CHAPTER 2

THE MANAGEMENT ENVIRONMENT

LEARNING OUTCOMES

After reading this chapter students should be able to:

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

2. Discuss how the external environment affects managers.

3. Define what organizational culture is and explain why it's important.

4. Describe how organizational culture affects managers.

Management Myth
MYTH: Organizations can be too big to fail. **TRUTH: All organization must change to survive.** **SUMMARY** Anyone who thinks large size is any guarantee of success only needs to take a look at this list of large companies that once seemed indestructible: Arthur Andersen, Borders Group, Circuit City Stores, Enron, Fashion Bug, Hostess Brands, KB Toys, Lehman Brothers, Polaroid, Sharper Image, Steve & Barry's, and Tower Records among others. Change is the one constant for an organization. Organizations that are too bound by tradition and don't (or resist) change are less likely to survive in today's extremely competitive environment. Companies must deal with the dynamic environment and assess the important forces in the management environment that are affecting the way organizations are managed.
<u>**Teaching Tips:**</u> Have students think about how organizational culture can be used to create a competitive advantage. What is it that distinguishes the best companies from their competitors? What are some of the current changes facing organizations? How have the best companies reacted to these changes and thrived?

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

A. Introduction

1. The term **external environment** refers to factors, forces, situations, and events outside the organization that affect its performance.

2. Exhibit 2–1 shows the five components of the external environment.

   a) The economic component encompasses factors such as interest rates, inflation, changes in disposable income, stock market fluctuations, and business cycle stages.

   b) The demographic component is concerned with trends in population characteristics such as age, race, gender, education level, geographic location, income, and family composition.

   c) The technological component is concerned with scientific or industrial innovations.

   d) The sociocultural component is concerned with societal and cultural factors such as values, attitudes, trends, traditions, lifestyles, beliefs, tastes, and patterns of behavior.

   e) The political/legal component looks at federal, state, and local laws, as well as laws of other countries and global laws.

B. How has the Economy Changed?

1. Analysts argue that the recent economic crisis—called the "Great Recession" began with turmoil in home mortgage markets in the United States as many homeowners found themselves unable to make their payments.

2. The problems with home mortgages also affected businesses as credit markets collapsed.

3. As liquidity dried up, the worldwide economic system sputtered and nearly collapsed.

4. The slow recovery of global economies has continued to be a constraint on organizational decisions and actions.

5. In addition, the World Economic Forum identified two significant risks facing business leaders and policy makers over the next decade: "severe income disparity and chronic fiscal imbalances."

6. Economic Inequality and the Economic Context

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

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

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

From the Past to the Present

Just how much difference does a manager make in how an organization performs? Management theory proposes two perspectives in answering this question: the omnipotent view and the symbolic view. The **Omnipotent View** maintains that managers are directly responsible for the success or failure of an organization. The **Symbolic View** of management upholds the view that much of an organization's success or failure is due to external forces outside managers' control. Reality suggests a synthesis - managers are neither helpless nor all powerful. Instead, the more logical approach is to see the manager as operating within constraints imposed by the organization's culture and environment.

Teaching Tips:

Questions for students to consider:

- Why do you think these two perspectives on management are important?
- How are these views similar? Different?

C. **What Role Do Demographics Play?**

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

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

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

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

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

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

   c) Gen Y (or the "Millennials") is an age group typically considered to encompass those individuals born between 1978 and 1994. As the children of the Baby

Boomers, this age group is large in number and making its imprint on external environmental conditions as well.

d) Post-Millennials—the youngest identified age group, basically teens and middle-schoolers. One thing that characterizes this group is that "many of their social interactions take place on the Internet, where they feel free to express their opinions and attitudes."

II. HOW DOES THE EXTERNAL ENVIRONMENT AFFECT MANAGERS?

Learning Catalytics Questions: Instructor Directions and Follow-Up

Question Type	Question	Answer/Response	For the Instructor
Short Answer	How does the external environment impact your college/university?	There is no correct answer.	Use this question to help students understand the relationship between the environment and managerial decision making. Begin by asking them how they made the decision to choose their college/university.
Short Answer	What kinds of courses have been developed and offered at your college/university as a result of its environment?	There is no correct answer.	It's often challenging for students to see the relationship between the external environment and decision making. Ask this question midway through a discussion about external environments.

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

Technology and the Manager's Job
Can Technology Improve the Way Managers Manage?

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

Teaching Tips:

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

Questions for students to consider:
* Is management easier or harder with all the available technology?
* What benefits does technology provide and what problems does technology pose for (a) employees and (b) managers?
* Which technologies have been most useful to you personally thus far? Why?
* Do you think they will remain useful to you as you begin your career? Why or why not?

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

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

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

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

        4. If the number of components and the need for sophisticated knowledge is minimal, the environment is classified as simple. If a number of dissimilar components and a high need for sophisticated knowledge exist, the environment is complex.
        5. Because uncertainty is a threat to organizational effectiveness, managers try to minimize environmental uncertainty.

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

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

2. Stakeholder relationship management is important for two reasons:

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

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

A Question of Ethics

New York City said no to supersized sugary drinks. A ban on the sale of sugary drinks larger than 16 ounces in restaurants, movie theaters, sports venues, and street carts was to take effect in March 2013. Mayor Michael Bloomberg pushed for this ban because of his belief that supersized drinks were contributing to the obesity epidemic and leading to individual and societal health issues. This proposed policy would change that. A lawsuit filed by NAACP's New York branch and a network of Hispanic groups said that the soda ban would be unfair to small, minority-owned businesses.

Questions for students to consider:
- List all stakeholders (even ones not identified here) that might have a vested interest in this issue and what you think their position might be.
- How can identifying stakeholders help a manager in deciding the most responsible approach?

II. WHAT IS ORGANIZATIONAL CULTURE?

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

B. What is Organizational Culture?

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

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

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

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

C. How can Culture Be Described?

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

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

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

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

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

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

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

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

D. Where Culture Comes From?

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

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

3. Founders "impose" their vision on employees.

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

E. How Do Employees Learn the Culture?

A. Culture is transmitted principally through stories, rituals, material symbols, and language.

    a) **Organizational stories** are one way that employees learn the culture. These stories typically involve a narrative of significant events or people.

b) **Rituals** are repetitive sequences of activities that express and reinforce the key values of the organization, which goals are most important, and which people are important or expendable.

c) The use of **material symbols and artifacts** is another way in which employees learn the culture, learn the degree of equality desired by top management, discover which employees are most important, and learn the kinds of behavior that are expected and appropriate.

d) **Language** is often used to identify members of a culture. Learning this language indicates members' willingness to accept and preserve the culture. This special lingo acts as a common denominator to unite members of a particular culture.

IV. **HOW DOES ORGANIZATIONAL CULTURE AFFECT MANAGERS?**

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

A. **How Does Culture Affect What Employees Do?**

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

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

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

B. **How Does Culture Affect What Managers Do?**

a) Constraints from organizational culture are rarely explicit.

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

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

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

REVIEW AND APPLICATIONS

CHAPTER SUMMARY

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

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

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

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

DISCUSSION QUESTIONS:

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

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

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

Answer - Forces in the external environment play a major role in shaping managers' endeavors. The external environment includes these six broad external conditions that may

affect the organization: economic, political/legal, sociocultural, demographic, technological, and global conditions. Political/legal conditions include the general political stability of countries in which an organization does business and the specific attitudes that elected officials have toward business. Federal, state, and local governments can influence what organizations can and cannot do. Sociocultural conditions include the changing expectations of society. Societal values, customs, and tastes can change, and managers must be aware of these changes. Technological conditions have changed more rapidly than any other element of the general environment. Global factors include global competitors and global consumer markets.

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

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

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

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

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

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

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

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

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

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

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

Answer – Culture is established and maintained through the transmission and adoption of values. Following the figure from left to right, we see that the founder, through the values they choose for the organization, is the person most responsible for setting the organizational culture. The strength of founder values is then reinforced by the employees chosen for the organization. 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 start of the organization by the founder, top management values become important. Top management may attempt to modify or significantly change the values of the company. Socialization is the process by which employees learn the culture. They do this from learning the company's philosophy, artifacts, ceremonies, and language.

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

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

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

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

MANAGEMENT SKILL BUILDER

Skill Development: Reading an Organization's Culture

Companies, like individuals, have their own personalities. In a way, finding the right culture to work in is like finding a good friend or a spouse. It has familiarity that attracts us and makes for good relationships. In reference to our employee-company relationship, the more likely you are to find satisfaction in your work, the less likely you are to leave, and the greater the probability that you'll receive positive performance evaluations.

Teaching Tips:

Personal Insights

Option 1: Have students take the assessment and bring the results to class. For discussion, have students think of a time where they worked in an organization when they felt a good fit with the organizational culture? What were the results from in performance? In their attitudes toward work? Also, have students think of a time when they did not feel they were a good fit with the culture. What was the result?

Option 2: Prepare a list of about five well-known companies and a short description of each (this description should include information on the company's culture so that students can discern their level of innovation and risk taking, attention to detail, outcome orientation, people orientation, team orientation, aggressiveness, and stability.) Have students read each company description and make a choice as to which they would rather work for. Then have students take the scale in this section and reassess their decision regarding their choice of company.

Skill Basics

Here's a list of things students can do to help learn about an organization's culture.
- Do background work.
- Observe the physical surroundings
- Make note about those with whom you met.
- How would you characterize the style of the people you met?
- Look at the organization's human resources manual.
- Ask questions of the people with whom you meet.

Skill Application

There are a couple of rules that I personally suggest to students who are looking for a job. First, don't limit yourself and focus only on wanted ads or your university career placement program. Explore different methods of finding employment. Personal networks can be a very great way to find out about new jobs before they are advertised. Talk to friends, family (including distant cousins) and acquaintances and let them know that you are on the market. Also explore non-traditional means of finding a job, such as temporary employment agencies (many temporary positions have the potential of becoming permanent), and internships. Second, ask questions during the interview! Many interviewees are intimidated during the interview process and forget to get their questions answered. Third, resist the temptation to jump at the first job offer. Jobs are relationships – you are looking for a job and they are looking for an employee. If the job doesn't fit, then you should keep looking.

Skill Practice

2-21   Students' answers will vary, but I find that there is a lot of consistency within disciplines. Make sure that students bring in examples from classes in other departments and colleges.

2-22   Students' answer will vary but look for them to use concepts discussed in the chapter for frame their answer.

EXPERENTIAL EXERCISE
Speedy Car Wash Service, Inc.

To: Michelle Bradley, Employee Care Manager
From: Alex Bilyeu, President
Re: Creating a Fun Workplace

Michelle's boss is interested in the idea that some employers use fun to reduce employee stress at work. He likes the idea and wants you to do some research. You will need to prepare a bulleted list of ideas on how we can create a workplace here at Speedy that's both fun and yet still focused on work.

> **Teaching Tip:** Doing a quick Internet search, students should find a lot of ideas on how to create a fun working environment. There are several Web sites, some international, which suggest specific programs for employers to follow. Students should find information on National Fun At Work Day and several other quick tips that have been tried at other companies. For a more detailed company example, I suggest <u>NUTS!: Southwest Airlines' Crazy Recipe for Business and Personal Success.</u> As an introduction to this case, you might want to show a clip from the movie **Office Space** during class.

Case Application 1: Going to Extremes

Discussion Questions

2-23 *Find a list of all 10 of Zappos' corporate values. Pick two of the values and explain how you think those values would influence the way employees do their work.*

> Answers will vary depending on which values are chosen. Students will find Zappos' core values at http://about.zappos.com/our-unique-culture/zappos-core-values. They are:
>
> 1. Deliver WOW Through Service
>
> 2. Embrace and Drive Change
>
> 3. Create Fun and A Little Weirdness
>
> 4. Be Adventurous, Creative, and Open-Minded
>
> 5. Pursue Growth and Learning
>
> 6. Build Open and Honest Relationships With Communication
>
> 7. Build a Positive Team and Family Spirit
>
> 8. Do More With Less
>
> 9. Be Passionate and Determined

10. [Be Humble](#)

More information can be learned by clicking on each individual value.

2-24   *Using this list of corporate values and Exhibit 2–4, describe Zappos'*
organizational culture. In which areas would you say that Zappos' culture is very high
(or typical)? Explain.

Students should focus on Zappos their innovativeness, their people orientation, and their
team orientation. Another factor that could be noted is attention to detail – if the link is
made between detail and customer service.

2-25   *How did the Zappos' corporate culture begin?*

Culture begins with the founder first, then is later refined as the company grows, takes on
new management, and experiences important events in the company's history. Much of
the Zappos culture is probably a response to their new CEO and his efforts to provide a
unique organizational culture.

2-26   *How is Zappos' corporate culture maintained?*

Culture can be created and maintained through proactive measures by management or it
can be a reaction to events taking place in the organization, industry, and general
environment. In this case, the CEO of the company has been actively involved in shaping
the culture of the company by promoting a core set of common values and putting
processes in place to reinforce those values. This includes company ceremonies, slogans,
and other events where managers can encourage their employees and appreciate their
hard work.

2-27   *"The right culture with the right values will always produce the best*
organizational performance." What do you think of this statement? Do you agree? Why
or why not?

Students should answer this question by first addressing what is meant by the term "the
right culture." The right culture is a culture that fits with the environment. The culture
should also be strong to withstand changing trends. If there is a correct fit, and cultural
values are reinforced, then performance should be higher – all things considered.

2-28   *What could other companies learn from Tony Hsieh and Zappos' experiences?*

Tony's passion for creating a fun work environment and pursuing high levels of customer
service appears to be a winning combination. Also, Tony's proactive stance with regard
to creating a set of company values and checking periodically to determine if they are
being followed is something that companies could emulate.

Case Application 2: Not Sold Out

Discussion Questions

2-29   *Using Exhibit 2–1, what external components might be most important for managers in movie theater chains to know about? Why?*

Economic components, particularly the amount of disposable income people have is something managers of movie theaters should know about because this is the money people use to buy movie tickets and if disposable income is down then purchase of movie tickets is affected as well. The demographic component is also important. Knowing the ages and groups of people who come to the movies most often allows theater owners to determine which movies to show and how many showings on how many screens may be needed. Lastly, the technological component is important because people are becoming more and more likely to watch movies on mobile devices, home theater systems, etc. which could pose a threat to the number of moviegoers in seats.

2-30   *According to the case, what external trends do managers at the movie theater chains have to deal with?*

Technology, as stated in the previous answer, is a major concern. Having the latest quality and sound in the theaters will be important but also the availability of movies on other electronic devices will be a factor. The movie business is a dynamic one so constant change and adapting to the change will be necessary.

2-31   *How do you think these trends might constrain decisions made by managers at the movie theater chains?*

It will affect everything from staffing theaters so determining how many movies to show and when. Students' answers will vary somewhat but look for their responses to be focused on the trends discussed in the case.

2-32   *What stakeholders do you think might be the most important to movie theater chains? What interests might these stakeholders have?*

Students' answers will vary but responses may include stakeholders such as customers (probably the most important) who will be interested in the quality of the experience and being able to see the latest releases. Competitors are another important stakeholder because drawing in customers with the latest technology or best theater-going environment (e.g. comfortable seats) will be a factor. Suppliers may also be of concern because ticket prices fluctuate based on how much the movie studios are charging theaters to be able to show the movies.

Case Application 3: Wild Ride

Discussion Questions

2-33 *Using Exhibit 2–1, what external components might be most important for managers at Radio Flyer to know about? Why?*

Economic components, particularly the amount of disposable income people have is something managers should know about because this is the money people use to buy toys and if disposable income is down then wagon purchases are affected negatively as well. The technological component is important because people are becoming more and more likely to spend time in front of a screen (computer, phone, etc.) than playing with a hands-on toy. The sociocultural component is important here as well because many people have memories of their first wagon. This speaks to the importance toys have in traditions and attitudes. If these attitudes change too much then traditions may change as well.

2-34 *What stakeholders might be most important to this company? What interests might these stakeholders have?*

Students' answers will vary but responses may include stakeholders such as customers (probably the most important) who will make the decision about buying the product. Competitors are another important stakeholder because drawing in customers with the latest technology or newest toy will be a factor.

2-35 *Check out the "culture" section on Radio Flyer's Web site (www.radioflyer.com). How would you describe the company's culture?*

Answers will vary but the may include a discussion of the fun and personal satisfaction employees receive from their jobs. The company is also focused on helping employees develop and grow so there is a strong sense of caring between the company and its employees.

2-36 *In your own words, describe how Radio Flyer is living out the importance of understanding both its external and internal environments.*

Students' answers will vary.