Management Fundamentals Concepts Applications and Skill Development 7th edition Lussier Solutions Manual

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Answers to Questions in the Text
Chapter 2: The Environment: Culture, Ethics, and Social Responsibility

WORK APPLICATION SAMPLE ANSWERS

Most of the answers are actual student answers or based on student answers. You may give these answers as part of your lecture before, after, or in place of getting student answers.

2–1. State the mission of an organization, preferably an organization you work for or have worked for.

The mission of Springfield College is to educate students in spirit, mind, and body for leadership in service to humanity by building upon its foundation of humanics and academic excellence.

2–2. Illustrate the systems process for an organization you work for or have worked for.

At McDonald's we get inputs including meat, buns, lettuce, cheese, pickles, onions, sauce, and Big Mac boxes. We cook the all-beef patties and put them on a bun with lettuce, cheese, pickles, onions, and sauce. Then we put them in a box as our Big Mac output.

2–3. Identify the quality and value of a product you purchased recently.

I bought a used 2006 Honda Accord because of its reputation for being a quality automobile. My Honda was a good value because I got a good price on it, but more importantly, it provides me with the pleasure of being able to go where I want to go, when I want to go, and I'm doing it in a sporty-looking car with a standard shift.

2–4. Identify the cultural heroes, stories, slogans, symbols, and ceremonies for an organization you are/were a member of.

At Springfield College, I've heard that Dogget was a hero. I don't recall any stories. The Springfield College triangle of spirit, mind, and body is the symbol used at the college. The Humanics Philosophy is a Springfield College slogan. There are a few awards ceremonies, such as Stepping Up Day.

2–5. Describe the organizational culture at all three levels for a firm you work for or have worked for. Does the organization have a strong or a weak and a healthy or an unhealthy culture?

I work at Abdows Big Boy Restaurant. Our major assumption is deeply ingrained so that is it the same as our values and beliefs. Our value and belief is customer satisfaction. We are trained, and see by example, how important it is to give quick, courteous service. One of the expected behaviors is to help others provide customer service. For example, if one table server is busy and another is not, you wait on tables that are not yours until the person catches up. Table servers also help bus people to clean tables when they are busy.

We have a strong and healthy culture. Everyone works together with similar behavior and values and beliefs to help Abdows succeed at meeting its mission.

2–6. Give an example of how one firm's competitors have affected that business.

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In East Longmeadow, there is a Big Y Supermarket that had no competitors nearby. However, an Edward's Supermarket moved in across the street from Big Y. As a result, Big Y has lost some customers it would have kept if Edward's had not moved in across the street.

2–7. Give an example of how technology has affected one or more organizations, preferably one you work for or have worked for.

When I used to shop at Costco Wholesale, it had two people at the checkout. One person would read the product numbers to the other one who would type them into the cash register. But now Costco Wholesale finally upgraded its technology to the modern computer scanners. Now it only needs one person at each cashier station. It is more accurate and faster at checking people out, so it has created customer value.

2–8. Give an example from an organization where you work or have worked of behavior at each of the three levels of moral development.

At CDR Grocery, where I used to work, many of my coworkers displayed preconventional behavior by lying to look good. Also, many of my coworkers would display conventional behavior by taking longer breaks because they felt it was justified since "everyone else did it." I displayed postconventional behavior because I tended to work faster than the rest of my coworkers when we stocked shelves, even though they complained about it.

2–9. Give at least two organizational examples of unethical behavior and the justification that was used in each instance.

Moral justification—I lied to get competitor information only to help the company.
Advantageous comparison—I only take a long lunch once in a while; Tom does it all the time.

2–10. Select a business and identify how it manages ethics.

When I worked at Allstate Insurance, it had a code of ethics that stressed being fair to the policyholder. Top management did give a good example of ethical behavior. As an auto accident adjuster, I was not paid by commission, so there was no need for me to try to give people less money than it took to do the job correctly. My boss also reminded me to be fair to the customers; it was one criterion of my performance appraisal.

2–11. Select a business and identify how it is socially responsible on a specific issue.

I'm the coach for the Blue Angels Little League baseball team in my hometown. I went to Pizza Plaza and got it to be our sponsor. Pizza Plaza paid for new uniforms, and on the back of each shirt it says "Pizza Plaza." Pizza Plaza used social reaction by granting the request for sponsorship of the Blue Angels.

2–12. Select a business and identify its sustainability practices.

I work for Walker Construction. We recycle all paper and plastic products at our office. Our office has LEED–certified interiors and exteriors. Also, all employees must turn off their computers at the end of each workday before they go home. And if you are the last employee to leave at the end of the day, your job is to turn out all the lights so that no electricity is wasted while no one is at the office.

REVIEW QUESTION ANSWERS

2–1. What are the factors within the internal environment?

The five internal environmental factors are management and culture, mission, resources, the systems process, and structure.

2–2. What are the components of the systems process?

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The systems process has four components: (1) inputs, (2) transformation, (3) outputs, and (4) feedback.

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The systems process has four components: (1) inputs, (2) transformation, (3) outputs, and (4) feedback.

2–3. How is quality determined, and why do people buy products?

Customers determine quality by comparing a product's actual functioning to their requirements to determine value. People don't simply buy a product itself. They buy the benefit they expect to derive from that product.

2–4. What are the five artifacts of organizational culture?

The five artifacts of culture are: (1) heroes, (2) stories, (3) slogans, (4) symbols, and (5) ceremonies.

2–5. What are the levels of culture?

The three levels of culture are behavior, values and beliefs, and assumptions.

2–6. What is a learning organization?

A learning organization has a culture that values sharing knowledge so as to adapt to the changing environment and continuously improve.

2–7. What is the external environment?

The organization's external environment includes the factors outside its boundaries that affect its performance.

2–8. What are the levels of moral development?

The three levels of moral development are preconventional, conventional, and postconventional.

2–9. How do people justify unethical behavior?

People justify unethical behavior by using moral justification for the behavior, including displacement of responsibility, diffusion of responsibility, advantageous comparison, disregard or distortion of consequences, attribution of blame, and euphemistic labeling.

2–10. What is the stakeholders' approach to ethics?

Under the stakeholders' approach to ethics, when making decisions, you try to create a win-win situation for all relevant stakeholders so that everyone benefits from the decision.

2–11. What is social responsibility?

Social responsibility is the conscious effort to operate in a manner that creates a win-win situation for all stakeholders.

2–12. What are some ways in which businesses are going "green"?

Firms are going green by constructing energy-efficient buildings, installing or upgrading recycling systems, using renewable energy, purchasing environmentally preferable equipment and supplies, and working with one another and with surrounding communities to advance sustainability values.

COMMUNICATION SKILLS ANSWERS

2–1. Do you believe that most organizations focus on creating customer value?

Answers will vary.

2–2. Do you think that all organizations should use total quality management (TQM)? Explain your answer.

Answers will vary, but students should realize the importance of the two TQM principles in all organizations.

2–3. What is the relationship among management and mission, resources, the systems process, and structure? Which of these internal factors are ends, and which are means?

Management determines the mission, resources, systems process, and structure; all affect organizational performance. The mission is an expression of the ends the organization strives to attain. The other internal environment factors are considered the means to achieve the ends.

2–4. Which of the five artifacts, or important ways that employees learn about organizational culture, is the most important?

Answers will vary.

2–5. What is the difference between a strong and weak organizational culture, and which is preferable?

Organizations with strong cultures have employees who subconsciously know the shared assumptions; consciously know the values and beliefs; agree with the shared assumptions, values, and beliefs; and behave as expected. A positive strong culture is preferred.

2–6. What is symbolic leadership? Is it important?

Symbolic leaders articulate a vision for an organization and reinforce the culture through slogans, symbols, and ceremonies.

Yes. As stated in the text, managing culture is an important part of top management. To successfully change or merge cultures, a strong symbolic leader is needed.

2–7. What is a learning organization? Should a manager create one?

A learning organization has a culture that values sharing knowledge so as to adapt to the changing environment and continuously improve.

Yes. Managers that don't change with the environment will not be successful in the long run.

2–8. If you can't control the external environment, why be concerned about it anyway?

Businesses should be concerned about the external environment because it can affect the business's performance. Although a business can't control the external environment, it needs to try to influence the external factors to its advantage, or at least adjust to them.

2–9. Do you believe that ethical behavior will pay off in the long run?

Answers will vary, but students should realize the importance of ethics in business.

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2–10. Do you have your own guide to ethical behavior that you follow now? Will you use one of the guides from the text? If yes, which one and why?

Answers will vary.

2–11. Can ethics be taught and learned?

According to a study done at Harvard, the answer is yes; however, not everyone agrees. But most people realize that in learning about ethics and possible ethical situations, students are better prepared to handle ethics when the need arises on the job.

2–12. Do you believe that companies benefit from being socially responsible? Why or why not?

Answers will vary.

2–13. Do you believe that all businesses should go "green"? Why or why not?

Answers will vary.

APPLYING THE CONCEPT ANSWERS

Applying the Concept 2–1: The Internal Environment

Identify the internal environmental factor underlying each statement.

A. management and culture
B. mission
C. resources
D. systems process
E. structure

1. "We plant seeds, grow vegetables, cut them up, place them in a bag, and sell them to Stop and Shop supermarkets as locally grown."
D. Systems process. Inputs are being converted into outputs.

2. "We are buying a new software package to improve our customers' privacy and security."
C. Resources. Software is a physical resource.

3. "Yes. We sell donuts, but we make more money on real estate by renting our facilities to franchisees."
B. Mission. Real estate is the actual purpose of the business.

4. "We are splitting computer sales into desk PCs and mobile laptops and tablets."
E. Structure. Splitting a department changes the existing structure.

5. "The CEO has been fired for unethical behavior, and the CFO is moving up to replace him."
A. Management and culture. There is a change in Management.

Applying the Concept 2–2: Strong and Weak Cultures

Identify whether each statement reflects an organization with a strong or weak culture.

A. strong culture
B. weak culture

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6. "Oh no, do I really have to listen to the story about how the company founder Ted walked three miles in a snowstorm to deliver the package on time again?"
A. Strong culture. It appears that there is conformity with everyone dressing similarly. If some people wear jackets and ties and others don't, it's optional and a weak part of expected behavior.

7. "Everyone in the department acts differently, so I guess I can just be me rather than trying to act in a manner acceptable to others."
A. Strong culture. Stories are a part of a strong culture.

8. "It's hard to know if I need to follow the ethics code because managers act unethically every now and then."
B. Weak culture. When expected behavior is not clear, there is a weak culture.

9. "I started to tell this 'dumb blond' joke, and the other employees all gave me a dirty look, so I stopped."
B. Weak culture. Unclear values are an indication of a weak culture.

10. "When I walked around the department during my job interview, I realized I'd have to come to work in formal attire because all the women were wearing dresses or suits."
A. Strong culture. The group is giving a "dirty look" to convey that ethical jokes are not acceptable behavior. Employees enforcing behavior comes from a strong culture.

Applying the Concept 2–3: The External Environment

Identify which external environmental factor is referred to in each statement.

A. customers
B. competition
C. suppliers
D. labor force
E. shareholders
F. society
G. technology
H. the economy
I. governments

11. "Are you going to close that sale to Costco?"
I. Governments. The government can stop mergers and acquisitions when it believes society will be harmed by the business transaction.

12. "If we don't get a 4% raise, the Teamsters union will go on strike at our company."
G. Technology. A new material is a technology change.

13. "Animal activist groups pressured the Ringling Brothers circus to the point that it will stop having elephant acts in 2018."
B. Competition. AT&T lost its monopoly, as it has competition now.

14. "KFC bought some bad chickens in China, and sales declined."
H. The economy. The government can influence the economy through monetary policy of changing the amount of money in the economy.

15. Our company was going to be sold to Sprint, but the government said that would be in violation of antitrust laws."
E. Shareholders. They own the company and appoint top managers.

16. "Tesla is working on software for its cars to be self-driven."
G. Technology. New software is a technology change.

17. "LinkedIn and other social media websites took some of the traffic flow away from Facebook."
B. Competition. The social media websites compete with each other for viewers.

18. "Since the recession ended, we have had an increase in sales, but revenues are still not above pre-recession levels."
H. The economy. Sales tend to go with the state of the economy; down in a recession and up during growth periods.

19. "The owners of the company will get to vote on its being acquired or staying independent."
E. Shareholders. They own the company and may get a vote on issues like acqusitions and mergers.

Applying the Concept 2–4: Level of Moral Development

Identify each statement by its level of moral development.

A. preconventional level
B. conventional level
C. postconventional level

20. I can't lie to customers because it is against my religion; it is a sin to lie.
C. Postconventional. The person is not lying because of religious honest.

21. Carl says to Lolo, "You're not selling as much as the rest of us. You really should lie to customers like we do. If the boss asks why you aren't selling as much as the rest of us, you better not tell him we lie, or you will be sorry."
B. Conventional. Carl is using peer pressure to get Lolo to be unethical.

22. Latavia says to John, "There is no big deal in telling lies to customers. We are helping them buy a good product."
A. Preconventional. Latavia is trying to convince John that lying is OK.

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Applying the Concept 2–5: Ethical Approach

Identify each statement by its approach to making ethical decisions.

A. Golden Rule
B. four-way test
C. stakeholder's approach
D. discernment and advice
E. code of ethics

23. I'm a member of Rotary International, and I use its approach when I make decisions.
B. Four-Way test. The Rotary approach is the four-step method.

24. When I make decision, I follow the guidelines the company gave all of us to use to make sure I'm doing the right thing.
E. Code of ethics. Companies have codes of ethics for all employees to follow.

25. I try to make sure that everyone affected by my decisions gets a fair deal.
C. Stakeholder's approach. The person is trying to create a win-win situation for all stakeholders involved.

26. I try to treat people the way I want them to treat me.
A. Golden rule. This statement is essentially saying Do unto others as you would want them to do unto you.

27. Latoya, what do you think of my decision for handling this customer's complaint?
D. . Discernment and Advice. The person is considering if the decision is ethical or not and getting advice to determine if it is or not.

JOIN THE DISCUSSION ANSWERS

Join the Discussion 2–1: Downsizing and Part-Time Workers

As firms struggle to compete in the global economy, many have downsized. *Downsizing* is the process of cutting resources to get more done with less and thereby increase productivity. In some firms, the positions formerly held by full-time employees are filled by part-time workers. Using part-time employees saves companies money because such employees do not receive any benefits (e.g., health insurance), in contrast to full-time employees, who are entitled to benefits. Walmart is known for maintaining a very high ratio of part-time to full-time employees as a way of keeping costs down. Walmart's employment policy is one of the reasons the chain can offer lower prices.

1. Is downsizing ethical and socially responsible?
Answers vary

2. Is using part-time employees rather than full-time ones ethical and socially responsible?
Answers vary

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3. Would you be willing to pay higher prices at stores, such as Walmart, so that more full-time workers could replace part-time workers?
Answers vary

Join the Discussion 2–2: Sex, Profanity, and Violence

The **Federal Communications Commission (FCC)** has the power to regulate television broadcasts. Advocates for more regulation (**Parents Television Council** and Mediawatch-UK, formerly the **National Viewers' and Listeners' Association**) state that TV shows with violent acts, profanity, and sexual content should be shown later at night when children most likely will not be watching. For example, many **Seinfeld** episodes have sexual themes, and the show was not aired until 9:00 P.M., but now it's shown at all hours of the day. **Sex and the City, Jersey Shore,** and other shows with sexual content and violence are also shown at all hours. However, advocates against regulation (**National Coalition Against Censorship**) don't want censorship at all, on the grounds that it violates free speech. They claim it's up to the parents to restrict viewing they don't approve of.

1. How does TV influence societal values? (Consider that many children watch as many as five hours of TV per day.)
Answers vary

2. Do TV shows that include sex and violence reflect religious and societal values?
Answers vary

3. Is it ethical and socially responsible to air TV shows with sexual content, profanity, and violence during hours when children are watching?
Answers vary

4. Is it ethical and socially responsible to portray women as sex objects?
Answers vary

5. Should the FCC regulate television, and if so, how far should it go? Should it make networks tone down the sex and violence, or take shows off the air?
Answers vary

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Chapter 2 Lecture Outline

The Environment: Culture, Ethics, and Social Responsibility

The Internal Environment

Slide 3

The organization's **internal environment** *includes the factors that affect its performance from within its boundaries.*

These internal environmental factors are within the organization's control.

They include:

- Management and culture
- Mission
- Resources
- Systems process
- Structure

Exhibit 2-1: Internal Environmental Means and Ends

Slide 4

See figure on page 34.

Mission, Management, and Culture

Slide 5

The organization's **mission** is its purpose or reason for being.
Example: **Walmart'**s mission is to help people save money so they can live better.

Top level **managemen**t is responsible for the organization's performance. They develop the visionary mission, strategies, and plans to achieve them.

An **organizational culture** consists of the values, beliefs, and assumptions about appropriate behavior that members of an organization share.

Resources and Structure

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Slide 6

Organizational resources include human, financial, physical, and informational. Human resources are responsible for achieving the organization's mission and objectives through the other three resources.

Structure refers to the way in which an organization groups its resources to accomplish its mission.

Systems Process

Slide 7

The **systems process** is the technology used to transform inputs into outputs to make and deliver products and services. The systems process has four components:

Inputs
Transformation
Outputs
Feedback

Exhibit 2-2: The Systems Process

Slide 8

See figure on page 36.

Total Quality Management

Slide 9

Total quality management (TQM) *is the process that involves everyone in an organization focusing on the customer to continually improve product value.* The two primary principles of TQM are:

Focusing on delivering customer value
and continually improving the system and its processes.

Exhibit 2-3: Components of the Internal Environment

Slide 10

See figure on page 36.

Organizational Culture

Slide 11

Learning the organizational culture through artifacts:

Heroes

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Stories
Slogans
Symbols
Rituals
Ceremonies

Three Levels of Culture

Slide 12

Behavior - includes the observable things that people do and say or the actions employees take.

Values and beliefs - represent the way people believe they ought to behave.

Assumptions - values and beliefs that are so deeply ingrained that they are considered unquestionably true and taken for granted.

Exhibit 2-4: Three Levels of Organizational Culture

Slide 13

See figure on page 38.

Learning Organizations

Slide 14

A **learning organization** has a culture that values sharing knowledge so as to adapt to the changing environment and continuously improve.

The External Environment

Slide 15

The organization's external environment includes the factors outside its boundaries that affect its performance.

External environmental factors: Customers, Labor force, Technology, Competition, Shareholders, The economy, Supplies, Society, Governments

Exhibit 2-5: The Organizational Environment

Slide 16

See figure on page 43.

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Business Ethics

Slide 17

Ethics are the standards of right and wrong that influence behavior.

Right behavior is considered ethical, and wrong behavior is considered unethical.

Ethics go beyond legal requirements to do the right thing even when we don't have to.

Factors That Influence Behavior to be Ethical or Unethical

Slide 18

Personality traits and attitudes - some people have a higher level of ethics than others, as integrity is considered a personality trait.

Moral development - refers to distinguishing right from wrong and choosing to do the right thing. There are three levels of personal moral development:

Preconventional
Conventional
Postconventional

The situation - in certain situations, it can be tempting to be unethical, e.g., negotiation.

Exhibit 2-6: Levels of Moral Development

Slide 19

See figure on page 47.

Guides to Ethical Behavior

Slide 20

Golden rule - "Do unto others as you want them to do unto you," or "Don't do anything to anyone that you would not want someone to do to you."

Four-way test - (1) Is it the truth? (2) Is it fair to all concerned? (3) Will it build goodwill and better friendship? (4) Will it be beneficial to all concerned?

Stakeholders' approach to ethics - try to create a win-win situation for all relevant stakeholders so that everyone benefits from the decision.

Discernment and advice - before you act, use an ethical guide to discern if the behavior is ethical or not.

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Managing Ethics
Slide 21

Top management support and example - Many large corporations have Ethics Officers responsible for developing their ethics codes and developing and conducting this training.

Whistle-blowing occurs when employees expose what they believe to be unethical behavior by their fellow employees.

The Foreign Corrupt Practices Act (FCPA) - bars U.S.-based or U.S.-listed companies from bribing foreign officials in exchange for business and requires them to keep accurate books and records.

Social Responsibility and Sustainability
Slide 22

Social responsibility is the conscious effort to operate in a manner that creates a win-win situation for all stakeholders.

Major corporations have to be socially accountable because stakeholders, including customers, the media, and the public will increasing demand it.

Exhibit 2-7: Levels of Corporate Social Responsibility
Slide 23

See figure on page 52.

Levels of Corporate Social Responsibility
Slide 24

Legal CSR - focuses on maximizing profits while obeying the law.

Ethical CSR - focuses on profitability and doing what is right, just, and fair.

Benevolent CSR - focuses on profitability and helping society through philanthropy.

Sustainability
Slide 25

Sustainability is meeting the needs of the present world without compromising the ability of future

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generations to meet their own needs.

The triple bottom line - requires managers to simultaneously address widely diverging but interconnected concern for the:
Natural environment
Social welfare
Economic prosperity of the firm

A **green company** acts in a way that minimizes damage to the environment.

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Answers to Case Questions Chapter 2: The Environment: Culture, Ethics, and Social Responsibility

LEGO

1. Which internal environmental factor is the major reason for Lego's success?

Management & culture. LEGO has always had a very special and caring management team. The company has been passed from one generation to the next with special care to always help children learn and for LEGO to be profitable.

2. LEGO's new program using recycled supplies reflects what level of culture?

Level 3. Level 3 is assumptions—values and beliefs that are deeply ingrained as unquestionably true. Values, beliefs, and assumptions provide the operating principles that guide decision making and behavior. Consequently, when LEGO made a mistake and didn't use suppliers that are part of the Forest Stewardship Council, it accepted the responsibility and made the changes necessary to use suppliers that also believe in sustainability.

3. Which external environmental factor in this case is least important to LEGO's success?

The pressure to make a change, in this case, did not come from a particular government. So it could be said that the government influence was the least important environmental factor.

4. Which external environmental factor, in this case, is most important to LEGO's continuing success?

Society. The social activist group Greenpeace was the external factor that made LEGO aware its supplier was not using sustainable measures to protect the environment.

5. Is LEGO engaged in socially responsible behavior?

It would like to be after making the agreement with Greenpeace. LEGO's Group has a constant commitment and goals to continuously be a more sustainable company.

6. Would LEGO be considered a "green" company?

Since 2011, LEGO would be greener than it was before 2011. Being a fully certified FSC company cuts down on packaging material and also 3,000 deliveries. They are also considered "green" based on their carbon positive initiative.

7. Does LEGO have a strong or weak culture?

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A strong culture based on being an ethical and value-oriented company that likes to help children to learn and play.

8. Can you think of any other ways LEGO could improve its sustainability practices?

LEGO could evaluate if it needs to improve the recycled aspects of using plastic in its actual LEGO blocks.

9. Which manager's resources have given LEGO a competitive advantage over its competitors?

Organizational resources include human, financial, physical, and informational. Although answers can vary, the management team is known to make great business decisions (human resources). They also possess a very strong financial situation, which allows them to grow globally.

10. How does LEGO's new recycling program highlight the four management functions?

Planning, leading, organizing, and controlling. LEGO should have planned better and realized that APP was not a sustainable supplier. However, by working with Greenpeace and FSC, we believe LEGO is being a leader by using sustainable suppliers. LEGO will be able to use its vast resources to organize its supply chain and control the process to make sure the chain is always helping to provide sustainable supplies.

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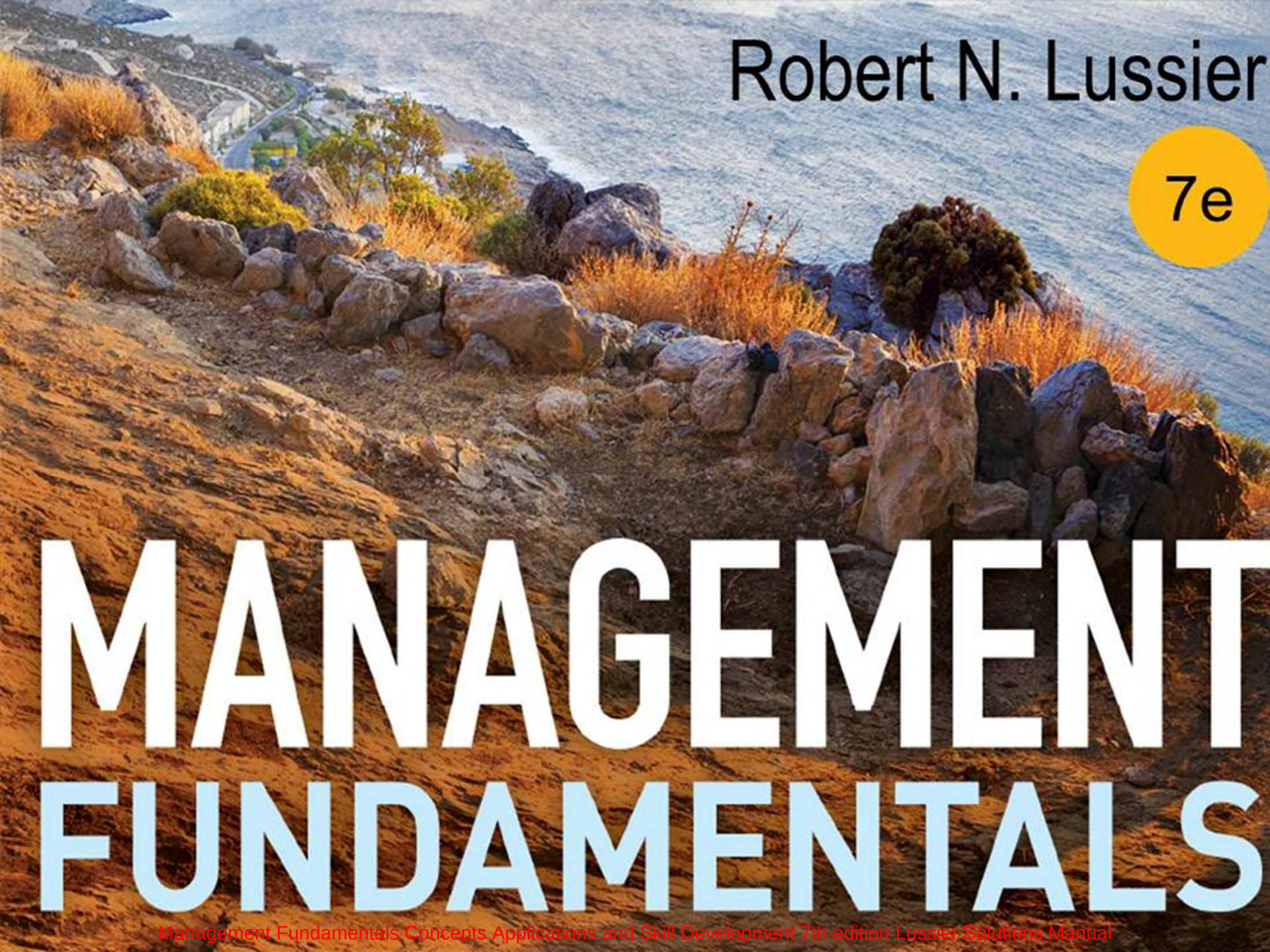

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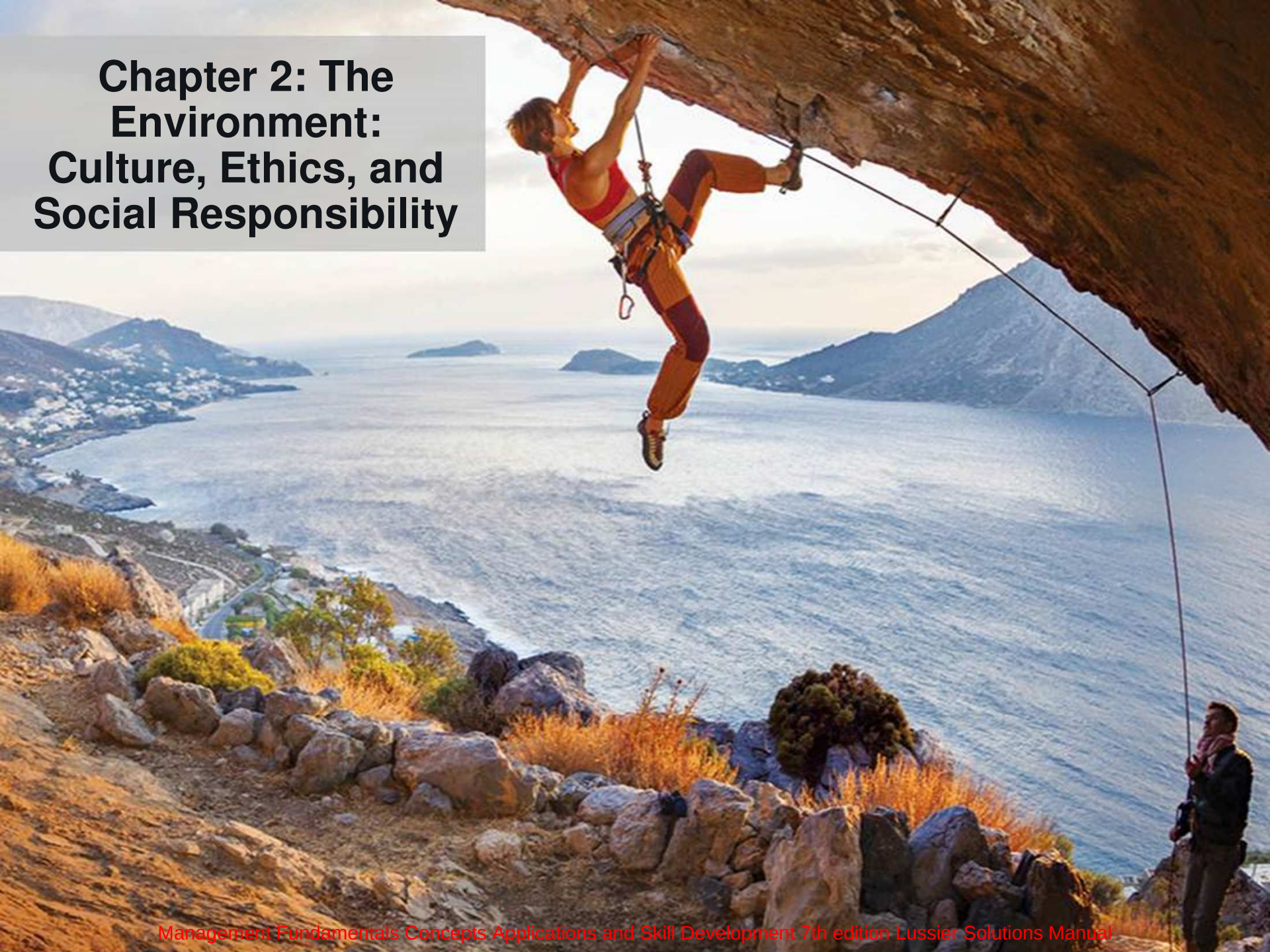

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The Internal Environment

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  - Systems process
  - Structure

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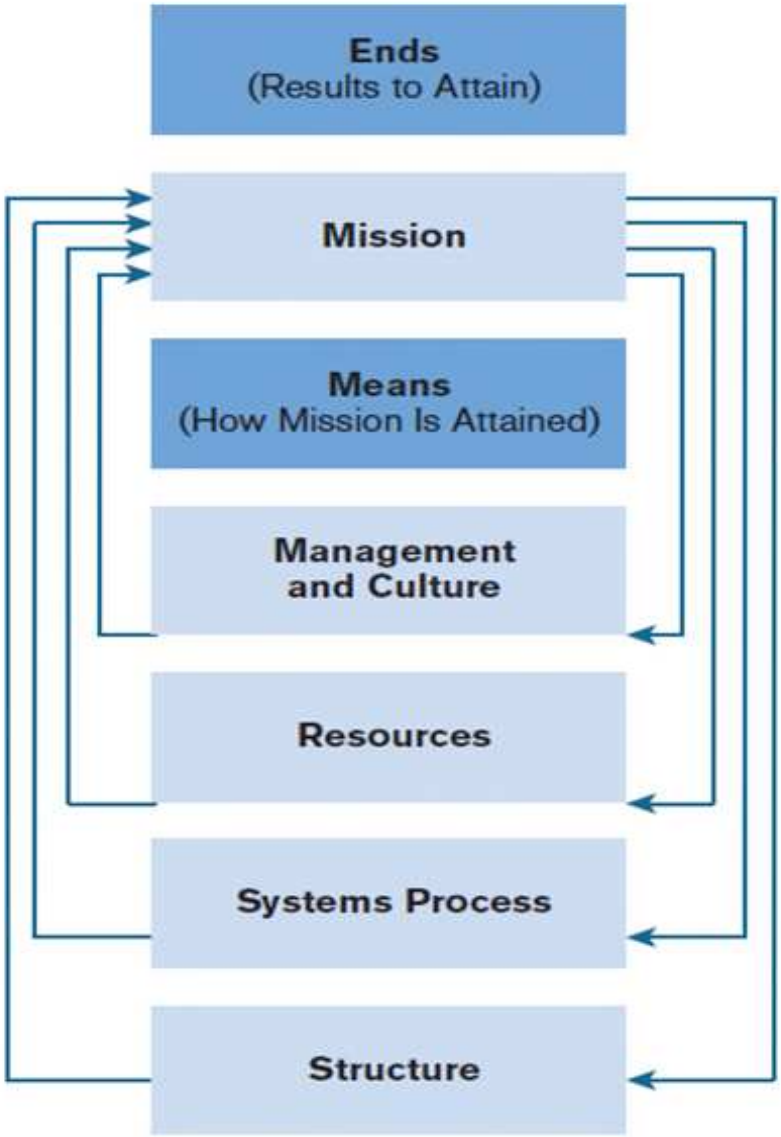
Exhibit 2-1: Internal Environmental Means and Ends



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Mission, Management, and Culture

- The organization's **mission** is its purpose or reason for being.
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Resources and Structure

- Organizational resources include human, financial, physical, and informational. Human resources are responsible for achieving the organization's mission and objectives through the other three resources.
- Structure refers to the way in which an organization groups its resources to accomplish its mission.

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Systems Process

- The **systems process** is the technology used to transform inputs into outputs to make and deliver products and services. The systems process has four components:
  - *Inputs*
  - *Transformation*
  - *Outputs*
  - *Feedback*

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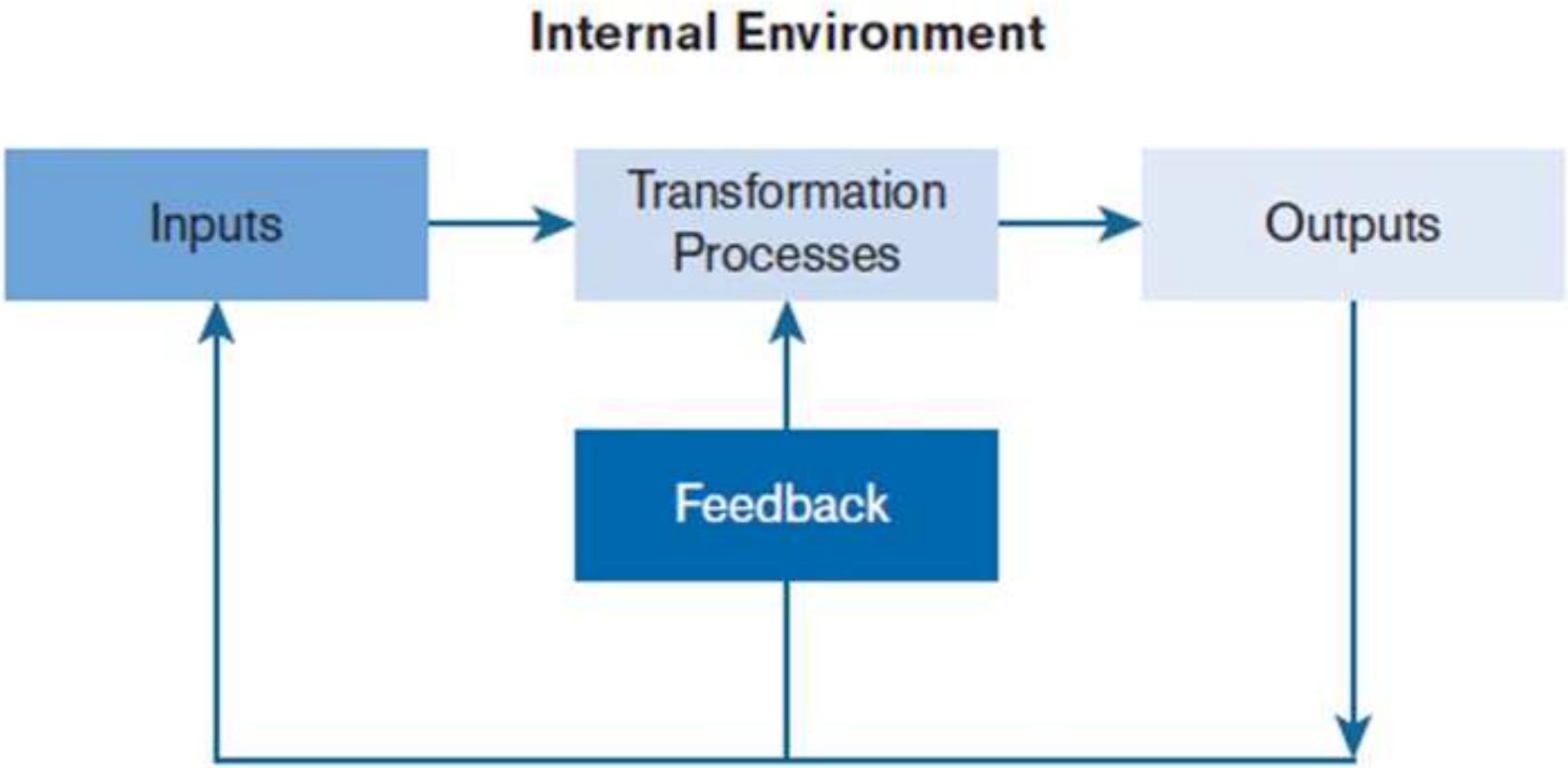
Exhibit 2-2: The Systems Process



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Total Quality Management

- **Total quality management (TQM)** *is the process that involves everyone in an organization focusing on the customer to continually improve product value.* The two primary principles of TQM are:
  1. Focusing on delivering customer value and
  2. continually improving the system and its processes.

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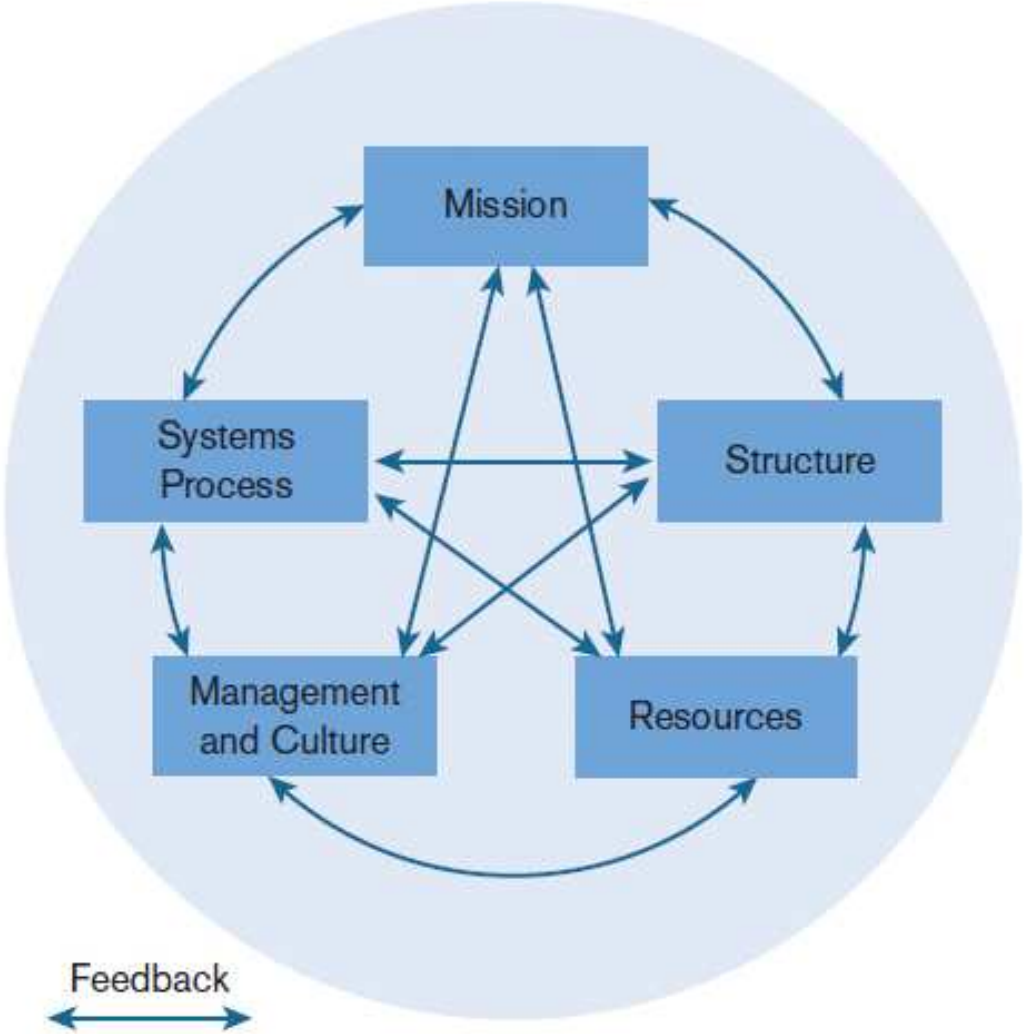
Exhibit 2-3: Components of the Internal Environment



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Organizational Culture

- Learning the organizational culture through artifacts:
  - *Heroes*
  - *Stories*
  - *Slogans*
  - *Symbols*
  - *Rituals*
  - *Ceremonies*

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Three Levels of Culture

- **Behavior** - includes the observable things that people do and say or the actions employees take.
- **Values and beliefs** - represent the way people believe they ought to behave.
- **Assumptions** - values and beliefs that are so deeply ingrained that they are considered unquestionably true and taken for granted.

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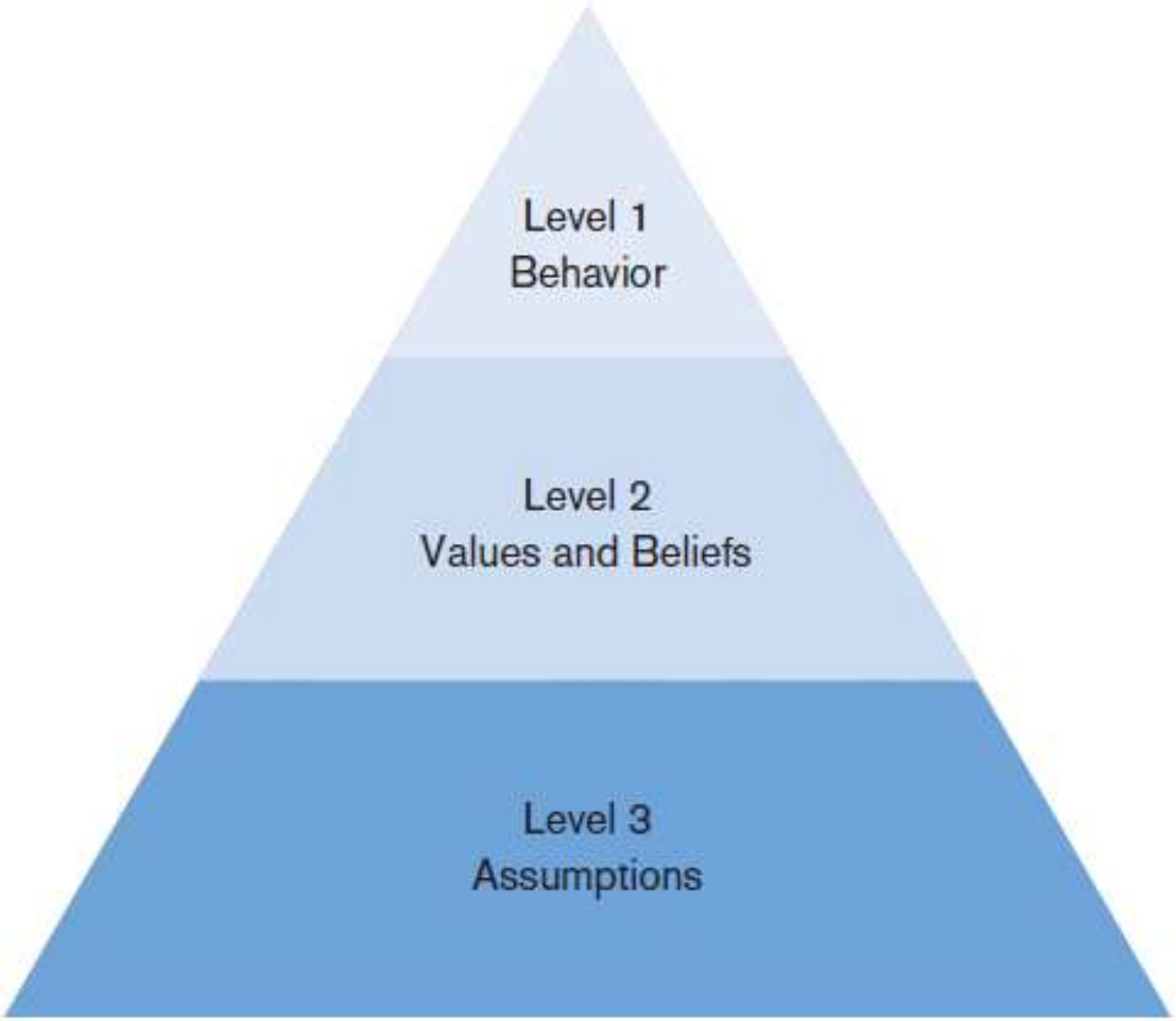
Exhibit 2-4: Three Levels of Organizational Culture



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Learning Organizations

- A **learning organization** has a culture that values sharing knowledge so as to adapt to the changing environment and continuously improve.

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The External Environment

- The organization's external environment includes the factors outside its boundaries that affect its performance.
- External environmental factors

Customers	Competition	Suppliers
Labor force	Shareholders	Society
Technology	The economy	Governments

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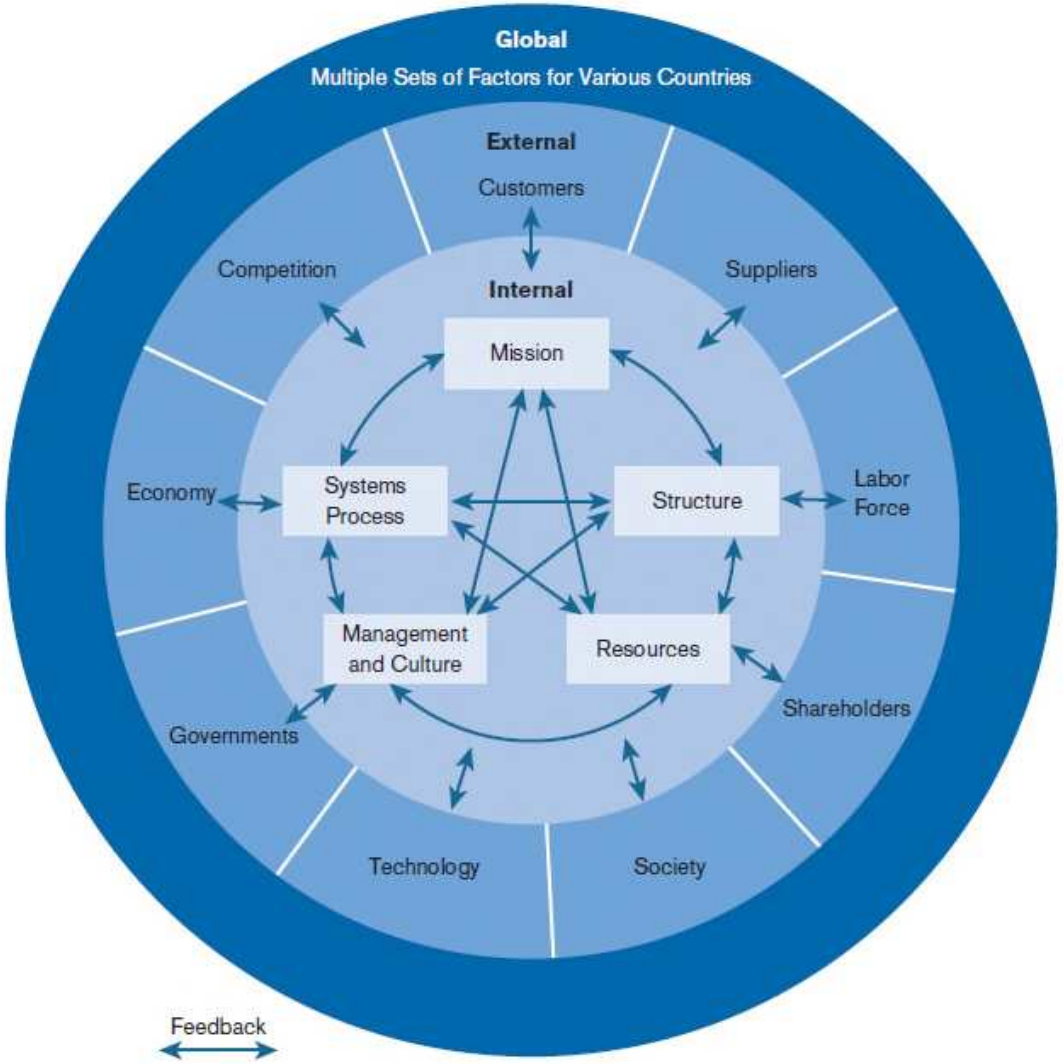
Exhibit 2-5: The Organizational Environment



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Business Ethics

- Ethics are the standards of right and wrong that influence behavior.
- Right behavior is considered ethical, and wrong behavior is considered unethical.
- Ethics go beyond legal requirements to do the right thing even when we don’t have to.

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Factors That Influence Behavior to be Ethical or Unethical

- Personality traits and attitudes - some people have a higher level of ethics than others, as integrity is considered a personality trait.
- Moral development - refers to distinguishing right from wrong and choosing to do the right thing. There are three levels of personal moral development:
  - Preconventional
  - Conventional
  - Postconventional
- The situation - in certain situations, it can be tempting to be unethical, e.g., negotiation.

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Exhibit 2-6: Levels of Moral Development

Level	Description of Behavior	Examples
3. Postconventional level	Behavior is motivated by universal principles of right and wrong, regardless of the expectations of leaders or one's group. A person seeks to balance self-interest with the interests of others and the common good. People at this level will follow ethical principles even if doing so violates the law and risks social rejection, economic loss, or physical punishment. Leaders at this level of moral development tend to be visionary and committed to serving others while empowering followers to also attain this level of morality.	"I don't lie to customers because it's wrong to do so." Martin Luther King Jr. broke what he considered to be unjust laws and spent time in jail in his quest for universal dignity and justice.
2. Conventional level	Behavior is motivated by the desire to live up to others' expectations. It is common to copy the behavior (ethical or otherwise) of leaders or of those in one's group. Peer pressure is used to enforce group norms. Lower-level managers at this level of moral development tend to use a leadership style similar to that of higher-level managers.	"I lie to customers because the other sales reps do it, too."
1. Preconventional level	Self-interest motivates behavior; a person acts to meet his or her own needs or gain rewards and follows rules or obeys authority only to avoid punishment. Leaders at this level often are autocratic toward others and use their position to gain personal advantages.	"I lie to customers to sell more products and get bigger commission checks."

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Guides to Ethical Behavior

- **Golden rule** - “Do unto others as you want them to do unto you,” or “Don’t do anything to anyone that you would not want someone to do to you.”
- **Four-way test** - (1) Is it the truth? (2) Is it fair to all concerned? (3) Will it build goodwill and better friendship? (4) Will it be beneficial to all concerned?
- **Stakeholders’ approach to ethics** - try to create a win-win situation for all relevant stakeholders so that everyone benefits from the decision.
- **Discernment and advice** - before you act, use an ethical guide to discern if the behavior is ethical or not.

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Managing Ethics

- **Top management support and example** - Many large corporations have Ethics Officers responsible for developing their ethics codes and developing and conducting this training.
- **Whistle-blowing** occurs when employees expose what they believe to be unethical behavior by their fellow employees.
- **The Foreign Corrupt Practices Act (FCPA)** - bars U.S.-based or U.S.-listed companies from bribing foreign officials in exchange for business and requires them to keep accurate books and records.

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Social Responsibility and Sustainability

- **Social responsibility** is the conscious effort to operate in a manner that creates a win-win situation for all stakeholders.
- Major corporations have to be socially accountable because stakeholders, including customers, the media, and the public will increasing demand it.

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Exhibit 2-7: Levels of Corporate Social Responsibility

3. **Benevolent CSR.** Focus on profitability and helping society through philanthropy.

2. **Ethical CSR.** Focus on profitability and going beyond the law to do what is right, just, and fair.

1. **Legal CSR.** Focus on maximizing profits while obeying the law.

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Levels of Corporate Social Responsibility

- **Legal CSR** - focuses on maximizing profits while obeying the law.
- **Ethical CSR** - focuses on profitability and doing what is right, just, and fair.
- **Benevolent CSR** - focuses on profitability and helping society through philanthropy.

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Sustainability

- **Sustainability** is meeting the needs of the present world without compromising the ability of future generations to meet their own needs.
- **The triple bottom line -** requires managers to simultaneously address widely diverging but interconnected concern for the:
  - Natural environment
  - Social welfare
  - Economic prosperity of the firm
- A **green company** acts in a way that minimizes damage to the environment.

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