doing things that influence the way organizational members act. It's important because of the impact it has on decisions, behaviors, and actions of organizational employees.

2-4 Describe how organizational culture affects managers. Organizational culture affects managers in two ways: through its effect on what employees do and how they behave, and through its effect on what managers do as they plan, organize, lead, and control.

2-5 Describe current issues in organizational culture. Current issues in organizational culture include creating a customer-responsive culture, an innovative culture, a sustainability culture, an ethical culture, and a learning culture. These cultural issues are particularly relevant in today's business environment as managers focus on ways that an organization's culture can drive employee productivity, engagement, and retention.

DISCUSSION QUESTIONS

2-1 **How much impact do managers actually have on an organization's success or failure?**

Answer: The omnipotent view supports the idea that a manager is directly responsible for the success and failure of the organization. Top CEOs (and head football coaches) would be more likely to be held accountable for the entire organization's outcomes, while lower level

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managers would be held responsible for the outcomes in their respective departments. This view adopts the premise that managers set the priorities/goals of the organization and are responsible for making major success-oriented decisions. If the goals and decisions that managers choose are correct, then the organization should thrive. The symbolic view is a counterpart to the omnipotent view and asserts that much of an organization's success or failure can be attributed to factors in the external environment, such as competition, economic conditions, or governmental influences. According to this view, management decisions are often flawed and poorly implemented due to factors beyond their direct control. Considering the random and ambiguous situations managers face, they should not be held responsible for organizational performance.

Learning Outcome 2-2: Discuss how the external environment affects managers.
AACSB: Analytical thinking

2-2 **What are the six external environment components and why is it important for managers to understand these components?**

Answer: The six external environment components are economic; demographic; political/legal; sociocultural; technological; and global. Understanding the external environment is important because it poses constraints and challenges to managers.

Learning Outcome 2-1: Explain what he external environment is and why it's important.
AACSB: Analytical thinking

2-3 **How has the changed economy affected what managers do? Find two or three examples in current business periodicals of activities and practices that organizations are using. Discuss them in light of the changed environment.**

Answer: The recent recession has had an overall negative impact on organizations and has made the manager's job more challenging. Students may find examples of how organizations are dealing with a general level of uncertainty regarding job security and wages. On the bright side, some students may find articles on innovative tactics companies are using to do more with less and how organizations are now leveraging limited resources to provide a more exciting and challenging job for employees.

Learning Outcome 2-2: Discuss how the external environment affects managers.
AACSB: Analytical thinking

2-4 **Why is it important for managers to pay attention to demographic trends and shifts?**

Answer: As demographics change, so do the defining characteristics of employees and customers. Managers must adapt to these changes in order to properly motivate their employees and meet the needs of customers. For example, as the Baby Boomers are on the verge of retirement, managers are faced with a younger workforce with different ideas of work and organizational commitment. This change in society will also present opportunities

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as more seniors will demand a greater emphasis on health care and other services important to an aging population.

Learning Outcome 2-1: Explain what he external environment is and why it's important.
AACSB: Analytical thinking

2-5 **What is environmental uncertainty? What impact does it have on managers and organizations? Find two examples in current business periodicals that illustrate how environmental uncertainty affects organizations.**

Answer: Environmental uncertainty relates to (1) the degree of change in an organization's environment and (2) the degree of complexity in that environment. Because uncertainty is a threat to organizational effectiveness, managers try to minimize environmental uncertainty. Students should find articles on organizations that operate in varying degrees of uncertainty. Firms that operate in technology intensive markets, such as computers or cell phones, will typically experience a high degree of uncertainty. Managers in these firms will have to work hard to minimize the impact of behavioral variables such as stress on the workforce. On the other hand, firms that operate in a less dynamic environment have managers that are less stressed by constant change in the environment.

Learning Outcome 2-2: Discuss how the external environment affects managers.
AACSB: Analytical thinking

2-6 **"Businesses are built on relationships." What do you think this statement means? What are the implications for managing the external environment?**

Answer: Organizations depend on their environment and their stakeholders as a source of inputs and a recipient of outputs. Good relationships can lead to organizational outcomes such as improved predictability of environmental changes, more successful innovations, greater degrees of trust among stakeholders, and greater flexibility in acting to reduce the impact of change. In addition, relationship management and maintaining good relationships have been proven by many researchers to have an effect on organizational performance. High-performing companies tend to consider the interests of all major stakeholder groups as they make decisions.

Learning Outcome 2-2: Discuss how the external environment affects managers.
AACSB: Analytical thinking

2-7 **Is organizational culture an asset to an organization? Explain. Can it ever be a liability? Explain.**

Answer: In some cases, organizational culture can be a competitive advantage for an organization. Having a strong culture would likely emphasize employee outcomes such as quality and productivity and would give significant attention to detail. In other cases where the culture is weak or does not match the demands of the environment, organizational culture could be a liability. For example, a weak culture that does not promote ethical decision

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making by employees could produce high levels of employee theft or fraud. Because culture is difficult to change, it should be stressed that choosing to build a strong culture can pay dividends in the long run.

Learning Outcome 2-3: Define *organizational culture* and explain why it's important.
AACSB: Analytical thinking

2-8 **How is an organization's culture formed and maintained?**

Answer: An organization's culture reflects the vision or mission of its founders who project an image of what the organization should be and what its values are. Early on in an organization's life, the founders impose their vision on employees which then results in a shared history, binding employees together and reminding them of "who we are." Over time, an organization's culture is passed on through corporate rituals, material symbols and artifacts, and language.

Learning Outcome 2-3: Define *organizational culture* and explain why it's important.
AACSB: Analytical thinking

2-9 **Discuss the impact of a strong culture on organizations and managers.**

Answer: At one time, researchers supported a direct connection between the strength of an organization's culture and its performance. Today, we know that the strength of an organization's culture is more closely tied to the acceptance of an organization's values. In the end, strong cultures aid a manager in fulfilling their functions: planning, organizing, leading, and controlling.

Learning Outcome 2-4: Describe how organizational culture affects managers.
AACSB: Analytical thinking

2-10 **Pick two organizations that you interact with frequently (as an employee or as a customer) and assess their culture according to the dimensions shown in Exhibit 2-4.**

Answer: Student answers to this question will vary**.** Have students look at the seven dimensions of organizational culture described in the text and rate them from high to low for each company. One point you might want to explore: What role does the founder/CEO of the company play in establishing the culture of the company? Ask students to relate this information to the role a teacher might play in establishing the culture of a classroom.

Learning Outcome 2-3: Define *organizational culture* and explain why it's important.
AACSB: Analytical thinking

2-11 How can managers best deal with environmental uncertainty?

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Answer: Many students will probably approach this question with the idea that knowledge is power. Managers who are attuned to what is going on in the external environment and what that might mean for the organization are likely to be better prepared for unexpected events.

Learning Outcome 2-2: Discuss how the external environment affects managers.
AACSB: Analytical thinking

2-12 Explain how an organization's culture can help it be successful AND how it can keep it from being successful.

Answer: Responses to this question will vary by student. Many will suggest that an organization's culture is important to driving everything the organization does and how it does it. Therefore, organizations with a clear vision and with a positive culture are more likely to be successful whereas those organizations with a toxic culture or a culture that does not support its vision are less likely to be successful.

Learning Outcome 2-3: Define *organizational culture* and explain why it's important.
AACSB: Analytical thinking

MANAGEMENT SKILL BUILDER

Skill Development: Understanding Culture

An organization's culture is a system of shared meaning. When you understand your organization's culture, you know, for example, whether it encourages teamwork, rewards innovation, or stifles initiative. When interviewing for a job, the more accurate you are at assessing the culture, the more likely you are to find a good person-organization fit. And once inside an organization, understanding the culture allows you to know what behaviors are likely to be rewarded and which are likely to be punished.

MyLab Management Personal Inventory Assessment

Go to **www.pearson.com/mylab/management** to complete the Personal Inventory Assessment related to this chapter.

Company Culture Assessment

Want to know what a company's culture is like? This PIA will show you what's involved with assessing a company's culture.

Skill Basics

Here's a list of things students can do to help learn about an organization's culture:

- Do background work.
- Observe the physical surroundings.

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- Make note about those with whom you met.
- How would you characterize the style of the people you met?
- Look at the organization's human resources manual.
- Ask questions of the people with whom you meet.

Practicing the Skill

After spending your first three years after college graduation as a freelance graphic designer, you're looking at pursuing a job as an account executive at a graphic design firm. You feel that the scope of the assignments and potential for technical training far exceed what you're able to do on your own, and you're looking to expand your skills and meet a brand-new set of challenges. However, you want to make sure you "fit" into the organization where you're going to spending more than eight hours every workday. Write a brief paper describing how you would find a place where you'll be happy and where your style and personality will be appreciated.

Experiential Exercise

Organizational culture is a management topic that a lot of people find very interesting! So you're going to explore organizational culture using a series of questions we've come up with.
(1) Is work supposed to be fun? Is a "good" organizational culture dependent on whether employees have fun at work? Lousy cultures have miserable managers. Which came first? The lousy culture or the miserable managers? How would you go about "fixing" this?
(2) An organization's culture should never change. Agree or disagree?
(3) Organizational culture can "make or break" an organization.
(4) The right culture with the right values will always produce the best organizational performance. Agree or disagree?
(5) Management experts say it's important to "invest" in your organization's culture. What do you think that means?
(6) How could you tell if you aren't (or one of your employees isn't) a good fit for the organization's culture?
(7) You can "shape" the culture of your work environment. Agree or disagree? (Hint: You might want to look at the current issues in organizational culture as you talk about this.)

Pick two—only two—of these questions to discuss in your "assigned" group. From your discussion, write down your group's most important insights about organizational culture. Also, what did you learn from your group's discussion that will help you as you prepare to launch or pursue your career goals?

<u>Teaching Tip:</u>
Doing a quick Internet search, students should find a lot of ideas on how to create a fun working environment. There are several Web sites, some international, which suggest specific programs for employers to follow. Students should find information on National Fun at Work Day and several other quick tips that have been tried at other companies. For a more detailed company example, consider *NUTS!: Southwest Airlines' Crazy*

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Recipe for Business and Personal Success. As an introduction to this case, you might want to show a clip from the movie *Office Space* during class.

Case Application 1: Bad Ride, Bumpy Ride

Discussion Questions

2-14 What roles does a CEO play in an organization's culture? What role do other leaders/managers play?

Answer: As both a founder and CEO, Travis Kalanick played a significant role in creating the organizational culture at Uber. Organizational culture reflects the vision or mission of its founders, individuals who also project an image of what the organization should be and what its values are. As a founder, Travis Kalanick was able to impose his win-at-all-costs approach on employees who then passed it on to others. Students are likely to suggest that managers who didn't share their CEO's values and approach probably didn't last long at Uber.

Learning Outcome 2-4: Describe how organizational culture affects managers.
AACSB: Analytical thinking

2-15 Using Exhibit 2-4, describe Uber's culture under its founder.

Answer: Exhibit 2-4 shows the seven dimensions of culture: attention to detail; outcome orientation; people orientation; team orientation; aggressiveness; stability; and innovation and risk-taking. Students will describe the culture at Uber under CEO Travis Kalanick in different ways, but most will agree that team orientation, people orientation, attention to detail, and stability were not highlighted in Uber's culture whereas innovation and risk-taking, aggressiveness, and outcome orientation all played a major role in making Uber what it became under CEO Travis Kalanick.

Learning Outcome 2-3: Define *organizational culture* and explain why it's important.
AACSB: Analytical thinking

2-16 Which view of management do you see played out here? The omnipotent or the symbolic? Explain.

Answer: Most students will probably suggest that the omnipotent view of management is being played out at Uber. Students will likely justify their response by highlighting CEO Travis Kalanick's win-at-all-costs mentality. The omnipotent view of management suggests that managers are directly responsible for an organization's success or failure, while the symbolic view of management argues that an organization's success or failure is due to external forces outside management's control.

Learning Outcome 2-1: Explain what he external environment is and why it's important.

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AACSB: Analytical thinking

2-17 What advice about organizational culture would you give the new CEO?

Answer: Responses to this question will vary by student. Many will suggest that it is important to keep certain elements of Uber's culture even while getting rid of others. The company was built on the "Always Be Hustlin'" mentality and many students will probably agree that keeping this element of Uber is important. At the same time, students will likely suggest that more civility, especially towards women, should be encouraged. In addition, many students will probably suggest that Uber needs to think about its customer and how to keep its customers safe through reliable cars, drivers, and cyber security.

Learning Outcome 2-3: Define *organizational culture* and explain why it's important.
AACSB: Analytical thinking

2-18 From an ethics perspective, what part of this situation disturbs you the most? What career advice, as far as ethical behavior, could you take away from this story?

Answer: Responses to this question will vary by student. Many will agree that the environment at Uber under CEO Travis Kalanick was toxic with little regard for basic civil behavior among employees, toward employees, and especially toward female employees, and toward customers. Students will probably suggest that the organizational culture at Uber reflected the values of its leadership, values that seemed to focus on winning at all costs regardless of whether doing so was legal or ethical Some students will probably point out though that Kalanick's approach, while unpalatable, was successful, at least at the beginning.

Learning Outcome 2-4: Describe how organizational culture affects managers.
AACSB: Analytical thinking

Case Application 2: Not Sold Out

Discussion Questions

2-19 Using Exhibit 2-1, what external components might be most important for managers in movie theater chains to know about? Why?

Answer: Responses to this question will vary by student. Exhibit 2-1 shows the various components of the organization's external environment. Most students will probably suggest that managers in the movie theater industry are most likely to focus on sociocultural and demographic trends as they are related to who will be going to theaters and their preferences. Some students will suggest that managers need to be aware of economic trends as they will have implications for ticket prices. Other students will point out that managers also need to understand the legal environment as laws and regulations regarding intellectual property continue to evolve.

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Learning Outcome 2-1: Explain what he external environment is and why it's important.
AACSB: Analytical thinking

2-20 According to the case, what external trends do managers at the movie theater chains have to deal with?

Answer: The case focuses on several trends including demographic, sociocultural, economic, and legal.

Learning Outcome 2-1: Explain what he external environment is and why it's important.
AACSB: Analytical thinking

2-21 How do you think these trends might constrain decisions made by managers at the movie theater chains?

Answer: Responses to this question will differ by student. Many will point out that ticket prices are a big issue for movie goers and that mangers will have to work to find the right balance between attracting buyers and maximizing profits. Others might explore demographic and sociocultural trends and note that as baby boomers continue to age, they will probably buy fewer tickets. Younger generations who are more comfortable with watching movies on other devices will also be a factor in ticket sales. Managers will also need to be aware of ongoing legal concerns and how they can protect their intellectual property.

Learning Outcome 2-1: Explain what he external environment is and why it's important.
AACSB: Analytical thinking

2-22 What stakeholders do you think might be the most important to movie theater chains? What interests might these stakeholders have?

Answer: Response to this question will vary based on student opinion. Most students will probably agree that customers and investors are important stakeholders as are actors and other industry personnel. Customers want the best viewing options at low prices, while investors want to maximize profits. Actors want to ensure widespread distribution and employees want to see wages rise.

Learning Outcome 2-1: Explain what he external environment is and why it's important.
AACSB: Analytical thinking

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2-23 Using Exhibit 2-2, the Environmental Uncertainty Matrix, choose which cell you believe movie theaters fall into and write a paragraph stating your choice and justifying your choice.

Answer: Responses to this question will vary by student. Most students will probably choose Cell 4, dynamic and complex. This cell suggests a dynamic and unpredictable environment, many components in the environment, components that are not similar to one another and are continually changing, and a high need for sophisticated knowledge of components.

Learning Outcome 2-2: Discuss how the external environment affects managers.
AACSB: Analytical thinking

Case Application 3: Extreme Openness

Discussion Questions

2-24 Is salary transparency a good thing? Explain your position.

Answer: Responses to this question will vary based on the student's opinion. Some students may suggest that salary transparency can help avoid situations where rumors create animosity among employees. Others might focus on the benefits of having more knowledge when negotiating a salary. Some students may contend that salary transparency can lead to resentment is someone feels they are being underpaid relative to a coworker.

Learning Outcome 2-3: Define *organizational culture* and explain why it's important.
AACSB: Analytical thinking

2-25 Using Exhibit 2-4, in which dimension(s) of organizational culture do you believe pay transparency would fall? Explain.

Answer: Responses to this question will vary by students. Exhibit 2-4 shows the various dimensions of culture. Students could make a case for a variety of components probably including team orientation, people orientation, stability, aggressiveness, outcome orientation, and innovation and risk taking.

Learning Outcome 2-3: Define *organizational culture* and explain why it's important.
AACSB: Analytical thinking

2-26 Will this trend toward salary openness affect how managers manage? If so, how? If not, why not?

Answer: Responses to this question will depend on the opinion of the student. Some students will probably suggest that salary transparency could be freeing and allow greater focus on achieving goals. Other students may suggest that salary transparency could be

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limiting if it becomes difficult to reward exemplary employees. Still others may focus on how salary transparency might influence the use of teams in an organization.

Learning Outcome 2-4: Describe how organizational culture affects managers.
AACSB: Analytical thinking

2-27 Has social media's role in pay transparency been a good thing or a negative thing? Discuss.

Answer: Responses to this question will vary by student. Social media has made it easier for individuals to share salary information. Many will probably contend that having greater knowledge of one's worth in the industry is valuable information and so see the role of social media as being a good thing. Others though, will likely suggest that social media can distort reality and if individuals begin to think they are less valued in the workplace, conflict and resentment could result.

Learning Outcome 2-5: Describe current issues in organizational culture.
AACSB: Analytical thinking

2-28 In your "assigned" team, discuss your opinions about sharing salary information. Work together to identify additional potential drawbacks of full pay transparency. Be prepared to share these with classmates.

Answer: Responses to this question will depend on the makeup of the different teams and the perspectives of team members.

Learning Outcome 2-5: Describe current issues in organizational culture.
AACSB: Analytical thinking

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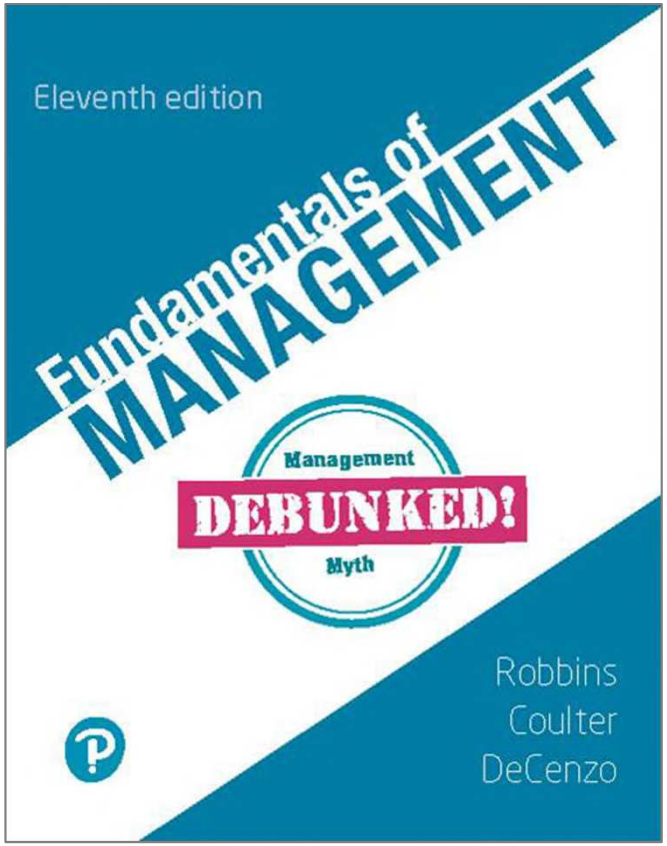

Chapter 02

The Management Environment

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Learning Objectives

2.1 **Explain** what the external environment is and why it's important.

2.2 **Discuss** how the external environment affects managers.

2.3 **Define** *organizational culture* and explain why it's important.

2.4 **Describe** how organizational culture affects managers.

2.5 **Describe** current issues in organizational culture.

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Learning Objective 2.1

Explain what the external environment is and why it's important.

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What Is the External Environment and Why Is It Important?

External environment:

- factors, forces, situations, and events outside the organization that affect its performance.

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Components of the External Environment

Exhibit 2-1 Components of the External Environment

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What Is the Economy Like Today?

- Global productivity has moderated globally although it continues to lag in the United States.
- Global trade is improving with the strongest growth in Europe and Asia.
- U.S. employment is up.
- Many U.S. workers despite having a steady job do not have a reliable income.
- Health-care law mandates are encouraging companies in low-wage industries to use part-time workers.
- Is the American Dream still possible?

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Economic Inequality

Harris Interactive Poll:

- Only 10 percent of adults think economic inequality is "not a problem at all."

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The Sharing Economy

Asset owners share with other individuals through peer-to-peer service, for a set fee, their underutilized physical assets or their knowledge, expertise, skills, or time.

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Demographics

Demography is destiny.

Age Cohorts

- Baby Boomers
- Gen X
- Gen Y
- Gen Z

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Learning Objective 2.2

Discuss how the external environment affects managers.

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How Does External Environment Affect Managers?

- Jobs and employment
- Assessing environmental uncertainty
- Managing stakeholder relationships

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Assessing Environmental Uncertainty

Exhibit 2-2 Environmental Uncertainty Matrix

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

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Managing Stakeholder Relationships

Stakeholders:

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

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Common Organizational Stakeholders

Exhibit 2-3 Organizational Stakeholders

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Good Stakeholder Relationships:

- Can lead to desirable organizational outcomes
- Can affect organizational performance
- Demonstrate doing the “right” thing

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Learning Objective 2.3

Define *organizational culture* and explain why it's important.

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What Is Organizational Culture?

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Organizational Culture

Shared values, principles, traditions, and ways of doing things that influence the way organization's members act.

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Culture Is:

- Perceived
- Descriptive
- Shared

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Dimensions of Culture

Exhibit 2-4

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Learning Organizational Culture

Where Does Culture Come From?	How Do Employees Learn the Culture?
Usually reflects the vision or **mission** of founders.	Organizational stories: narrative tales of significant events or people.
Founders project an image of *what the organization should be and what its values are.*	**Corporate rituals:** repetitive sequences of activities that express and reinforce important organizational values and goals.
Founders can "impose" their vision on employees because of new organization's small size.	**Material symbols or artifacts:** layout of facilities, how employees dress, size of offices, material perks provided to executives, furnishings, and so forth.
Organizational members *create a shared history* that binds them into a community and reminds them of "who we are."	**Language:** special acronyms; unique terms to describe equipment, key personnel, customers, suppliers, processes, products.

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Learning Objective 2.4

Describe how organizational culture affects managers.

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How Does Organizational Culture Affect Managers?

- Effect on what employees do and how they behave
- Effect on what managers do

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How Does Culture Affect What Employees Do?

Strong cultures:

- cultures in which the key values are deeply held and widely shared.

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Strong Cultures Can:

- Substitute for formal rules and regulations
- Create predictability, orderliness, and consistency

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How Does Culture Affect What Managers Do?

Say What?

- Ten percent of executives say they **have not** identified or communicated an organizational culture.

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Company Values Affect Managers' Behavior

"Ready-aim-fire" versus "Ready-fire-aim"

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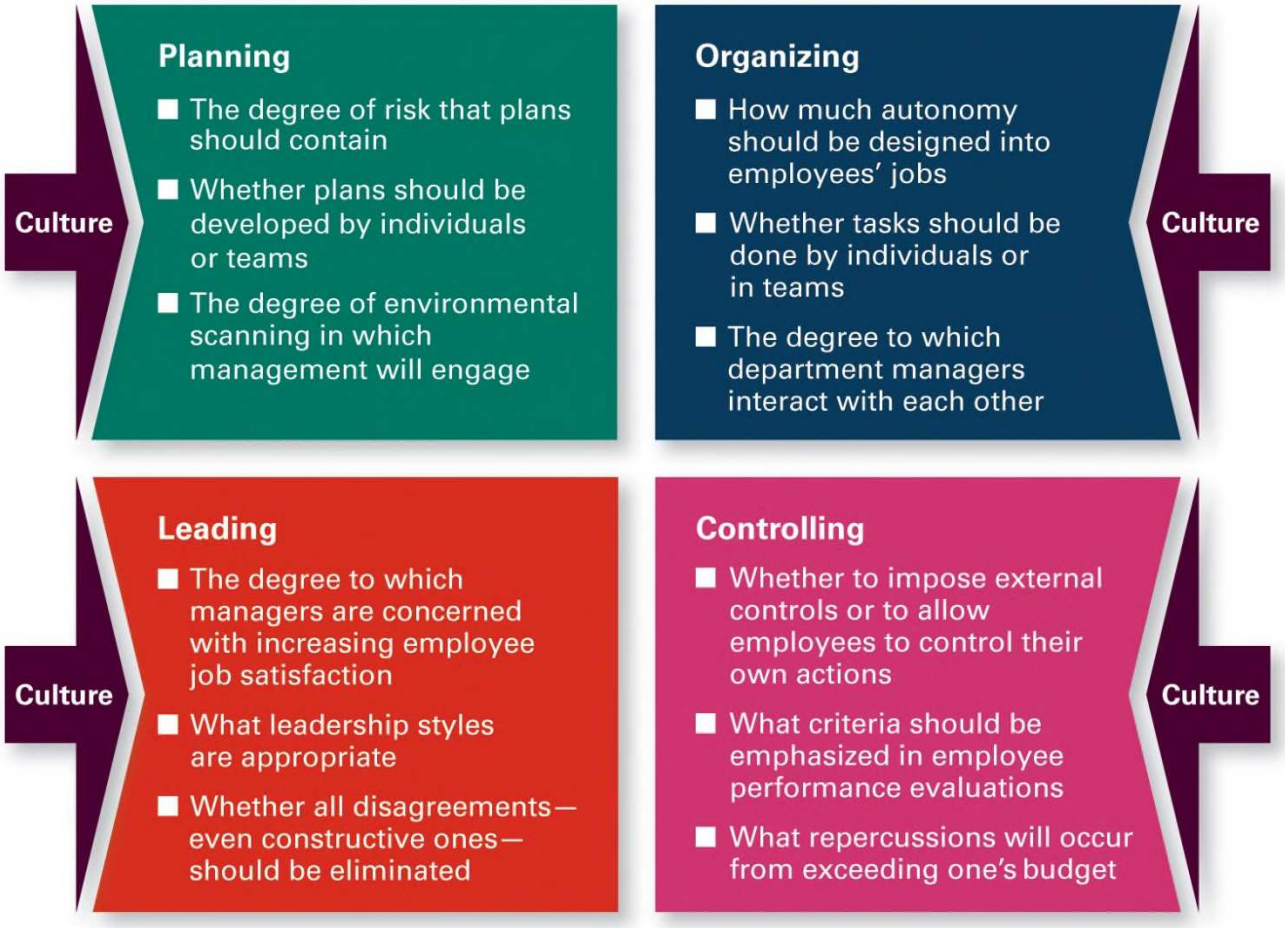
Managerial Decisions Influenced by Culture

Exhibit 2-5 Managerial Decisions Affected by Culture



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Learning Objective 2.5

Describe current issues in organizational culture.

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What Are Current Issues in Organizational Culture?

- Organizational culture can drive employee productivity, engagement, and retention

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Creating a Customer-Responsive Culture

Exhibit 2-6 Creating a Customer-Responsive Culture

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

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Creating an Innovative Culture

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

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Creating a Sustainability Culture

- Get everyone involved in defining what sustainability means to the organization
- Get employees involved in finding ways to be more sustainable.
- Create rituals to reinforce the importance of sustainability.
- Use rewards.

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Creating an Ethical Culture

Ethical culture:

- one in which the shared concept of right and wrong behavior in the workplace reflects the core values of the organization and influences the ethical decision making of employees.

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Creating a Learning Culture

- Creating a learning culture starts with buy-in at the top.
  - Organizational leaders must understand what it takes for a learning culture to work and be committed to it.

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