Understanding Management 10th edition Daft Solutions Manual

SKU: 9781305502215-SOLUTIONS

CHAPTER 2

THE ENVIRONMENT AND CORPORATE CULTURE

CHAPTER OUTLINE

New Manager Self-Test: Are You Fit for Managerial Uncertainty?

I. The External Environment
   A. Task Environment
   B. General Environment

II. The Organization–Environment Relationship
   A. Environmental Uncertainty
   B. Adapting to the Environment

III. The Internal Environment: Corporate Culture
   A. Symbols
   B. Stories
   C. Heroes
   D. Slogans
   E. Ceremonies

IV. Types of Cultures
   A. Adaptability Culture
   B. Achievement Culture
   C. Involvement Culture
   D. Consistency Culture

New Manager Self-Test: Cultural Preference

V. Shaping Corporate Culture for Innovative Response
   A. Managing the High-Performance Culture
   B. Cultural Leadership

ANNOTATED LEARNING OUTCOMES

After studying this chapter, students should be able to:

1. *Define an organizational ecosystem and how the general and task environments affect an organization's ability to thrive.*

The organizational environment consists of all elements existing outside the boundary of the organization that have the potential to affect and influence the organization. This environment consists of two layers: the task environment and the general environment.

The task environment is closer to the organization and includes the sectors that conduct day-to-day transactions with the organization and directly influence its basic operations and performance such as competitors, suppliers, and customers.

The general environment affects the organization indirectly. It includes social, economic, legal-

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

Understanding Management 10th edition Daft Solutions Manual

political, international, natural, and technological factors that influence all organizations about equally.

2. *Explain the strategies that managers use to help organizations adapt to an uncertain or turbulent environment.*

The environment creates uncertainty for organization managers. Uncertainty means that managers do not have sufficient information about environmental factors to understand and predict environmental needs and changes. Two basic factors that influence uncertainty are the number of factors that affect the organization and the extent to which those factors change. Strategies to adapt to these changes in the environment include boundary-spanning roles, interorganizational partnerships, and mergers and joint ventures.

Boundary-spanning roles are assumed by people and/or departments that link and coordinate the organization with key elements in the external environment. Interorganizational partnerships are a popular strategy for adapting to the environment by reducing boundaries and increasing collaboration with other organizations. A merger is the combining of two or more organizations into one. A joint venture involves a strategic alliance or program by two or more organizations.

3. *Define corporate culture.*

Culture can be defined as the set of key values, beliefs, understandings, and norms shared by members of an organization. It can be analyzed at two levels. At the surface level are visible artifacts, which include things such as manner of dress, patterns of behavior, physical symbols, organizational ceremonies, and office layout. At a deeper, less obvious level are the expressed values and beliefs, which can be discerned from how people explain and justify what they do. These are values that members of the organization hold at a conscious level. They can be interpreted from the stories, language, and symbols that organization members use to represent them. Some values become so deeply embedded in a culture that members are no longer consciously aware of them. These basic, underlying assumptions and beliefs are the essence of culture and subconsciously guide behavior and decisions.

4. *Provide organizational examples of symbols, stories, heroes, slogans, and ceremonies and explain how they relate to corporate culture.*

Fundamental values and corporate culture cannot be observed directly, but they can be understood through the visible manifestations of symbols, stories, heroes, slogans, and ceremonies. A symbol is an object, act, or event that conveys meaning to others. Symbols associated with corporate culture convey the organization's important values. A story is a narrative based on true events that is repeated frequently and shared among organizational employees. Stories are told to new employees to keep the organization's primary values alive. A hero is a figure who exemplifies the deeds, character, and attributes of a strong culture. Heroes are role models for employees to follow. A slogan is a phrase or sentence that succinctly expresses a key corporate value. Many companies use a slogan or saying to convey special meaning to employees. A ceremony is a planned activity that marks up a special event and is conducted for the benefit of an audience. Managers hold ceremonies to provide dramatic examples of company values. Organizational culture represents the values, understandings, and basic assumptions that employees share, and these values are signified by the above events.

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

Understanding Management 10th edition Daft Solutions Manual

Managers help define important symbols, stories, heroes, slogans, and ceremonies to shape the future.

5. *Describe four types of culture.*

The adaptability culture is characterized by values that support the company's ability to rapidly detect, interpret, and translate signals from the environment into new behavior responses. This culture emerges in an environment that requires fast response and high-risk decision-making.

The achievement culture is a results-oriented culture that values competitiveness, aggressiveness, personal initiative, and willingness to work long and hard to achieve results. It is suited to organizations concerned with serving specific customers in the external environment, but without the intense need for flexibility and rapid change. An emphasis on winning and achieving specific ambitious goals is the glue that holds the organization together.

The involvement culture places high value on meeting the needs of employees and values cooperation and equality. This culture has an internal focus on the involvement and participation of employees to adapt rapidly to changing needs from the environment. Managers emphasize values such as cooperation, consideration of both employees and customers, and avoiding status differences.

The consistency culture values and rewards a methodical, rational, orderly way of doing things. This culture uses an internal focus and a consistency orientation for a stable environment.

The external environment exerts a big influence on internal corporate culture. The internal culture should embody what it takes to succeed in the environment. If the external environment requires extraordinary customer service, the culture should encourage good service; if it calls for careful technical decision-making, cultural values should reinforce effective managerial decision-making.

6. *Examine the relationship between culture, corporate values, and business performance.*

Companies that succeed in a turbulent world are those in which managers are evaluated and rewarded for paying careful attention to both cultural values *and* business performance. Exhibit 2.8 illustrates four organizational outcomes based on the relative attention that managers pay to cultural values and business results. Some companies put high emphasis on both culture and solid business performance as drivers of organizational success. Managers in these organizations align values with the company's day-to-day operations—hiring practices, performance management, budgeting, and criteria for promotions and rewards.

7. *Define a cultural leader and explain the tools that a cultural leader uses to create a high-performance culture.*

A cultural leader is a manager who uses signals and symbols to influence corporate culture. Cultural leaders influence culture by articulating a vision for the organizational culture that employees can believe in, and heeding the day-to-day activities that reinforce the cultural vision. To create a high-performance culture, a cultural leader would tie the central values that employees believe in to the need for high performance, and then make sure that work procedures

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

Understanding Management 10th edition Daft Solutions Manual

and reward systems match and reinforce those values. Finally, the cultural leader must be sure to exemplify high-performance in his or her own work activities.

LECTURE OUTLINE

NEW MANAGER SELF-TEST: ARE YOU FIT FOR MANAGERIAL UNCERTAINTY?

Organizations in uncertain environments find that everything seems to be constantly changing. Such an environment requires that new managers possess the quality of "mindfulness"—being open-minded and thinking independently. This exercise helps students determine their levels of mindfulness, indicating whether they would likely perform better in stable or unstable environments.

I. THE EXTERNAL ENVIRONMENT Exhibit 2.1

The **organizational environment** includes all elements existing outside the boundary of the organization that have the potential to affect the organization. The environment includes competitors, resources, technology, and economic conditions that influence the organization. It does not include those events so far removed from the organization that their impact is not perceived. The organizational environment can be conceptualized as having two layers surrounding the organization: the **general environment** and the **task environment**. The organization also has an **organizational ecosystem** formed by interaction among a community of organizations in the environment and an **internal environment** that includes the elements within the organization's boundaries such as current employees, management, and corporate culture.

A. Task Environment

1. The **task environment** is the layer closest to the organization and includes those sectors that have a direct working relationship with it. The task environment includes customers, competitors, suppliers, and the labor market.

   a. **Customers** are those people and organizations in the environment that acquire goods or services from the organization. Customers are important because they determine the organization's success. Customers today have even greater power because of the Internet, which poses threats as well as opportunities for managers.

Discussion Question #4: *Contemporary best-selling management books often argue that customers are the most important element in the external environment. Do you agree? In what company situations might this statement be untrue?*

NOTES_____

_____

_____

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

Understanding Management 10th edition Daft Solutions Manual

b. **Competitors** are organizations in the same industry or type of business that provide goods or services to the same set of customers. Specific competitive issues characterize each industry. The recording industry differs from the steel industry and the pharmaceutical industry.

c. **Suppliers** are people and organizations that provide the raw materials that the organization uses to produce its output. A *supply chain* is a network of multiple businesses and individuals that are connected through the flow of products or services. Many companies are using fewer suppliers and building good relationships with them so that they will receive high-quality goods at lower prices. These companies are also finding that being cooperative, rather than adversarial, is the key to saving money, maintaining quality, and speeding products to market.

d. The **labor market** represents people in the environment who can be hired to work for the organization. Labor market factors that impact organizations include:

- the growing need for computer-literate knowledge workers;
- the necessity for continuous investment in human resources through recruitment, education, and training to meet competitive demands of the borderless world; and
- the effects of international trading blocs, automation, outsourcing, and shifting facility locations on labor dislocations, creating unused labor pools in some areas and labor shortages in others.

Exhibit 2.2

Discussion Question #2: *Would the task environment for a wireless provider such as U.S. Cellular contain the same elements as that for a government welfare agency? Discuss the similarities and differences.*

NOTES_____

_____

_____

B. General Environment Exhibit 2.3

1. The dimensions of the **general environment** include international, technological, sociocultural, economic, natural, and legal-political.

a. The **international dimension** represents events originating in foreign countries and opportunities for American companies in other countries. This dimension influences all other aspects of the external environment. This provides new competitors, customers, and suppliers and shapes social, technical, and economic trends.

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

Understanding Management 10th edition Daft Solutions Manual

b. The **technological dimension** includes scientific and technological advancements in a specific industry as well as in society at large. Technology has created massive changes for organizations and industries. Today, computer networks, Internet access, hand-held devices, videoconferencing capabilities, cell phones, and laptops are the minimum tools for doing business. Advances in technology drive competition and help innovative companies gain market share, and they have the potential to transform consumer expectations of an entire industry.

c. The **sociocultural dimension** represents the demographic characteristics, norms, customs, and values of the general population. Important sociocultural characteristics are geographical distribution, population density, age, and education levels. Today's demographic profiles are the foundation of tomorrow's work force and customers.

d. The **economic dimension** represents the general economic health of the country or region in which the organization operates. Components of the economic dimension include consumer purchasing power, the unemployment rate, and interest rates. In the last few years, the weakened U.S. economy has had a devastating effect on small businesses. Nevertheless, there is still tremendous vitality in the small business sector of the economy.

e. The **legal-political dimension** includes federal, state, and local government regulations and political activities designed to influence company behavior. Government regulations influence organizations through a variety of legislation such as Occupational Safety and Heath Administration (OSHA), the Environmental Protection Agency (EPA), fair trade practices, and others. Pressure groups are interest groups that work within the legal-political framework to influence companies to behave in socially responsible ways. For example, Wal-Mart has been pushed to improve workers' wages and health care benefits.

f. The **natural dimension** is different from other sectors of the general environment because it has no voice of its own. It includes all elements that occur naturally on earth, including plants, animals, rocks, and natural resources such as air, water, and climate. Influence on managers to meet needs in the natural environment may come from other sectors, such as government regulation, consumer concerns, the media, competitors' actions, or even employees.

NOTES_____

_____

_____

II. THE ORGANIZATION-ENVIRONMENT RELATIONSHIP

A. Environmental Uncertainty — Exhibit 2.4

1. Environmental uncertainty must be managed to make the organization more effective. *Uncertainty* means that managers do not have sufficient information about environmental factors to understand and predict environmental needs and changes.

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

Understanding Management 10th edition Daft Solutions Manual

Environmental characteristics that influence uncertainty are the number of factors that affect the organization and the extent to which those factors change.

2. When external factors change rapidly, the organization experiences very high uncertainty (e.g., telecommunications firms, computer firms, and electronics firms). When an organization deals with a few external factors that are stable, managers experience low uncertainty (e.g., soft-drink bottlers or food processors).

Discussion Question #3: *What strategic issues have the potential to create environmental uncertainty in the following four industries: (a) automobile; (b) social media; (c) newspaper; and (d) medical services?*

NOTES_____

_____

_____

B. Adapting to the Environment

1. **Boundary-spanning roles** link to and coordinate the organization with key elements in the external environment. Boundary spanners serve two purposes for the organization: they detect and process information about changes in the environment, and they represent the organization's interests to the environment.

   a. People in departments such as marketing and purchasing span the boundary to work with customers and suppliers through face-to-face and market research. *Business intelligence* results from using sophisticated software to search through large amounts of internal and external data to spot patterns, trends, and relationships that might be significant is a recent approach to boundary spanning. For example, Verizon uses business intelligence to actively monitor customer interactions and fix problems almost immediately.

   b. *Competitive intelligence* refers to activities designed to get as much information as possible about one's rivals. For example, Harley-Davidson hires an outside research firm to search through massive amounts of data and reveal patterns that help decipher and predict competitors' actions.

Exhibit 2.5

2. A popular strategy for adapting to the environment is by reducing boundaries and increasing collaboration with other organizations through **interorganizational partnerships**. Companies are joining together to become more effective and share scarce resources. Many companies are engaged in e-business relationships with suppliers and partners, aided by digital network connections and the Internet. The new model is characterized by information sharing, including e-business linkages for automatic ordering, payments, and other transactions.

3. Mergers and joint ventures also reduce environmental uncertainty. A **merger** occurs when two or more organizations combine to become one. A **joint venture** is a strategic alliance by two or more organizations that occurs when the project is too

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

Understanding Management 10th edition Daft Solutions Manual

complex, expensive, or uncertain for one firm to handle alone.

Discussion Question #6: *Why are interorganizational partnerships so important for today's companies? What elements in the current environment might contribute to either an increase or decrease in interorganizational collaboration? Discuss.*

NOTES_____

_____

_____

III. THE INTERNAL ENVIRONMENT: CORPORATE CULTURE Exhibit 2.6

The internal environment includes: corporate culture, production technology, organization structure, and physical facilities. Corporate culture is extremely important in an organization attempting to achieve a competitive advantage. The internal culture must fit the needs of the external environment and company strategy.

Culture is defined as the set of key values, beliefs, understandings, and norms shared by members of an organization. Culture is a pattern of shared values and assumptions about how things are done within the organization. It can be analyzed at two levels, with each level becoming less obvious. At the surface level are visible artifacts, which include all the things one can see, hear, and observe by watching members of the organization. At a deeper, less obvious level are the expressed values and beliefs, which are not observable but can be discerned from how people explain and justify what they do. Some values become so deeply embedded in a culture that members are no longer consciously aware of them. These basic, underlying assumptions and beliefs are the essence of culture and subconsciously guide behavior and decisions.

NOTES_____

_____

_____

A. Symbols

1. A **symbol** is an object, act, or event that conveys meaning to others. Symbols associated with corporate culture convey the organization's important values.

B. Stories

1. A **story** is a narrative based on true events that is repeated and shared among organizational employees. Stories are told to new employees to keep the organization's primary values alive.

C. Heroes

1. A **hero** is a figure who exemplifies the deeds, character, and attributes of a strong corporate culture. Heroes are role models for employees to follow.

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

Understanding Management 10th edition Daft Solutions Manual

D. Slogans

1. A **slogan** is a phrase or sentence that succinctly expresses a key corporate value.

E. Ceremonies

1. A **ceremony** is a planned activity that marks up a special event and is conducted for the benefit of an audience.

NOTES_____

_____

_____

IV. TYPES OF CULTURE Exhibit 2.7

In considering what cultural values are important for the organization, managers consider the external environment, as well as the company's strategy and goals. Studies suggest that the right fit between culture, strategy, and the environment is associated with four categories or types of culture, based on two dimensions: (1) the extent to which the external environment requires flexibility or stability; and (2) the extent to which a company's strategic focus is internal or external.

A strong corporate culture alone does not ensure business success unless the culture encourages healthy adaptation to the external environment. Healthy cultures help companies adapt to the environment. A strong, but unhealthy, culture may encourage the organization to march resolutely in the wrong direction.

A. Adaptability Culture

1. The **adaptability culture** is characterized by values that support the company's ability to rapidly detect, interpret, and translate signals from the environment into new behavior responses. This culture emerges in an environment that requires fast response and high-risk decision-making.

B. Achievement Culture

1. The **achievement culture** is a results-oriented culture that values competitiveness, aggressiveness, personal initiative, cost cutting, and willingness to work long and hard to achieve results. It is suited to organizations concerned with serving specific customers in the external environment, but without the intense need for flexibility and rapid change. An emphasis on winning and achieving specific ambitious goals is the glue that holds the organization together.

C. Involvement Culture

1. The **involvement culture** places high value on meeting the needs of employees and values cooperation and equality. This culture has an internal focus on the

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

Understanding Management 10th edition Daft Solutions Manual

involvement and participation of employees to adapt rapidly to changing needs from the environment. Managers emphasize values such as cooperation, consideration of both employees and customers, and avoiding status differences.

D. Consistency Culture

1. The **consistency culture** values and rewards a methodical, rational, orderly way of doing things. This culture uses an internal focus and a consistency orientation for a stable environment.

NOTES_____

_____

_____

NEW MANAGER SELF-TEST: CULTURAL PREFERENCE

The fit between a new manager and organizational culture can determine success and satisfaction. This exercise helps students determine their preferences with regard to organization culture. Scores indicate the degree to which students will be comfortable and effective in four types of culture: involvement, adaptability, achievement, and consistency.

Instructions: The fit between new manager and organizational culture can determine success and satisfaction. To understand your culture preference, rank the items below from 1 to 8 based on the strength of your preference (1 = strongest preference).

1. The organization is very personal, much like an extended family. Score-1
2. The organization is dynamic and changing, where people take risks. Score-3
3. The organization is achievement oriented, with the focus on competition and getting jobs done. Score-4
4. The organization is stable and structured, with clarity and established procedures. Score-3
5. Management style is characterized by teamwork and participation. Score-1
6. Management style is characterized by innovation and risk taking. Score-2
7. Management style is characterized by high performance demands and achievement. Score-4
8. Management style is characterized by security and predictability. Score-3

Scoring and interpretation: Each question pertains to one of the four types of culture in Exhibit 2.7. To compute your preference for each type of culture, add together the scores for each set of two questions as follows:

Involvement culture — total for questions 1, 5: _2_
Adaptability culture — total for questions 2, 6: _5_
Achievement culture — total for questions 3, 7: _8_
Consistency culture — total for questions 4, 8: _6_

A lower score means a stronger culture preference. You will likely to be more comfortable and more effective as a new manger in a corporate culture that is compatible with your personal preferences. A higher score means the culture would not fit your expectations, and you would

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

Understanding Management 10th edition Daft Solutions Manual

have to change your style and preference to be comfortable. Review the text discussion of the four culture types. Do your cultural preference seems correct to you? Can you think of companies that fit your culture preference?

The cultural preference indicated by the scores above is the involvement culture. Adobe Systems Inc., Google, Chevron Corporation, and Facebook are some companies with high involvement culture that would fit the above culture preference.

V. SHAPING CORPORATE CULTURE FOR INNOVATIVE RESPONSE

Research shows that one factor that increases a company's value the most is people and how they are treated. Corporate culture has become increasingly important to managers as they recognize its importance in attracting, motivating, and keeping good employees. Culture plays a key role in creating an organizational climate that enables learning and innovative responses to threats from the external environment, challenging new opportunities, or organizational crises.

A. Managing the High-Performance Culture — Exhibit 2.8

1. Companies that succeed in a turbulent world are those that pay careful attention to both cultural values and business performance. Cultural values can energize and motivate employees by appealing to higher ideals and unifying people around shared goals. Values boost performance by shaping and guiding employee behavior, so that everyone's actions are aligned with strategic priorities. Four organizational outcomes are possible based on the relative attention managers pay to cultural values and business performance.

    a. Companies that pay little attention to either values or business results are unlikely to survive for long.

    b. Companies that focus on values but pay little attention to business results are likely to miss important environmental changes, eventually resulting in loss of market share.

    c. Companies that focus primarily on bottom-line results but pay little attention to organizational values will find it difficult to survive in times of crisis.

    d. Companies that emphasize both culture and business performance will develop a strong organizational culture that gives employees a sense of identity, holds the company together during tough times, and helps it adapt quickly to a changing environment. These companies represent the **high-performance culture** that:

        - is based on a solid organizational mission or purpose;
        - embodies shared adaptive values that guide decisions and business practices; and
        - encourages individual employee ownership of both bottom-line results and the organization's cultural backbone.

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

Understanding Management 10th edition Daft Solutions Manual

NOTES_____

B. Cultural Leadership

1. One-way managers change norms and values to build a high-performance culture is through cultural leadership. A **cultural leader** defines and uses signals and symbols to influence corporate culture by:

   a. articulating a vision for the organizational culture that employees can believe in; and

   b. heeding the day-to-day activities that reinforce the cultural vision.

2. Managers widely communicate the cultural values through words and actions. Value statements that aren't reinforced by management behavior are meaningless. Cultural leaders also uphold their commitment to values during difficult times or crises. Maintaining consistency with the cultural values helps organizations weather the storm and come out stronger on the other side. Cultural leaders let everyone in the organization know what really counts.

NOTES_____

SUGGESTED ANSWERS TO END-OF-CHAPTER DISCUSSION QUESTIONS

1. *Surveys reveal dramatic shifts in social attitudes toward issues such as gay marriage and citizenship for illegal immigrants. How do you think these changing attitudes might affect the manager's job over the next few years?*

The sociocultural dimension of the general environment represents the demographic characteristics, norms, customs, and values of the general population. Today's demographic profiles are the foundation of tomorrow's workforce and consumers. By understanding these profiles and addressing them in the organization's business plans, managers prepare their organizations for long-term success. Smart managers consider how the following sociocultural trends are changing the consumer and business landscape.

Managers will have to take into consideration that young people are leading the trend toward widespread social equality. Support for gay marriage increased to 53 percent from 30 percent in 2004, and a number of states already have passed laws allowing same sex marriage. Another poll shows that 57 percent of people support a path to citizenship for illegal immigrants.

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

Understanding Management 10th edition Daft Solutions Manual

2. *Would the task environment for a wireless provider such as U.S. Cellular contain the same elements as that for a government welfare agency? Discuss the similarities and differences.*

There are three components of the task environment: competitors, suppliers, and customers. An analysis of each of these components for the two organizations illustrates the differences in their task environments.

Competitors for cellular phone companies include not only other cellular phone companies, but also traditional phone companies, broadband phone services, and other electronic communication services. It is debatable whether there are competitors for most government welfare agencies. Churches and other charitable organizations often provide similar services, but do not really compete with the agencies.

Suppliers of cellular phone companies include the cell phone and other electronic device manufacturers, investors, and companies that build and operate cell phone towers. Suppliers of government agencies, in addition to material suppliers, are ultimately the taxpayers.

Customers of cellular phone companies generally include businesses and members of the general public who are financially sound and able to afford the services offered by the cellular phone companies. Customers or clients of a government welfare agency are generally persons who are financially weak.

3. *What strategic issues have the potential to create environmental uncertainty in the following four industries: (a) automobile; (b) social media; (c) newspaper; and (d) medical services?*

The forces influencing the environment are competitors, resources, technology, and economic conditions. The general environment forces include natural, international, technological, social, economic, and legal-political dimensions. The task environment includes those sectors that have a direct working relationship with the organization, among them customers, competitors, suppliers, and the labor market. Organizations are challenged by uncertainty in the market place and must be able to respond quickly to changing conditions. These forces impact management and create uncertainty, especially in the general environment. A manager must be able to utilize a contingency approach to planning and control events and activities as they develop.

4. *Contemporary best-selling management books often argue that customers are the most important element in the external environment. Do you agree? In what company situations might this statement be untrue?*

Companies in the public and private sector must be customer driven to remain competitive. Management and employees must be customer sensitive and custom deliver the right bundle of utilities to create optimal customer satisfaction. Every organization must have a customer focus and this should be reflected in the mission, goals, and strategies of every firm.

5. *What do you see as the primary advantage of using big data analytics—understanding the environment or influencing the environment? Why?*

Answers will vary. Managers sometimes do not realize the need to carefully use big data analytics to monitor the environment so that they can anticipate and prepare for changes. There

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

Understanding Management 10th edition Daft Solutions Manual

are also things that happen in the environment that cannot reasonably be predicted. By definition, uncertainty means that managers lack sufficient information about environmental factors to understand and predict needs and changes, but big data analysis can help both in understanding the environment and influencing it.

6. *Why are interorganizational partnerships so important for today's companies? What elements in the current environment might contribute to either an increase or decrease in interorganizational collaboration? Discuss.*

Interorganizational partnerships are important for today's companies to survive and grow in the future. Sharing information and resources is essential to cost effectiveness and satisfying stockholders of these organizations. Technological advancements will continue to increase the ease with which interorganizational collaboration occurs.

7. *Consider the factors that influence the environmental uncertainty (rate of change in factors and number of factors in the environment) that are presented in Exhibit 2.4. Classify each of the following organizations as operating in either (a) a low-uncertainty environment or (b) a high-uncertainty environment: Hyundai, Facebook, a local Subway franchise, FedEx, a cattle ranch in Oklahoma, and McDonald's. Explain your reasoning.*

In a high uncertainty environment, the external factors change rapidly whereas in a low uncertainty environment, there are few external factors involved and they are relatively stable. Hyundai, Facebook, FedEx, Subway, and McDonald's would be classified as organizations operating in a high uncertainty environment as there are number of external factors involved that change rapidly.

In the case of a cattle ranch in Oklahoma, there are few external factors involved and would be relatively stable, hence categorized as organizations operating in a low-uncertainty environment.

8. *Distribution center managers for Anheuser-Busch InBev frequently start the day with a sort of pep rally, reviewing the day's sales targets and motivating people to get out and sell more beer. What does this suggest about the type of culture the company's managers promote?*

The "pep rally" is a type of symbol. Symbols are important to corporate culture because they are tangible events that embody deeper values shared by organization members. Astute managers create symbols to help reinforce key values. Almost anything can serve as a symbol. Thus, slogans, and ceremonies like the "pep rally" have symbolic value by indicating to employees the values and understandings that are especially significant for the organization.

9. *As a manager, how would you use symbols to build an adaptability culture that encourages teamwork and risk-taking? What kinds of symbols could you use to promote the values of an involvement culture?*

The adaptability culture emerges in an environment that requires fast response and high-risk decision making. Employees have the autonomy to make decisions and act freely to meet new needs, and responsiveness to customers is highly valued. Managers also actively create change by encouraging and rewarding creativity, experimentation, and risk taking. A manager could offer special awards as symbols of praise for risk-taking and decision-making.

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

Understanding Management 10th edition Daft Solutions Manual

The involvement culture emphasizes an internal focus on the participation of employees to adapt rapidly to changing needs from the environment. This culture places a high value on meeting the needs of employees, and the organization may be characterized by a caring, family-like atmosphere. Managers emphasize values such as cooperation, consideration of both employees and customers, and avoiding status differences. Managers could use awards such as a spirit award or celebrate birthdays with a birthday cake as symbols of recognition for employees.

10. *Do you think it is wise for a top executive to fire a manager who is bringing in big sales and profits for the company but not living up to a cultural value of "showing respect for employees"? Explain.*

This question pertains to cultural leadership. A top executive should fire a manager who does not live up to the cultural value of showing respect for employees. Cultural leaders must uphold their commitment to values during difficult times or crises. Upholding the cultural values helps organizations weather a crisis and come out stronger on the other side. Creating and maintaining a high-performance culture is not easy in today's turbulent environment and changing workplace, but through their words— and particularly their actions—cultural leaders let everyone in the organization know what really counts.

APPLY YOUR SKILLS: SELF-LEARNING

Working in an Adaptability Culture

Although this exercise deals with culture in the workplace, some students may not have much experience with workplace cultures, so it may be useful to ask students about norms on their campus—a culture with which they may be more familiar. Are there styles of dress, books, bags, hangout places, modes of talking, drinking, and dressing or fitness, that govern what reaction students give to one another? You might also ask them about the clubs or organizations to which they belong. If there are strong norms, then there is a strong culture, whether it is a positive or negative one. Often sororities and fraternities have strong cultures, and they have been criticized for that in recent years because of harsh "hazing" practices. Ask them to compare, if possible, a club or organization with a strong culture and one with a weaker culture and see what the differences are. The discussion of norms on campus and in clubs or other organizations can then be compared to culture in work organizations.

APPLY YOUR SKILLS: GROUP LEARNING

Organizational Culture in the Classroom and Beyond

This exercise asks students to identify cultural norms from their own experiences in three different settings, then discuss the identified norms in groups of four to six students and group the norms by common themes and give each group of norms a title. Students will also discuss the origins of norms, the difference between espoused norms and enacted norms, and responsibility for establishing norms.

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

Understanding Management 10th edition Daft Solutions Manual

APPLY YOUR SKILLS: ETHICAL DILEMMA

Competitive Intelligence Predicament

1. *Go ahead and use the documents to the company's benefit, but make clear to your boss that you don't want him passing confidential information to you in the future. If he threatens to fire you, threaten to leak the news to the press.*

This is probably not a good option, since Miquel would feel uncomfortable using the information, knowing that it was received illegally, and it's almost never a good idea to get into a threat/counter threat argument with your boss.

2. *Confront your boss privately and let him know you're uncomfortable with how the documents were obtained and what possession of them says about the company's culture. In addition to the question of the legality of using the information, point out that it is a public relations nightmare waiting to happen.*

This is probably the best initial option. Miquel should be up front with his boss and let him know he doesn't intend to do anything illegal. If the boss insists on doing it anyway, or threatens him with being fired if he doesn't, then he might consider moving on to Option 3.

3. *Talk to the company's legal counsel and contact the Society of Competitive Intelligence Professionals for guidance. Then with their opinions and facts to back you up, go to your boss.*

After being up front with his boss, Miquel should then go elsewhere if the boss does not support him in this matter.

APPLY YOUR SKILLS: CASE FOR CRITICAL ANALYSIS

Not Measuring Up

1. *Do you think Zeitland's desire for changes in culture are related to changes in the external environment? Explain.*

The task environment component of the external organizational environment includes competitors, suppliers, customers, and the labor market. The organization also has an internal environment, which includes the current employees, management, and corporate culture.
An increasingly younger workforce, changing consumer tastes, and technology changes in the industry had caused Zeitland to look more closely at culture and employee satisfaction. The goal of survey and scoring process was to provide feedback in order to assure continuous improvement across a variety of criteria. Hence, Zeitland's desire for changes in culture is related to changes in the external environment as well as internal environment.

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

Understanding Management 10th edition Daft Solutions Manual

2. *What additional investigation might Wheeling and Zeitland undertake before settling on a plan of action?*

Wheeling and Zeitland undertake additional investigation before settling on a plan of action because Cam's score on his management skills and job performance had not improved despite Cam implementing several of the changes from last year's survey. Wheeling and Zeitland should talk to employees and Cam separately to figure out the problem areas.

3. *In which quarter of Exhibit 2.8 would you place Cam? What are some steps you would recommend that Cam consider to better connect with the employees who report to him?*

Cam could be placed in the first quarter of Exhibit 2.8 under Quadrant A as he meets the performance goals but fails to uphold cultural values. Cam is unable to build a cohesive team. Cam must communicate more to ensure that employees understand him better. He should emphasize on both values and business results to create a high-performance culture.

ON THE JOB VIDEO CASE ANSWERS

Camp Bow Wow

1. *What aspects of Camp Bow Wow's corporate culture are visible and conscious? What aspects are invisible and unconscious?*

Visible aspects of Camp Bow Wow's culture include the company logo, the presence of dogs in workspaces, the dress code, the camp imagery, and Heidi Ganahl's life story, which is told and retold during franchisee meetings. Founder Heidi Ganahl says that one of the unique things about working at Camp Bow Wow's corporate headquarters is that "you get to bring your dog to work with you every day." Employees keep baby gates at offices to hold dogs, and the company encourages regular dog-walking breaks. According to Heidi Ganahl, having pets at work keeps everyone focused on the company mission and what's best for the brand.

Invisible aspects of Camp Bow Wow's culture include values such as overcoming adversity to achieve success—a core value communicated through Heidi Ganahl's life story. Another invisible value embraced at Camp Bow Wow is the idea of providing a humanitarian service to dogs and dog lovers. This invisible value has led to the creation of the Bow Wow Buddies Foundation, a non-profit division of Heidi Ganahl's company that finds homes for unwanted pets, invests in animal disease-prevention research, and promotes humane treatment of animals.

2. *Why did Camp Bow Wow have to change its culture when it became a national franchise?*

Camp Bow Wow's early family-business culture was useful in the startup phase of Camp Bow Wow's growth. However, Founder Heidi Ganahl says her company required a different culture once it became a national franchise. In particular, Ganahl says the focus had to shift from a family-based culture to a business-and-performance-oriented culture. She states that the big challenge for any franchise is to get hundreds of franchisees on the same page and committed to one vision and one way of achieving goals. Ganahl says this requires a strong culture that

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

Understanding Management 10th edition Daft Solutions Manual

"doesn't allow for people to color outside of the lines, yet taps into their creativity and innovation."

3. *What impact does Heidi Ganahl's story have on employees at Camp Bow Wow?*

The story of Heidi Ganahl is famous at all levels of the Camp Bow Wow organization. Consumers and franchisees who come in contact with Camp Bow Wow learn about the company by hearing the details of her story. Boulder franchisee Sue Ryan says that Ganahl's story is inspiring to her because it deals with perseverance through tough times. Ryan adds that while business owners don't experience Ganahl's specific tragedy, they do understand adversity. Finally, the story offers a personal connection between employees and the founder. According to Ganahl, the takeaway from her story is that people inevitably face challenges in life and business, but our response to adversity determines whether we will be successful or unsuccessful.

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

Understanding Management 10th edition Daft Solutions Manual

Chapter 2

The Environment and Corporate Culture

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.
Understanding Management 10th edition Daft Solutions Manual

The External Environment

<u>The elements of the world constantly change</u>

- The *external organizational environment* includes all outside elements that affect the organization
- ***Task environment:***
  - Sectors that conduct transactions with the organization

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.
Understanding Management 10th edition Daft Solutions Manual

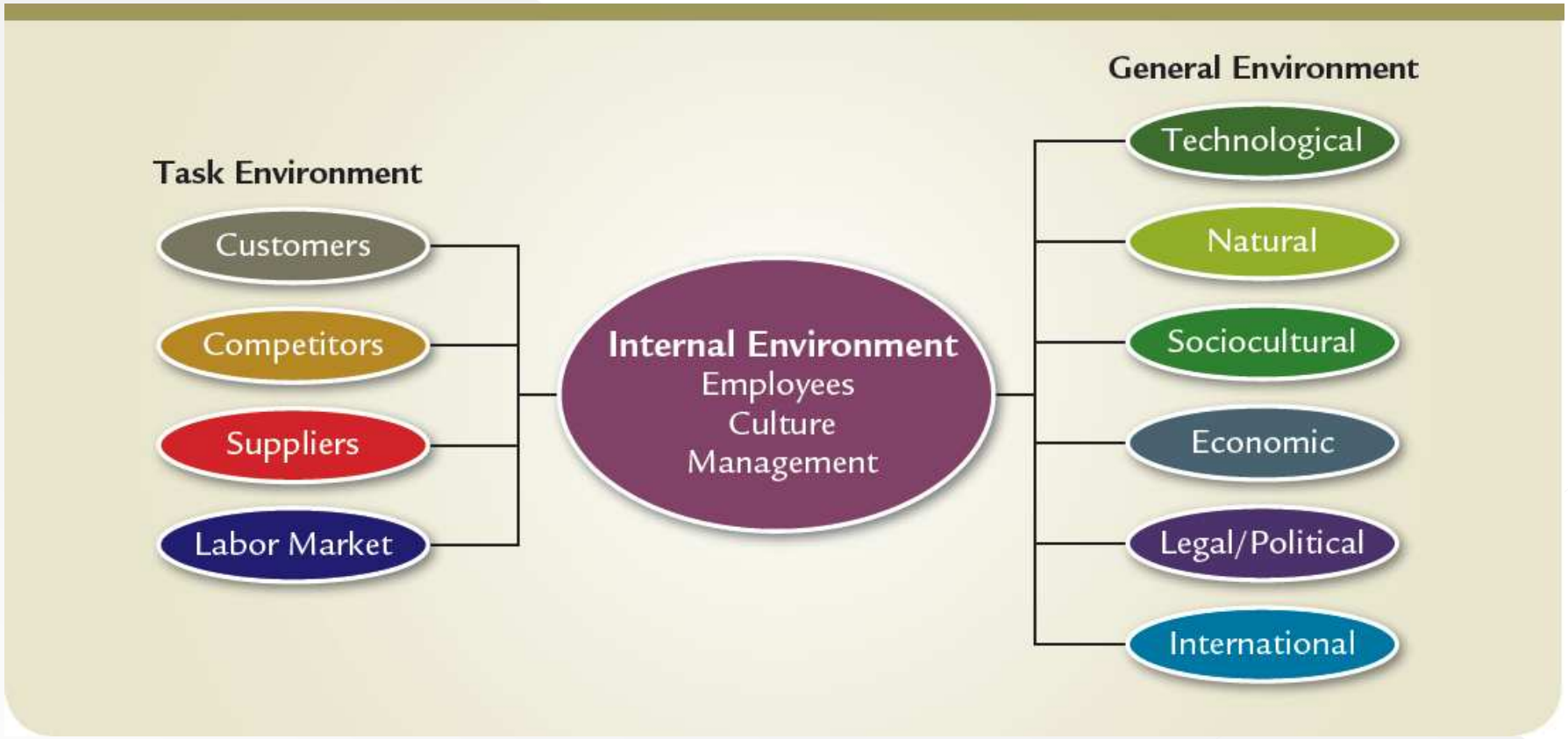
The External Environment

- ***General environment:***
  - Affects organizations indirectly
- ***Organizational ecosystem:***
  - Formed by the interaction among a community of organizations in the environment
- ***Internal environment:***
  - Elements within the organization boundaries

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.
Understanding Management 10th edition Daft Solutions Manual

2.1 – Dimensions of the Organization's General, Task, and Internal Environments

Organizational Ecosystem **includes organizations in all sectors of the task and general environments that provide the resource and information transactions, flows, and linkages necessary for an organization to survive.**



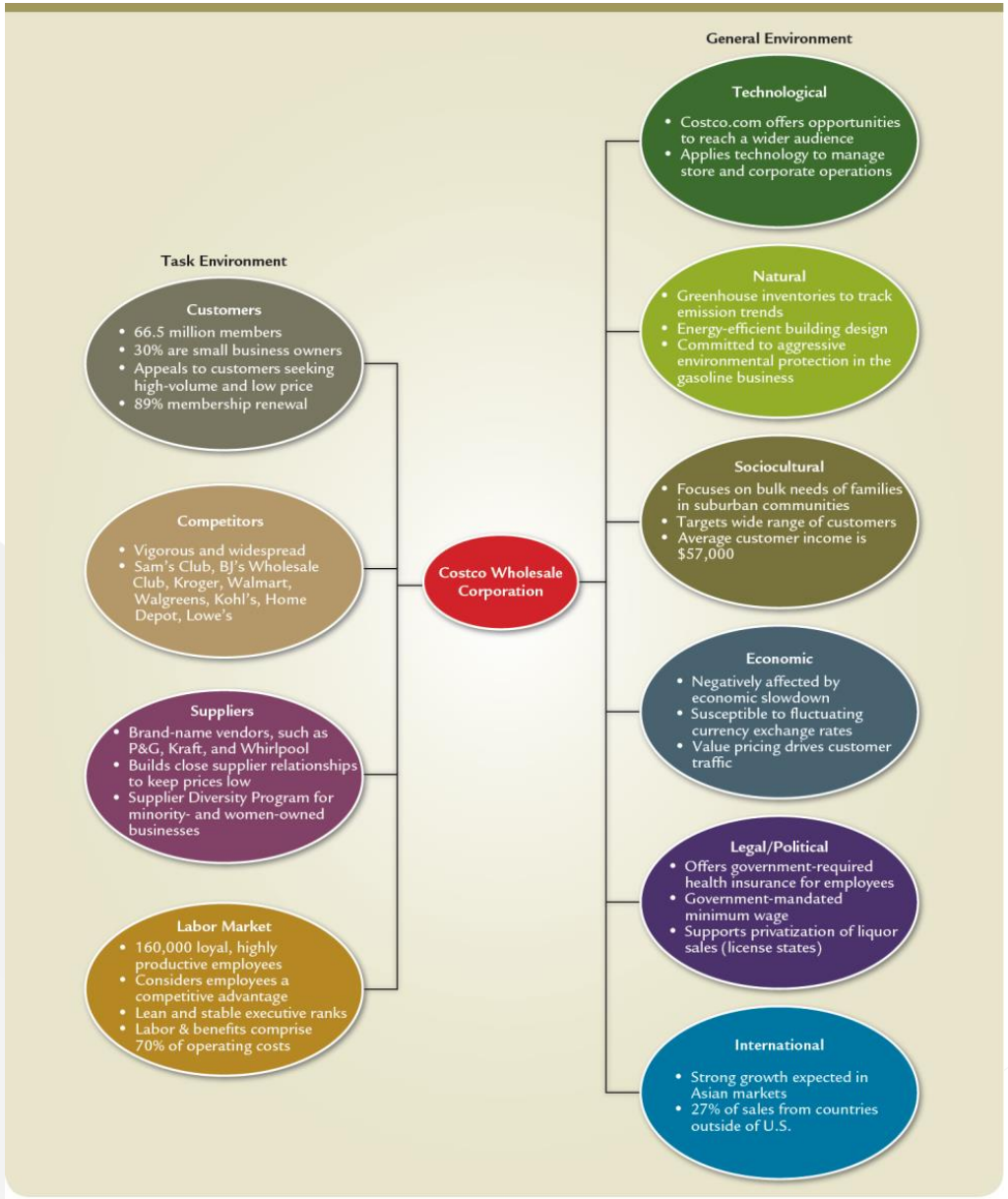
© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.
Understanding Management 10th edition Daft Solutions Manual

Task Environment

- Customers
- Competitors
- Suppliers
- Labor Market

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.
Understanding Management 10th edition Daft Solutions Manual

2.2 – The External Environment of Costco Wholesale Corporation



SOURCES: *Costco Wholesale Annual Report 2012*, Costco Wholesale Corporation Investor Relations Web site, http://phx.corporate-ir.net/phoenix.zhtml?c=83830&p=irol-reportsannual (accessed August 26, 2013); Brad Stone, "Costco CEO Craig Jelinek Leads the Cheapest, Happiest Company in the World," *Bloomberg Businessweek* (June 6, 2013), http://www.businessweek.com/articles/2013-06-06/costco-ceo-craig-jelinek-leads-the-cheapest-happiest-company-in-the-world (accessed August 26, 2013); "Costco Wholesale Corporation," Marketline (April 30, 2012): 3–9; Alaric DeArment, "Costco's Lobbying Changes WA's Liquor Laws: Who Is Next?" *Drug Store News*, (December 12, 2011): 12; and Sharon Edelson, "Costco Keeps Formula as It Expands," *Women's Wear Daily* (January 30, 2012): 1.

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

Understanding Management 10th edition Daft Solutions Manual

General Environment: International

- ***Globalization*** influences all other aspects of the external environment
  - New competitors, customers, suppliers
  - Changes in social, technological, and economic trends
- All organizations must ***compete and think globally***

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.
Understanding Management 10th edition Daft Solutions Manual

Technological

- Massive advancements in a specific industry and society
- Advances drive competition and help innovative companies gain market share

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.
Understanding Management 10th edition Daft Solutions Manual

Sociocultural

Demographic characteristics, norms, customs, and values

- Connected Generation or Gen Z has woven technology into every aspect of life
- U.S. population is aging
- Growing diversity has implications for business

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.
Understanding Management 10th edition Daft Solutions Manual

Economic

- Economic health of the country/region
  - Extended globally with uncertainty
- Consumer purchasing power
- Unemployment rate
- Interest rates

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.
Understanding Management 10th edition Daft Solutions Manual

Legal-Political

- Government regulation; state, local, and federal
  - Political activities
  - Government agencies and regulation
- Managers must recognize the power of *pressure groups*
  - Work to influence companies to behave in a socially responsible way

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.
Understanding Management 10th edition Daft Solutions Manual

Natural

- Organizations must be sensitive to the environment
- Growing importance and pressure
- Natural dimension does not have own voice

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.
Understanding Management 10th edition Daft Solutions Manual

Natural

- Environmental groups advocate action/policy
  - Reduce pollution
  - Develop renewable energy
  - Global warming
  - Sustainable use of scarce resources

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.
Understanding Management 10th edition Daft Solutions Manual

2.3 – 2012 Environmental Performance Index

Rank	Country	Score
1	Switzerland	76.69
2	Latvia	70.37
3	Norway	69.92
4	Luxembourg	69.2
5	Costa Rica	69.03
6	France	69
7	Austria	68.92
8	Italy	68.9
9	Sweden	68.82
10	United Kingdom	68.82
11	Germany	66.91
12	Slovakia	66.62
13	Iceland	66.28
14	New Zealand	66.05
15	Albania	65.85
37	Canada	58.41
49	United States	56.59
116	China	42.24
125	India	36.23
132	Iraq	25.32

SOURCE: *2012 Environmental Performance Index*, Yale Center for Environmental Law and Policy, Yale University, http://epi.yale.edu/epi2012/rankings; and Center for International Earth Science Information Network, Columbia University.

NOTE: The scores for each country are based on 25 performance indicators covering both environmental public health and ecosystem vitality, such as air pollution and greenhouse gas emissions.

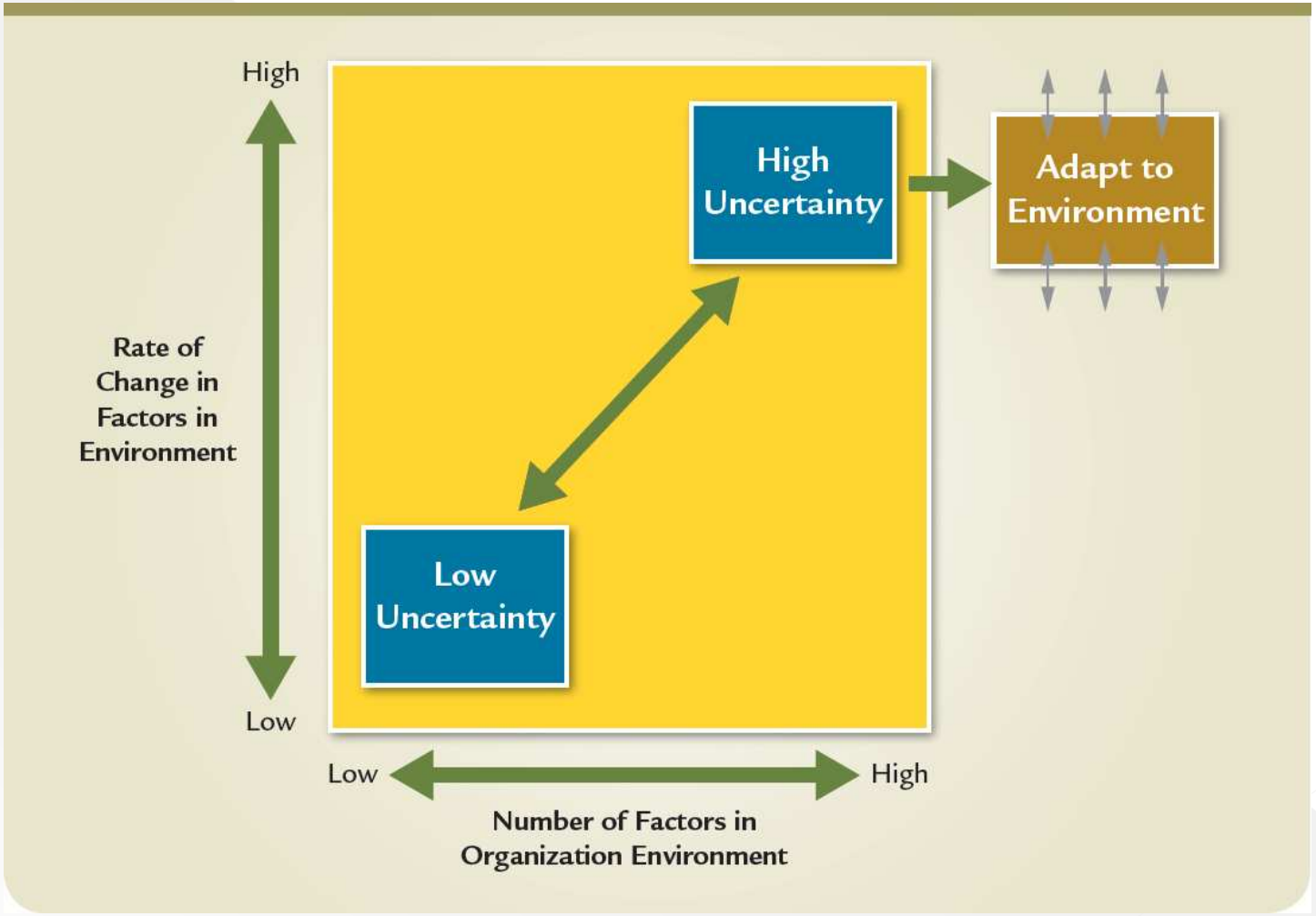
© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

Organization-Environment Relationship

- The environment creates uncertainty for managers
- Managers must respond and design adaptive organizations
- Uncertainty – managers do not have sufficient information about environmental factors to understand and predict environmental needs and changes

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.
Understanding Management 10th edition Daft Solutions Manual

2.4 – The External Environment and Uncertainty



© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.
Understanding Management 10th edition Daft Solutions Manual

Adapting to the Environment

- ***Boundary-spanning roles*** – link and coordinate the organization with external environment, seek:
  - Business intelligence
  - Competitive intelligence
- ***Interorganizational partnerships*** – reduce boundaries and begin collaborating with other organizations

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.
Understanding Management 10th edition Daft Solutions Manual

Adapting to the Environment

- ***Mergers*** – occur when two or more organizations combine to become one
- ***Joint ventures*** – strategic alliances or programs by two or more organizations

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.
Understanding Management 10th edition Daft Solutions Manual

2.5 - The Shift to a Partnership Paradigm

From Adversarial Orientation →	To Partnership Orientation
• Suspicion, competition, arm's length	• Trust, value added to both sides
• Price, efficiency, own profits	• Equity, fair dealing, everyone profits
• Information and feedback limited	• E-business links to share information and conduct digital transactions
• Lawsuits to resolve conflict	• Close coordination; virtual teams and people onsite
• Minimal involvement and up-front investment	• Involvement in partner's product design and production
• Short-term contracts	• Long-term contracts
• Contracts limit the relationship	• Business assistance goes beyond the contract

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.
Understanding Management 10th edition Daft Solutions Manual

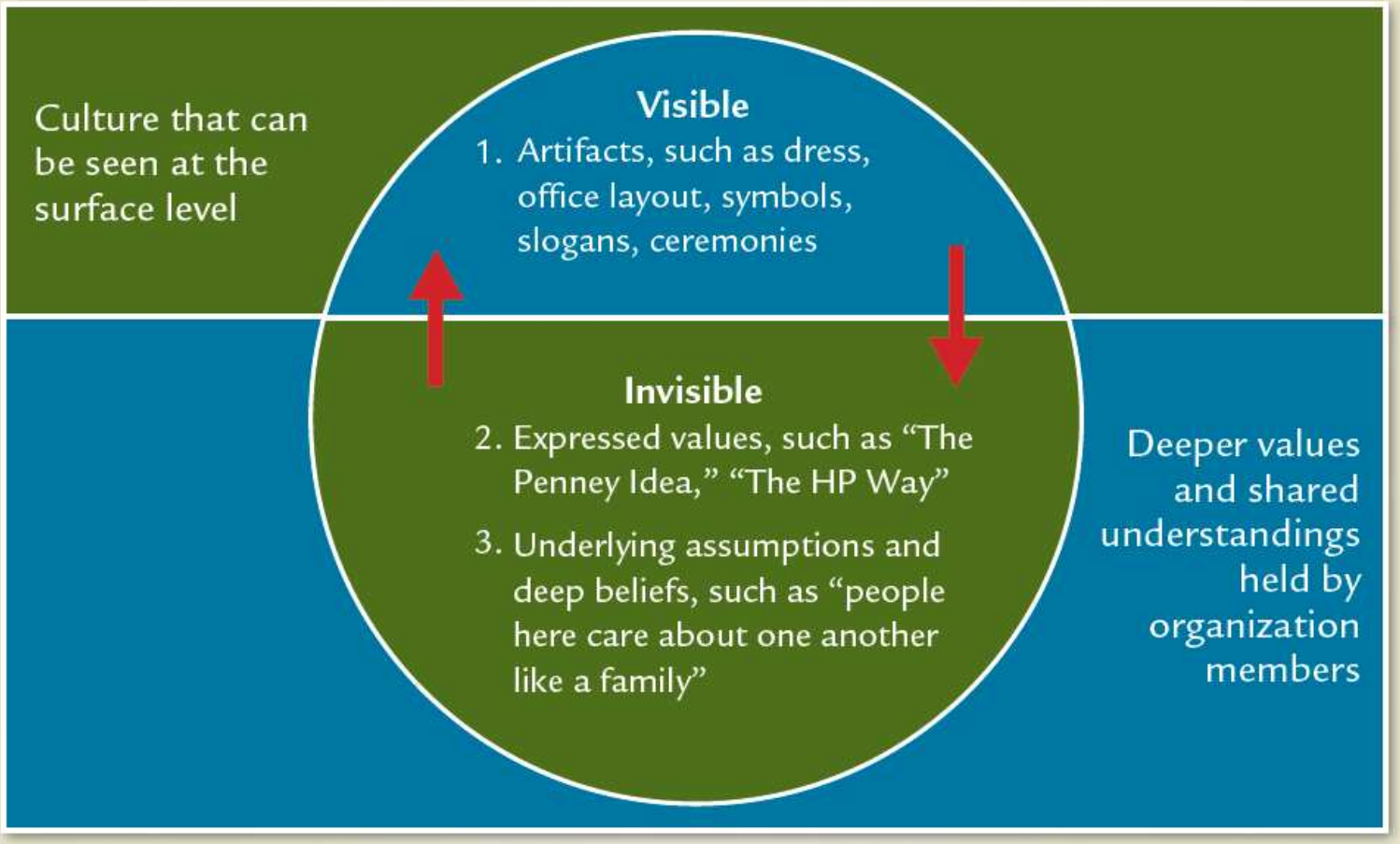
The Internal Environment: Corporate Culture

Corporate culture is the set of key values, beliefs, understandings, and norms that members of an organization share

- Symbols
- Stories
- Heroes
- Slogans
- Ceremonies

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.
Understanding Management 10th edition Daft Solutions Manual

2.6 - Levels of Corporate Culture



© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.
Understanding Management 10th edition Daft Solutions Manual

2.7 - Four Types of Corporate Culture

SOURCES: Based on D. R. Denison and A. K. Mishra, "Toward a Theory of Organizational Culture and Effectiveness," *Organization Science* 6, no. 2 (March–April 1995): 204–223; R. Hooijberg and F. Petrock, "On Cultural Change: Using the Competing Values Framework to Help Leaders Execute a Transformational Strategy," *Human Resource Management* 32, no. 1 (1993): 29–50; and R. E. Quinn, *Beyond Rational Management: Mastering the Paradoxes and Competing Demands of High Performance* (San Francisco: Jossey-Bass, 1988).

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.
Understanding Management 10th edition Daft Solutions Manual

Shaping Corporate Culture for Innovative Response

- Corporate culture plays a key role in learning and innovate responses

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.
Understanding Management 10th edition Daft Solutions Manual

Managing the High-Performance Culture

- Bottom-line strategies are successful in the short term
- Successful companies *balance culture and performance*
- Culture is the "*glue*" that holds the organization together

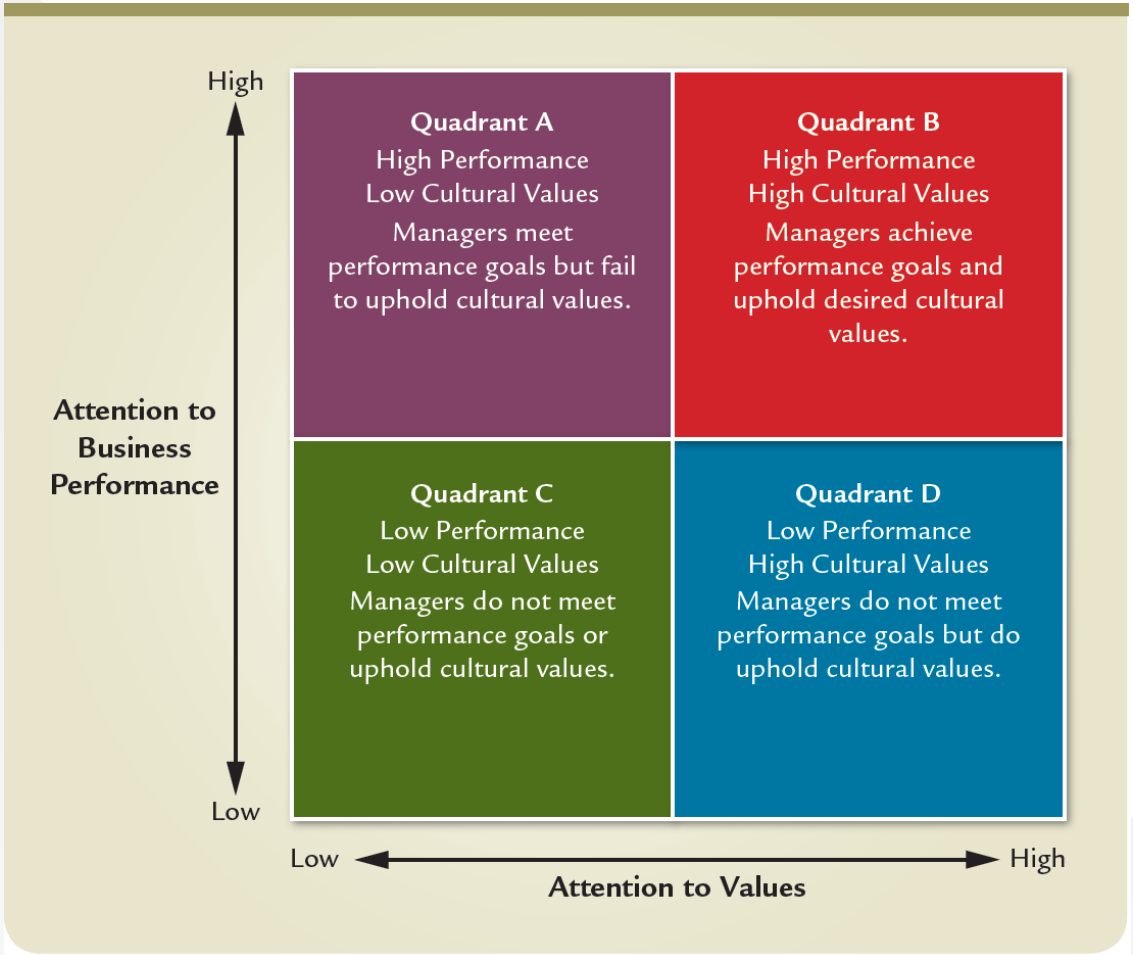
© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.
Understanding Management 10th edition Daft Solutions Manual

High-Performance Culture

- Based on solid organizational mission/purpose
- Shared adaptive values that guide decisions and practices
- Encourages individual employee ownership
  - Bottom-line results
  - Organization's culture

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.
Understanding Management 10th edition Daft Solutions Manual

2.8 - Combining Culture and Performance



SOURCES: Jeff Rosenthal and Mary Ann Masarech, "High-Performance Cultures: How Values Can Drive Business Results," *Journal of Organizational Excellence* (Spring 2003): 3–18; and Dave Ulrich, Steve Kerr, and Ron Ashkenas, Figure 11-2, GE Leadership Decision Matrix, *The GE Work-Out: How to Implement GE's Revolutionary Method for Busting Bureaucracy and Attacking Organizational Problems—Fast!* (New York: McGraw-Hill, 2002), p. 230.

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.

Understanding Management 10th edition Daft Solutions Manual

Cultural Leadership

Defines and uses signals and symbols to influence corporate culture

- Articulate a vision for the organizational culture that employees can believe in
- Heeds the day-to-day activities that reinforce the cultural vision

Leaders communicate through words and actions

© 2017 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part.
Understanding Management 10th edition Daft Solutions Manual