

Chapter 2: The Managerial Environment

DISCUSSION QUESTIONS (pp. 45–6)

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

The omnipotent view supports the idea that a manager is directly responsible for the success and failure of the organisation. Top CEOs (and head football coaches) would be more likely to be held accountable for the entire organisation's outcomes, while lower-level managers would be held responsible for the outcomes in their respective departments. This view adopts the premise that managers set the priorities/goals of the organisation and are responsible for making major success-oriented decisions. If the goals and decisions that managers choose are correct, then the organisation should thrive. The symbolic view is a counterpart to the omnipotent view and asserts that much of an organisation's success or failure can be attributed to factors in the external environment, such as competition, economic conditions or governmental influences. According to this view, management decisions are often flawed and poorly implemented due to factors beyond managers' direct control. Considering the random and ambiguous situations managers face, they should not be held responsible for organisational performance.

2-2 Describe the five general environment components. Why is it important for managers to understand these components?

Forces in the general environment play a major role in shaping managers' endeavours. The general environment includes five broad conditions that may affect the organisation: 1) sociocultural, 2) technological, 3) economic, 4) political/legal and 5) global. Societal values, customs and tastes can change, and managers must be aware of these changes. Sociocultural conditions include the changing expectations of society. Technological conditions have changed more rapidly than any other element of the general environment. Economic conditions contribute significantly in the development of company financial strategies. Political/legal conditions include the general political stability of countries in which an organisation does business and the specific attitudes that elected officials have towards business. Federal, state and local governments can influence what organisations can and cannot do. Global factors include global competitors and global consumer markets.

2-3 Why is it important for managers to pay attention to demographic trends and shifts?

As demographics change, so do the defining characteristics of employees and customers. Managers must adapt to these changes in order to properly motivate their employees and meet the needs of customers. For example, as the Baby Boomers are on the verge of retirement, managers are faced with a younger workforce with different ideas of work and organisational commitment. This change in society will also present opportunities as more seniors will demand a greater emphasis on health care and other services important to an ageing population.

2-4 What is environmental uncertainty? What impact does it have on managers and organisations? Find two examples in current business periodicals that illustrate how environmental uncertainty affects organisations.

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

2-5 'Businesses are built on relationships.' What do you think this statement means? What are the implications for managing the external environment?

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

2-6 Is organisational culture an asset to an organisation? Explain. Can it ever be a liability? Explain.

In some cases organisational culture can be a competitive advantage for an organisation. Having a strong culture would likely emphasise employee outcomes such as quality and productivity and would give significant attention to detail. In other cases where the culture is weak or does not match the demands of the environment, organisational culture could be a liability. For example, a weak culture that does not promote ethical decision making by employees could produce high levels of employee theft or fraud. Culture is difficult to change, so it should be stressed that building a strong culture can pay dividends in the long run.

2-7 How is an organisation's culture formed and maintained?

Culture is established and maintained through the transmission and adoption of values. The founder, through the values they choose for the organisation, is the person most responsible for setting the organisational culture. The strength of founder values is then reinforced by the employees chosen for the organisation. Employees who are selected for their fit with the founder's values will carry on the culture better than those who do not adopt these foundational values. As the time increases from the founding of the organisation, top management values become important. Top management may attempt to modify or significantly change the values of the company. Socialisation is the process by which employees learn the culture. They do this from learning the company's philosophy, artefacts, ceremonies and language.

2-8 Discuss the impact of a strong culture on organisations and managers.

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

2-9 Pick two organisations that you interact with frequently (as an employee or as a customer) and assess their culture according to the dimensions shown in Figure 2.3.

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

CASE APPLICATION 1: TRAGEDY IN FASHION (p. 48)

Discussion Questions

2-19 Which components of the external environment might be most important for managers in clothing retail to know about? Why?

Components of the external environment that are most important for managers in the clothing retail industry are sociocultural conditions. The cultural characteristics, such as customs, values, tastes, attitudes and behaviours, are what determine the demand for products in the fashion industry. Demographic conditions, the physical characteristics such as age, gender, race and so on, are used in the fashion industry to segment markets within the general population and pitch products to the needs of those markets.

2-20 According to the case, what external trends do managers in clothing retail chains have to deal with? How do you think these trends might constrain decisions made by managers in clothing retail chains?

Consumer demand for 'fast fashion' at a low price has been one of the biggest external trends to have an effect on the retail industry. This has led to poor working conditions in developing countries, such as Bangladesh, for workers in garment factories that produce garments for large fashion retailers. The trend drives the need to produce garments quickly at the lowest possible price, so there is great pressure for the managerial decision making to meet that need.

2-21 What stakeholders do you think might be most important to clothing retail companies? What interests might these stakeholders have?

The most influential stakeholder group in the clothing retail sector is customers. Customer needs and wants influence the type of clothing retail companies make. Customer interests vary depending on the demographic; however, common interests among most fashion consumers include quality clothing at a low price.

2-22 Personal moral issue: Would you pay a higher price for 'ethical' clothing? Why or why not? Discuss.

Responses to this question will vary as it calls for personal opinion.

CASE APPLICATION 2: GETTING A BOOST (p. 49)

Discussion Questions

2-23 What are Boost Juice's corporate values? How do you think these values influence the way employees do their work?

The article references two of Boost's core values; 'Never take no for an answer' and 'Don't just *try* to do it—do it!'. In the article, Janine talks about the importance of recruiting like-minded employees/franchisees who support these values. The second part of the question calls for opinion, so student responses will vary; however, likely responses include that these values would lead to high levels of motivation and a positive attitude among employees.

2-24 Using the company's corporate values, describe the organisational culture. Which elements would you say are emphasised in the company's culture?

Based on the company's corporate values of 'Never take no for an answer' and 'Don't just *try* to do it—do it!', the organisational culture at Boost Juice could be described as positive, motivated and dynamic. The culture is reflective of Janine herself, as it is usually the case that organisational culture reflects the vision and mission of the founders.

2-25 How is Boost Juice's corporate culture maintained?

The article references the fact that the company goes to great lengths to recruit like-minded individuals as its franchisees. There is an emphasis on transparency in sharing profit-and-loss figures so that the franchisees can work together to improve the company's bottom line. There is also a major focus on the needs of the customer and ensuring that Janine's 'can do' attitude and 'will do' work ethic are matched by all employees.

2-26 'The right culture with the right values will always produce the best organisation's performance.' What do you think of this statement? Do you agree? Why or why not?

Students' answers will vary.