Management

Management History and Theory - Krispin

Frederick Taylor (1856-1915) – American mechanical engineer whose scientific approach to studying and managing work led to the foundation of the industrial engineering and modern management fields

Taylorism – the theory of management developed by Frederick Taylor, also known as Scientific Management

- Analyzes and synthesizes/optimizes work flow
- Performs job studies that breaks down a complex job into its simplest parts
- Divides labor into jobs that are each simple to train and perform, but, when assembled, can produce complex products at a much higher rate than the craftsperson approach that preceded it.
- Laid the foundations for the development of the modern assembly line
- Led to recommendations to pay workers incentive pay (piece-rate incentive system) in place of, or in addition to, an hourly wage, or salary. Workers could earn more if they produced more.

Management History and Theory

Hawthorne Effect – named after studies done at the Hawthorne Works plant of Western Electric between 1924 and 1932, this defines the interactive effect that occurs when managers observe and provide positive attention to employees, leading to increased productivity. This study is often credited with launching the fields of organizational psychology and organizational behavior.

Evidence-based Management – the practice of making managerial and people-related decisions using critical thinking informed by the best available, research-based evidence

Meta-analysis – a systematic, quantitative summary of all previous research studies performed on a particular topic, enabling researchers and practitioners to draw conclusions about research and inform the practice and decisions made by practitioners in an evidence-based approach

Functions of Management

Henri Fayol (1841-1925) – French mining engineer who is credited with defining the original, four functions of management (Planning, Organizing, Directing, and Controlling), forming the basis for one of the first, comprehensive management theories.

Planning – managers establish goals and create a plan to achieve them

- Levels of planning
  - Strategic planning – sets the direction for the organization and establishes goals for the overall organization. Identifies Opportunities and Threats, and then develops a plan to exploit opportunities and mitigate threats using the strengths of the organization. Also identifies weaknesses that must be improved in order for the organization to succeed. Strategic planning usually addresses goals for a three-to-five year window of time, and are set by the upper-management of the organization.
  - Tactical planning – Establishes shorter term (typically 6-months to one-year) goals that, when accomplished, will enable the organization to achieve its strategic goals and objectives. These goals are typically established for a particular department or division of an organization and are carried out by the middle management of the organization.
  - Operational planning – Further breaks down the tactical plans into daily or weekly activities that must be accomplished (often by teams or individuals) in order to achieve the tactical goals that have been set.

Organizing – distributing the organizational resources (capital, human resources, etc.) and delegates tasks to individuals in order to achieve the goals set in the planning stages.

Functions of Management

Leading (originally Directing) – the process of motivating individuals and influencing their behavior as they perform the tasks that have been delegated to them, in order to achieve the goals and objectives of the organization.

Controlling – the process of evaluating the ongoing progress of the organization as it implements it plan. This is essentially a monitoring and measurement process that tracks timelines, deadlines, and money spent (budget tracking) to ensure that the organization achieves its goals and objectives on time and on budget.

Staffing (managing the Human Resource function) – this is not one of the original functions of management, but is often added in modern discussions of these functions. This includes recruiting, hiring and training the employees of a company, and ensuring that the needs of the employees are addressed (disciplinary process, performance appraisal process, benefits administration, etc.)

Leadership Theory

Leadership – the influencing process between leaders and followers to achieve organizational objectives through change

Leadership Traits Theory – the theory that various personality traits and dimensions may positively or negatively affect an individuals leadership ability. Common traits that are studied include the "Big Five" traits (Conscientiousness, Agreeableness, Neuroticism (sometimes called adjustment), Openness to Experience, and Extraversion (sometimes called Surgency, or Dominance), emotional intelligence, and McClelland's needs for achievement, power, and affiliation

Leadership Behavioral Styles -

- University of Michigan Model
- Ohio State University Model

Leadership Theory

Leadership Behavioral Styles – the behaviors that leaders use to promote, develop, and motivate followers all affect follower performance

- **University of Iowa styles** – developed by researcher, Kurt Lewin, and his associates during the 1930's. They asserted that there were two basic leadership styles, arranged along a continuum, with the *Autocratic* style at one end, and the *Democratic* style at the other end of the spectrum.
- **University of Michigan Model** – developed at the University of Michigan's Survey Research Center by Rensis Likert and his associates during the 1940's and 50's, this model also asserted that there were two main leadership styles arranged along a continuum. The two styles were the *Job-centered Leadership style* (focused on providing task related direction) and the *Employee-centered Leadership style* (focused on providing supportive leadership and facilitation of interactions between subordinates).
- **Ohio State University Model** – developed at by the Personnel Research Board at Ohio State University, led by Ralph Stogdill and his associates at the same time that the University of Michigan model was developed, this model also had two primary dimensions of behavioral styles (*Initiating Structure* and *Consideration)*, but broke from the assumption that these styles were opposites on a continuum. The *Initiating Structure* dimension, like the Job-centered leadership style of the U of M model, focused on getting the task done, while the *Consideration* dimensions, like the Employee-centered leadership style of the U of M model, focused on meeting people's needs and developing relationships. In the Ohio State Model, there were four basic leadership styles that mixed and matched the two, independent dimensions: 1)Low structure and low consideration, 2)Low structure and high consideration, 3)High structure and low consideration, and 4)High structure and High consideration

Leadership Theory

Contingency Leadership Theory – essentially combined elements of a leader's behavioral style with elements of the work situation, arguing that different styles were appropriate in different situations.

- **Contingency Leadership Model** – developed by Fred Fiedler in the early 1950's, this model argued that individual leaders had a defined style (either task oriented or relationship oriented) that could not change. Each leadership style might be more, or less, effective given situational variables such as leader-member relationship strength (high or low), task structure (structured versus unstructured), and position power (high or low).
- Path-Goal Leadership Theory – developed by Robert House in the 1970's, this contingency theory proposed that a leader could and should select and adopt from among four different behavioral styles (Directive, Supportive, Participative, Achievement-oriented) depending on *situational/environmental* factors and *follower/subordinate* factors. The situational/environmental factors included the task structure, the formal authority of the leader's position, and work group factors (the extent to which the work group contributed to the job satisfaction of the individuals. Strong work groups had strong and positive relationships between group members). The follower/subordinate factors included *authoritarianism* (the extent to which employees deferred to others and want to be told what to do and how to do it), *locus of control* (either internal or external), and *ability* to perform the required tasks necessary to achieve the organization's goals
- Normative Theory

Leadership Theory

Charismatic Leadership

Transactional versus Transformational Leadership (and Laissez-Faire)

Leadership Theory

Leader-Member Exchange Theory (LMX)

- In-groups versus out-groups

Influence – the process of a leader communicating ideas, gaining acceptance of them, and motivating followers to support and implement the ideas through change.

Power and Influence Tactics

- French and Raven's Bases of Power
- Influence Tactics

Total Quality Management (TQM)

Quality – meeting customer requirements. Requirements may include availability, delivery, reliability, maintainability, and cost-effectiveness over the total life-cycle of the product (among other dimensions). Some particular definitions of quality are as follows:

- Fitness for purpose or use (Joseph Juran, early quality guru who taught TQM methods to the Japanese in the 1950's and 60's)
- Ability to meet the needs of the consumer, present and future (W. Edwards Deming, early quality guru who also taught TQM methods to the Japanese in the 1950's and 60's)
- Conformance to specifications (Philip Crosby, a quality consultant in America, popular in the 1980's)

Reliability – ability of a product to function satisfactorily *over a period of time*

Quality control – the activities and techniques employed in the *detection* of defects, and in achieving and maintaining the quality of a product, process, or service. This includes monitoring of a process, but also methods used to find and eliminate causes of quality defects (ways in which the product or service fails to meet customer requirements)

Quality Assurance – the *prevention* of quality problems/defects through planned and systematic activities. These activities include the documentation of processes, the auditing of those processes, and systematic reviews of the quality management system

Continuous improvement – the idea that the pursuit of quality is never ending, and that it is always possible to find new ways to prevent, detect, and eliminate quality defects.

Total Quality Management (TQM)

Process management – viewing the organization from the customer's perspective, then defining the sequence of steps (across functions) that are required to turn inputs (materials, information, etc.) into the outputs (products, services, information), meeting customer requirements, that are consumed by the customers. These processes must be managed through systematic planning, measuring, and improving using the tools of TQM.

Kaizen – a Japanese term literally meaning "change for the better" or "continuous improvement". This term also applies to an event-based, short-term improvement effort where a team is assembled to focus intensively on studying a process, designing and implementing improvements over several days (usually 3-5 days from beginning to end). This event is sometimes referred to as a Kaizen Blitz.

Cost of Quality – a summation of the costs, both direct and indirect, incurred by a company in the pursuit of quality, including costs of conformance (COC – costs associated with providing products and services that meet customer expectations) and costs of nonconformance (CONC – costs incurred when products fail to meet customer expectations). The costs of quality may be divided into three main components:

- Prevention costs – costs associated with the design, implementation and maintenance of the quality management system (these costs are incurred before actual production/operation of the processes)
- Appraisal costs – costs associated with the supplier's and the producer's evaluation of purchased materials, processes, products and services to assure conformance to customer requirements. These are costs associated with inspection of products and processes, and detection of defects.
- Failure Costs – costs incurred when a product fails to meet customer requirements. These can include repair and servicing costs, warranty claims, handling complaints, and returns and recalls of defective products, liability costs, and loss of good will/reputation with existing and potential customers

Statistical Process Control

Statistical Process Control (SPC) – the use of statistical techniques to measure the variation in the inputs and outputs of a process and control a process or production method, ensuring that the outputs consistently meet customer requirements (and process specifications)

Process Variation – the outcomes of all processes contain some inherent variability; they aren't exactly the same every time, but are distributed in some pattern around an average (or *mean*).

- Special cause variation – process variation caused by some identifiable, specific event or cause that is external to the system
- Common cause variation – process variation caused by sources inherent and always present within the process. Examples might include variation in the materials used as inputs into the system, inconsistencies resulting from sources of variation in the equipment used, and in operator variability (as humans, we don't do the same thing in exactly the same way every time).

Statistical Process Control

Quality control Tools – the most commonly used tools within SPC

1. Cause-and-effect diagram (also called the Ishikawa diagram after the designer of the tool, and also called a fishbone diagram because of its appearance
2. Check Sheet – allows for the tallying of defects of various categories/types
3. Control Chart (SPC chart) – a run chart typically showing the variation in outputs produced by a process over time for customer specifications that have been deemed critical to quality. The average output and range (dispersion) of outputs of a process are plotted over time, calculated from samples drawn from the process outputs at consistent intervals. The averages and ranges calculated from these samples are used to add *upper and lower control limits* to the chart, showing the statistically-expected limits of variation due to *common cause variation*.
4. Histogram
5. Pareto Chart
6. Scatter Diagram
7. Stratification

Process capability – the repeatability and consistency of a process relative to the customer requirements, expressed in terms of specification limits of a product parameter. This calculation, comparing common cause variation in outputs from a process to the customer specifications for that output, allows one to objectively measure the degree to which your process is, or is not, meeting the requirements.

Motivation- Latow & Moates

A SET OF ENERGETIC FORCES THAT ORIGINATES BOTH WITHIN AND OUTSIDE AN EMPLOYEE, INITIATES WORK-RELATED **EFFORT** AND DETERMINES ITS **DIRECTION**, **INTENSITY**, AND **PERSISTENCE**.

Theories of motivation

Expectancy Theory – Motivation M = E*I*V - Expectancy times Instrumentality times Valance

- Expectancy is the belief that performance will lead to a predictable outcome
- Valance is a desirablilty of those outcomes
- Instrumentality is the idea that successful performance will result in a desired outcome.

Goal Setting Theory – Goals that work are specific, measurable, difficult to achieve, realistic, committed to, and trigger task strategies

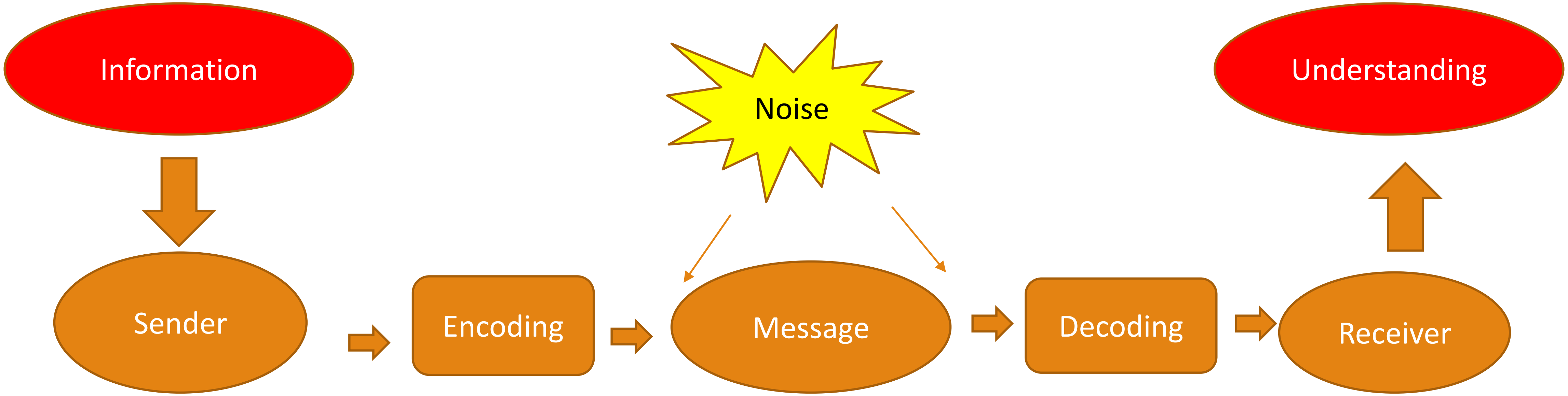
Equity Theory- Measures dissatisfaction as a function of the difference between what we want, what we get, and what we think others get for a comparable effort

Ch 6 Motivation: Text Organizational Behavior (Colquitt, Lepine, Wesson)

Communication

The process by which information and meaning is transferred from a sender to a receiver.

See Figure 12-3 in Ch 12 Organizational Behavior text



Human Resource Management

Takes the theories and principles studied in OB and explores the “nuts-and-bolts” applications of those principles in organizations.

Selecting a Top Quality Workforce

Functions of Human Resources

Recruitment

Selection

Training

Evaluation

Compensation/Benefits

Separation

International Management – Royle

Socialism- from Marx is the belief that governments should own businesses and set economic agendas

Capitalism- Adam Smith is the belief in the "invisible hand"… or that individuals and their choices drive supply and demand

The doctrine of comity is part of the international custom that requires mutual respect for laws, institutions, and governments of other countries in the matter of jurisdiction over their its citizens

Foreign Corrupt Practices Act (FCPA) Makes it illegal to influence foreign officials through personal payment or political contributions

Environmental Kuznets Curve (EKC) Relationship between per capita income and the use of natural resources and/or the emission of wastes has an inverted U-shape

Nongovernmental organizations (NGO) Private, not-for-profit organizations that seek to serve society's interests by focusing on social, political, and economic issues

Fair trade - Organized social movement and market-based approach that aims to help producers in developing nations obtain better trading conditions and promote sustainability

International Management

The internet has facilitated global business in ways that could not have otherwise come about

International management is the process of applying concepts and techniques to different economic, cultural, and political contexts

Much of the economic advantage to consumers comes from offshoring (using foreign countries instead of home countries for production) and outsourcing (contracting out activities that had previously been done by the firm)

The “BRIC” countries (Brazil, Russia, India, and China) are the fastest developing economies

The World Trade Organization (WTO) is the arbiter of global trade disputes

International Management

Culture -Acquired knowledge that people use to interpret experience and generate social behavior that –Forms values– Creates attitudes –Influences behavior

Hofstede's Cultural Dimensions

•Power distance – A society's willingness to both unequally distribute income and its willingness to see individuals as equal

•Uncertainty avoidance – A society's desire to harness potential undesirable outcomes by governance

•Individualism v. collectivism – Does a culture value the rights of individuals or the greater good?

•Masculinity v. femininity – Is there such a thing as "women's work"?

•Time orientation – Do we focus on the present/near future or the more distant future?

•Indulgence v. restraintulture - Is immediate gratification of needs or perseverance desirable?

International Management

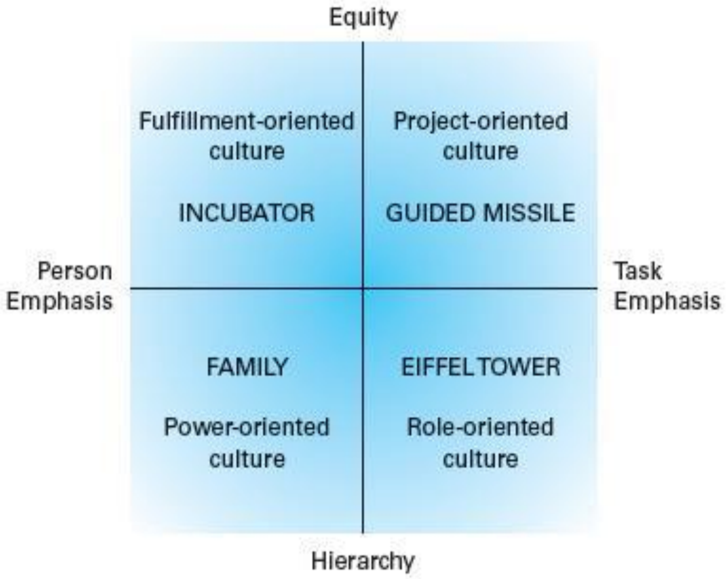
Business in China - Primary criterion - Technical competence

• Value is placed on punctuality, patience,

guanxi networking, and reciprocity – Guanxi: Good connections

Organizational

Cultures



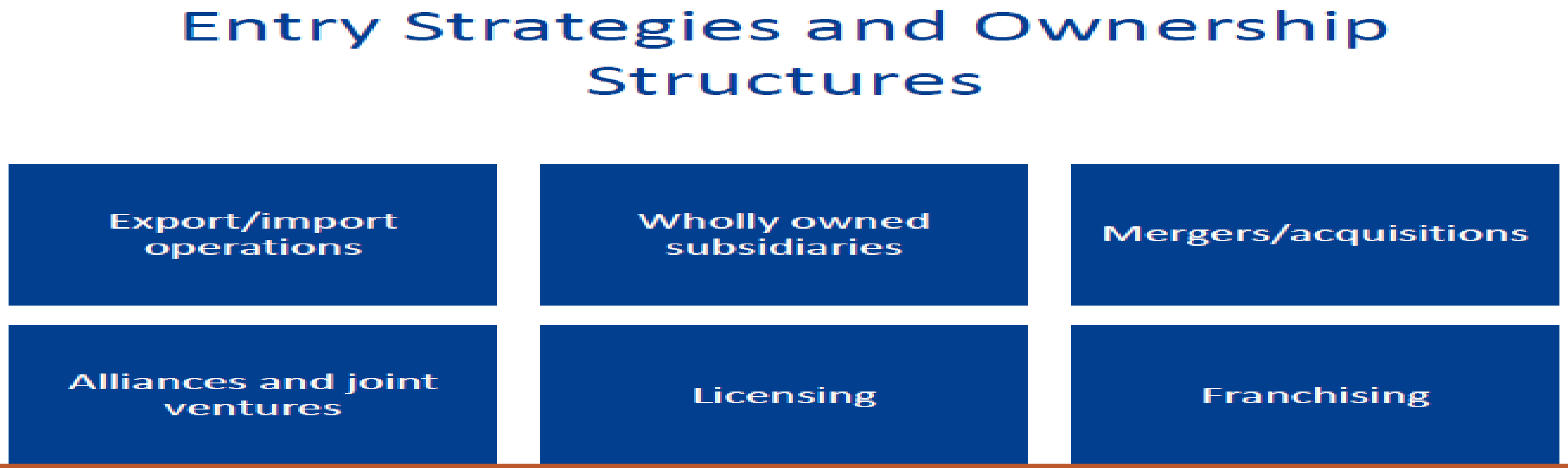
Source: Adapted from Fons Trompenaars, *Riding the Waves of Culture: Understanding Diversity in Global Business* (Burr Ridge, IL: Irwin, 1994), p. 154.

International Management

<u>Nonverbal Communication- </u>Transfer of meaning through means such as body language and use of physical space –Kinesics (how we move) –Proxemics (how we use space) –Chronemics how we think of time –Chromatics (what colors mean to us)

<u>Types of Negotiations- </u>Distributive negotiation: Occurs when two parties with opposing goals compete over a set value-Integrative negotiation: Involves cooperation between two groups to integrate interests, create value, and invest in an agreement

<u>Steps in Formulating Strategy- </u>Scan the external environment for opportunities and threats- Conduct an internal resource analysis of company strengths and weaknesses



International Management

Political Risk -Unanticipated likelihood that a business's foreign investment will be constrained by a host government's policies. The most extreme example is expropriation (the seizure of business buy the host country)

Transfer Risk Government policies that limit the transfer of capital, payments, production, people, and technology in and out of country (includes tariffs, and restrictions on exports, dividend remittance, capital repatriation)

Operational Risks- Government policies and procedures that directly constrain the management and performance of local operations They include: price controls, financing restrictions, export commitments, taxes, and local sourcing requirements

Ownership Risks -Government policies or actions that inhibit ownership or control of local operations. They include: foreign-ownership limitations, pressure for local participation, confiscation, expropriation, and abrogation/repeal of proprietary rights

Alliance - Arena where both value-claiming and value creating activities take place– Value-claiming competitive, distributive negotiation – Value-creating - collaborative, integrative negotiation

International Management

Internal and External Controls - Internal control (Focuses on the things that an MNC does best) External control (Ensures that there is a market for the goods and services that it is offering by finding out what the customers want and being prepared to respond appropriately)

Reward Systems- Used to motivate personnel. They can be: Financial - Salary raises, bonuses, and stock options; Nonfinancial - Feedback and recognition (Differences are a result of competitive environment or of government legislation)

Variety amplification: Creation of uncertainty and the analysis of many alternatives regarding future action (used by Japanese managers)

Variety reduction: Limiting of uncertainty and the focusing of action on a limited number of alternatives (used by U.S. managers)

Qualities for Successful Leaders: Ability to cooperate, Independence, Leadership ability, ability to take initiatives, creativity, ability to motivate and inspire others, business orientation, age (old enough but not too old) and an extroverted personality

International Management

Selection Criteria for International Assignments (General criteria – be good at your job first), adaptability to cultural change, physically and emotionally healthy, age, experience, and education, language training, motivation for a foreign assignment, spouse and family adaptability, leadership ability

Compensation Includes Base salary - Amount of money that an expatriate receives in the home country, benefits - One-third of compensation for regular employees, allowances - Expensive feature that covers a variety of expenses, cost-of-living adjustment, relocation, housing, education, and hardship allowances, incentives (e.g., ongoing premiums are replaced with a one-time, lump-sum premium) and tax equalization - Any taxes that exceed what would have been imposed in the home country are paid by the MNC.

Repatriation (Return to one's home country from an overseas assignment). Reasons for returning: Agreed-on tour of duty is over, family concerns, difficulty faced by spouses in acclimating to a new culture, desire to educate children in a home-country school, and company restructuring

- Luthan, F. & Doh, J. P. (2020). *International Management: Culture, Strategy, and Behavior* 11th Edition

Managing Diversity - Guo

Surface-level diversity refers to diversity regarding observable attributes such as race, ethnicity, sex, and age (Colquitt, LePine, Wesson, 2019).

Deep-level diversity refers to diversity with respect to attributes that are less easy to observe initially but that can be inferred after more direct experiences (Colquitt, LePine, Wesson, 2019).

Managing Diversity - establishing a heterogeneous workforce, including white men, to perform to its potential in an equitable work environment where no member or group of members has an advantage or a disadvantage (Cascio, 2019).

Stereotyping is judging someone on the basis of our perception of the group to which that person belongs.

Discrimination is giving of an unfair advantage or disadvantage to the members of a particular group in comparison with members of other groups (Cascio, 2019).

- Two forms of illegal discrimination: unequal (disparate) treatment and adverse impact (unintentional)

EEO, EEOC, OFCCP, & BFOQ

Equal employment opportunity (EEO) – condition in which all individuals have an equal chance for employment, regardless of their race, color, religion, sex, age, disability, or national origin.

Equal Employment Opportunity Commission (EEOC) is responsible for enforcing most of the EEO laws.

The Office of Federal Contract Compliance Programs (OFCCP) is responsible for enforcing the executive orders that cover companies doing business with the federal government.

Discrimination is permissible when a prohibited factor (e.g., gender) is a **bona fide occupational qualification (BFOQ)** for employment.

- The factor is considered “reasonably necessary to the operation of that particular business or enterprise”.

Legal Context

The Thirteenth and Fourteenth Amendments to the Constitution of the United States
The Civil Rights Acts of 1866 and 1871
The Equal Pay Act of 1963
Title VII of the Civil Rights Act of 1964
The Civil Rights Act of 1991
The Age Discrimination in Employment Act of 1967, as amended in 1986
The Americans with Disabilities Act of 1990, as amended in 2008
The Family and Medical Leave Act of 1993
The Uniformed Services Employment and Reemployment Rights Act of 1994

Group/Team Defined & Development

Group is a collection of two or more people who work independently of each other to achieve their organizational goals.

A **team** consists of two or more people who work interdependently over some time period to accomplish common goals related to some task-oriented purpose (Colquitt, LePine, Wesson, 2019).

- Team types: work team, management team, parallel team, project team, and action team.

Five stages of team/group development: forming, storming, norming, performing, and adjourning.

Punctuated equilibrium model – in the situation where the team development sequence is less applicable.

Team Interdependence & Composition

Team interdependence refers to the degree to which team members interact with and rely on other team members for the information, materials, and resources needed to accomplish work for the team (Colquitt, LePine, Wesson, 2019).

- Types: pooled interdependence, sequential interdependence, reciprocal interdependence, comprehensive interdependence

Goal interdependence: exists when team members have a shared vision of the team's goal and align their individual goals with that vision as a result (Colquitt, LePine, Wesson, 2019).

Outcome interdependence exists when team members share in the rewards that the team earns, with reward examples including pay, bonuses, formal feedback and recognition, pats on the back, extra time off , and continued team survival (Colquitt, LePine, Wesson, 2019).

Team composition: member roles, member ability, member personality, team diversity, team size

Team Processes & States

Team process refers to the different types of communication, activities, and interactions that occur within teams that contribute to their ultimate end goals (Colquitt, LePine, Wesson, 2019).

- **Taskwork processes** are the activities of team members that relate directly to the accomplishment of team tasks.
  - Creative behavior, decision making, and boundary spanning.
- **Teamwork processes** refer to the interpersonal activities that facilitate the accomplishment of the team's work, but do not directly involve task accomplishment itself.
  - Transition processes, action processes, interpersonal processes.
- **Communication** is the process by which information and meaning get transferred from a sender to a receiver.
  - Communicator issues, noise, information richness and network structure

Team states refer to specific types of feelings and thoughts that coalesce in the minds of team members as a consequence of their experience working together (Colquitt, LePine, Wesson, 2019).

- Cohesion, potency, mental models, and transactive memory

Entrepreneurship- Beverly

The word **Entrepreneur** comes from the French word meaning risk taker.

Entrepreneurs Risk their time and money to engage in the buying and selling of goods and services to generate a profit.

The United States economy is based on Capitalism which revolves around the Free Enterprise system.

Voluntary Exchanges of goods and services are promoted in a Free Enterprise, capitalistic economy, whereby a willing buyer and seller freely and independently, determine the price of goods and services.

A Small Business is defined as having fewer than 500 employees and having less than $5 million in annual sales.

Small businesses comprise 99 % of all United States businesses.

Entrepreneurship

The **Benefits** of Entrepreneurship include:

Independence and **Control** of your time and being responsible for your success or failure.

The **Self Satisfaction** and personal esteem that comes from creating and running your own business.

The prospect of being highly **financially successful**.

The **Costs** of Entrepreneurship include:

The prospect of **working** 24/7, 365 days to be successful accompanied by the strain that the work environment puts on personal relationships.

Facing **Uncertainty** and **Financial Insecurity** during the early stages of the business.

The prospect of **Financial Loss** and **Opportunities Lost** if the business is not successful.

Entrepreneurship

A formal, written **Business Plan** is essential to develop before starting a new business and includes:

An **Executive Summary** which is a two to three-page synopsis of the operation.

A description of the **Product** or **Service**.

The potential **Market** / customers with an in-depth **Marketing Plan**.

A review of current and potential **Competition**.

A description of **Operations**, including facility / plant, and personnel with resumes included for **Key Employees**.

A comprehensive **Financial Analysis** inclusive of **Start up / Seed Capital** needed, **Working Capital** required, and projected **Balance Sheets, Income Statements**, and **Cash Flow Statements** for 2 to 5 years.

Entrepreneurship

Core Values are the deeply held beliefs, principles, and ethics that are the foundation of the entity.

The **Mission Statement** is a delineation of the organization’s purpose and values.

The **Entity’s Vision** looks to the future to what the business aspires.

The **Culture** of a business reflects how it expects its employees to act within the organization and with customers.

Entrepreneurship

Four Key Entrepreneurial Traits

1. Collaboration – Collaborate with and learn from others to accomplish a common goal or create an original work.

2. Communication – Develop and express ideas strategically, through written, oral, and visual formats, to a specific audience for a desired purpose.

3. Leadership – Lead people to work towards shared goals with consideration of the ethical implications of their actions.

4. Problem-Solving – Analyze and assess ideas and data to make decisions and recommendations appropriate to situations and stakeholders.

Strategy and Policy - Rousseau

Strategy – goal directed actions to achieve superior performance compared to competitors.

Competitive Advantage - superior performance compared to competitors; Create and capture superior value

Strategic management – integrates and aligns all functional areas and hierarchical levels of the business through a process of analysis, formulation and implementation.

Analysis, Formulation, Implementation

Strategic Planning

Vision and Mission

Top down or Bottom Up or combination of the two

Emergent strategy (intended, unintended, realized)

Scenario planning – multiple future scenarios

Stakeholders

Corporate Social Responsibility

Analysis: Internal Analysis

The Resource Based View - VRIO valuable, rare, not easily imitated, organized to capture value

Capabilities – organizational and managerial skills to combine and deploy resources strategically (resource orchestration)

Core Competencies – unique strengths possessed by or embedded in the firm; results from unique combination of resources and capabilities; leads to competitive advantage.

Dynamic capabilities – firms ability to create, modify reconfigure and deploy resources to maintain a sustainable competitive advantage in a constantly changing environment.

Internal resources, capabilities and core competencies adapted and leveraged continuously to fit with changes in the external environment.

Value chain analysis, create and capture customer value.

SWOT

Analysis: External Analysis

Monitor the external environment for opportunities and threats and adapt/reconfigure internal competencies to align with the external environment.

PESTEL factors

Porter's 5 forces of industry competition – determines the profit potential of the industry

- Competitive rivalry
- Threat of substitutes
- Threat of new entrants
- Bargaining Power of buyers
- Bargaining power of suppliers

- Entry barriers
- Switching costs

Strategic groups - industry sub-groups comprised of direct competitors with similar strategies, customers. Higher rivalry within sub-groups than between.

Co-opetition

Complements

Industry Convergence

Competitive Strategies
Generic Business Strategies, Porter

Differentiation Strategy – strategic emphasis on adding value

Cost Leadership Strategy – strategic emphasis on reducing cost

Blue Ocean Strategy – deploy *value innovation* to combine differentiation and cost leadership strategies and expand new markets.

Business models

Strategic Position – the firm's position in the balance of value creation and cost reduction. Strategic position maps the competitive strategy

Innovation – incremental, disruptive, architectural/platform, radical (novelty) First mover (pioneer) and fast followers.

Industry life cycle – introduction, growth, shakeout, maturity, decline – size of market, number of competitors, intensity of competition.

Corporate Strategy

Firms motivated to pursue **strategic growth** via mechanisms to enter new markets, expand product offerings, pre-empt competitors, reduce competition. Also motivated to increase revenue, lower costs, access a new competency, reduce risk.

Three dimensions of corporate strategy

1. **Geographic scope**, where to compete?
2. **Diversification** (horizontal integration) single business or multi-business, related or unrelated?
   - Merger
   - Acquisition
   - Retrenchment
   - BCG portfolio model, cash cow, star, dog, question mark
3. **Vertical Integration**, what parts of the value chain to participate in?
   - Forward integration downstream toward the customer
   - Backward integration upstream toward the supplier

Strategic Alliances and partnerships

Boundaries of the firm – Make, Buy or Ally

Organizational Design

Organizational *Structure* should be matched to the Business Strategy

- Specialization
- Formalization
- Centralization
- Hierarchy

Org Structure must evolve with the external environment and internal competencies to avoid *core rigidity* – failure of established firms and advantage of new ventures.

- Functional
- Customer
- M-form (multidivisional)
- Matrix

Flexible resourcing and the gig-economy (the new face of outsourcing)

Organizational Culture and Norms

Corporate Governance and Ethics

Owners of the firm are shareholders

Board of directors represents the shareholders interests

Managers are hired by the board of directors to manage the firm on behalf of the shareholders – managers are agents acting on behalf of the owners

Agency Theory: Managers may act in their own self interest instead of the owners.

- Adverse selection
- Moral hazard

Corporate governance mechanisms used to monitor and control to avoid opportunistic self-interested behavior on the part of the managers.

- Executive compensation
- Inside/outside directors