



# Management

8<sup>th</sup> edition

*Steven P. Robbins*  
*Mary Coulter*

Chapter

1

Introduction  
to Management  
and Organizations

# LEARNING OUTLINE

*Follow this Learning Outline as you read and study this chapter.*

## **Who Are Managers?**

- Explain how managers differ from non-managerial employees.
- Discuss how to classify managers in organizations.

## **What Is Management?**

- Define management.
- Contrast efficiency and effectiveness.
- Explain why efficiency and effectiveness are important to management.

# LEARNING OUTLINE (cont'd)

*Follow this Learning Outline as you read and study this chapter.*

## **What Do Managers Do?**

- **Describe the four functions of management.**
- **Explain Mintzberg's managerial roles.**
- **Describe Katz's three essential managerial skills and how the importance of these skills changes depending on managerial level.**
- **Discuss the changes that are impacting managers' jobs.**
- **Explain why customer service and innovation are important to the manager's job.**

# LEARNING OUTLINE (cont'd)

*Follow this Learning Outline as you read and study this chapter.*

## **What Is An Organization?**

- Describe the characteristics of an organization.
- Explain how the concept of an organization is changing.

## **Why Study Management?**

- Explain the universality of management concept.
- Discuss why an understanding of management is important even if you don't plan to be a manager.
- Describe the rewards and challenges of being a manager.

# Who Are Managers?

## Manager

- Someone who works with and through other people by coordinating and integrating their work activities in order to accomplish organizational goals.



# Classifying Managers

## First-line Managers

- Are at the lowest level of management and manage the work of non-managerial employees.

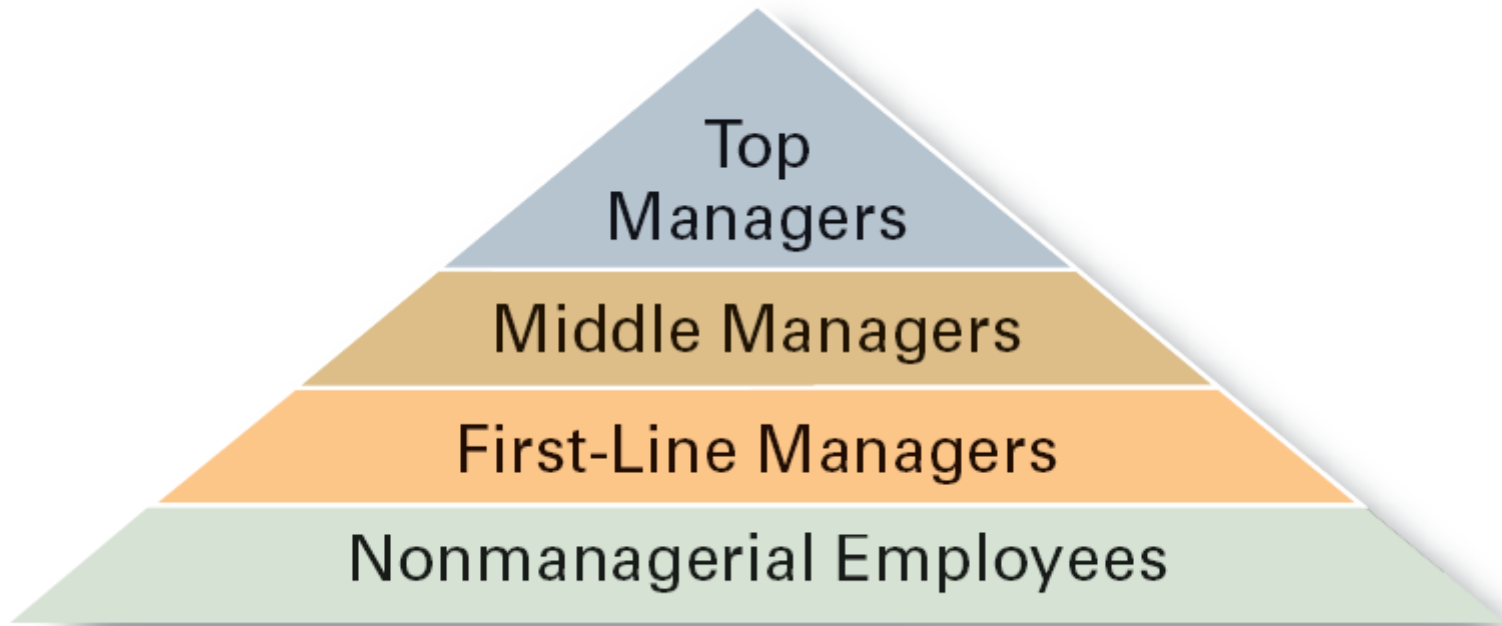
## Middle Managers

- Manage the work of first-line managers.

## Top Managers

- Are responsible for making organization-wide decisions and establishing plans and goals that affect the entire organization.

# Managerial Levels



# What Is Management?

## Managerial Concerns

### ➤ Efficiency

- ❖ “Doing things right”
  - Getting the most output for the least inputs

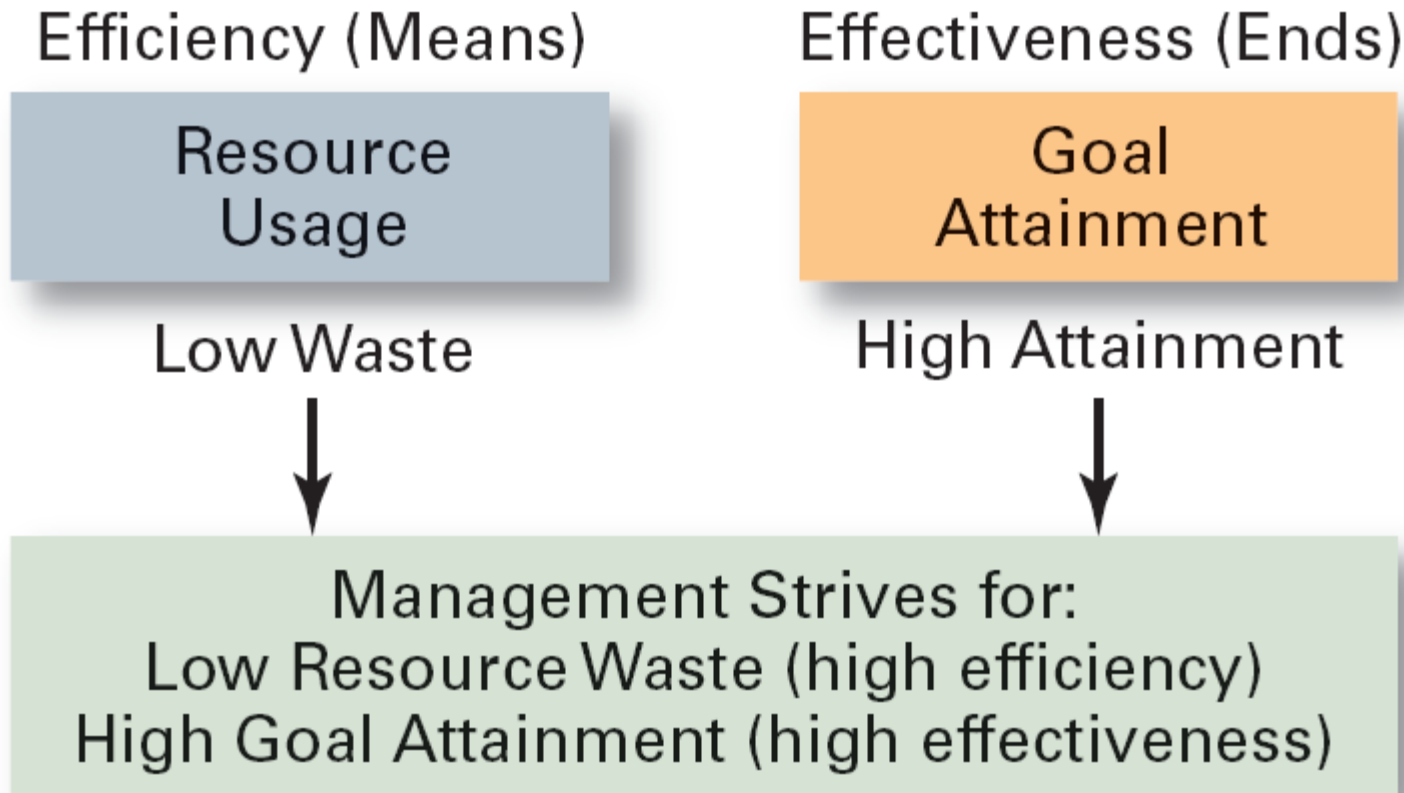
### ➤ Effectiveness

- ❖ “Doing the right things”
  - Attaining organizational goals





# Effectiveness and Efficiency in Management



# What Do Managers Do?

## Functional Approach

### ➤ Planning

- ❖ Defining goals, establishing strategies to achieve goals, developing plans to integrate and coordinate activities.

### ➤ Organizing

- ❖ Arranging work to accomplish organizational goals.

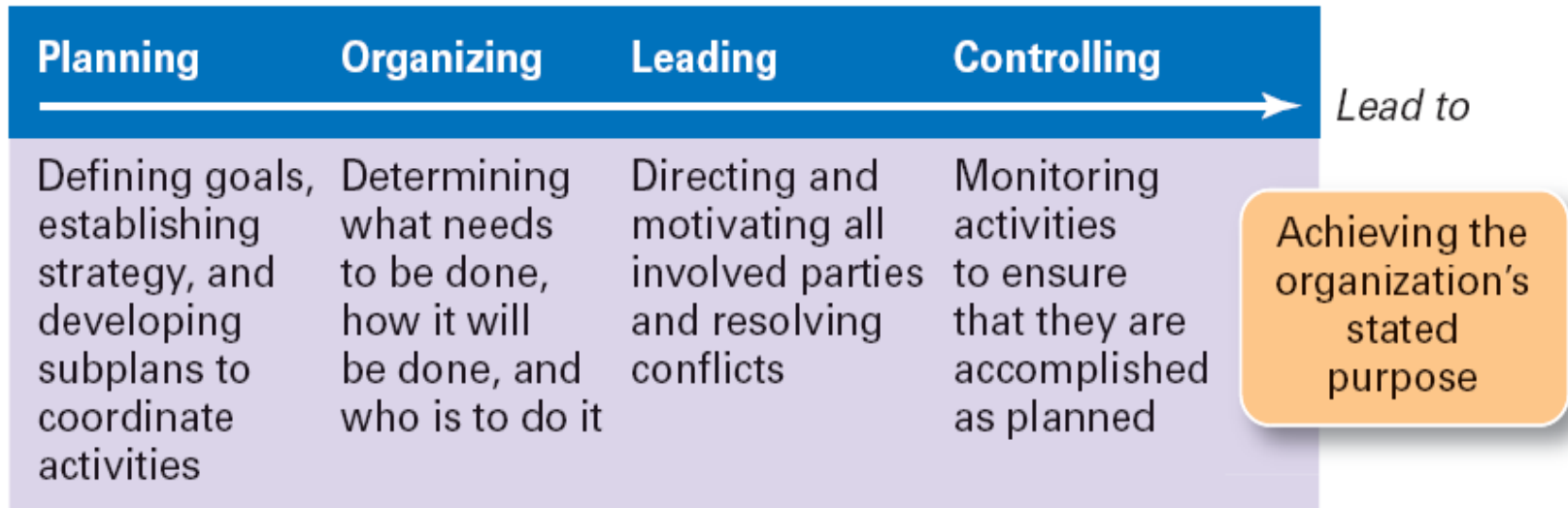
### ➤ Leading

- ❖ Working with and through people to accomplish goals.

### ➤ Controlling

- ❖ Monitoring, comparing, and correcting the work.

# Management Functions



# What Do Managers Do? (cont'd)

## Management Roles Approach

- **Interpersonal roles**
  - ❖ Figurehead, leader, liaison
- **Informational roles**
  - ❖ Monitor, disseminator, spokesperson
- **Decisional roles**
  - ❖ Disturbance handler, resource allocator, negotiator



# What Do Managers Do? (cont'd)

## Skills Approach

### ➤ Technical skills

- ❖ Knowledge and proficiency in a specific field

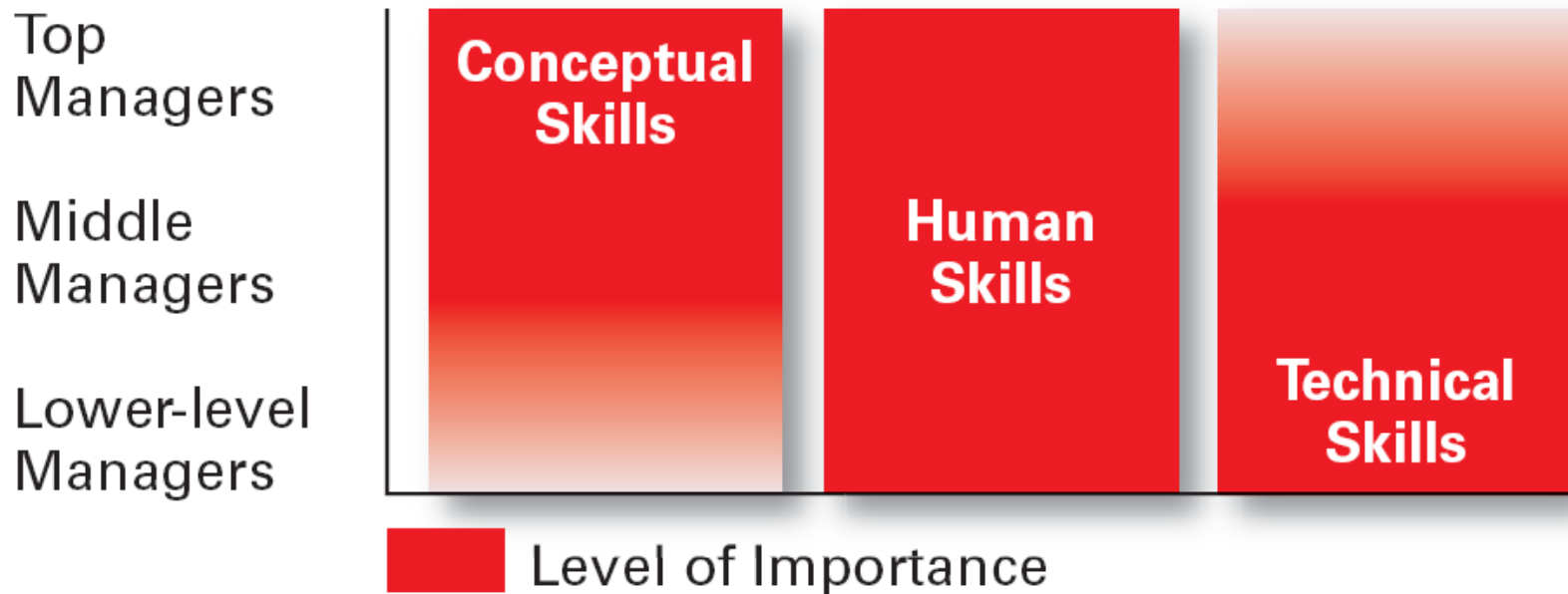
### ➤ Human skills

- ❖ The ability to work well with other people

### ➤ Conceptual skills

- ❖ The ability to think and conceptualize about abstract and complex situations concerning the organization

# Skills Needed at Different Management Levels



# Conceptual Skills

- Using information to solve business problems
- Identifying of opportunities for innovation
- Recognizing problem areas and implementing solutions
- Selecting critical information from masses of data
- Understanding of business uses of technology
- Understanding of organization's business model

# Communication Skills

- Ability to transform ideas into words and actions
- Credibility among colleagues, peers, and subordinates
- Listening and asking questions
- Presentation skills; spoken format
- Presentation skills; written and/or graphic formats



# Effectiveness Skills

- Contributing to corporate mission/departmental objectives
- Customer focus
- Multitasking: working at multiple tasks in parallel
- Negotiating skills
- Project management
- Reviewing operations and implementing improvements

# Effectiveness Skills (cont'd)

- Setting and maintaining performance standards internally and externally
- Setting priorities for attention and activity
- Time management

# Interpersonal Skills

- Coaching and mentoring skills
- Diversity skills: working with diverse people and cultures
- Networking within the organization
- Networking outside the organization
- Working in teams; cooperation and commitment

# Management Skills and Management Function Matrix

Skill	Function			
	Planning	Organizing	Leading	Controlling
Acquiring power		✓	✓	
Active listening			✓	✓
Budgeting	✓			✓
Choosing an effective leadership style			✓	
Coaching			✓	
Creating effective teams		✓	✓	
Delegating (empowerment)		✓	✓	
Designing motivating jobs		✓	✓	
Developing trust			✓	
Disciplining			✓	✓
Interviewing		✓	✓	
Managing Conflict			✓	✓
Managing resistance to change		✓	✓	✓
Mentoring			✓	
Negotiating			✓	
Providing feedback			✓	✓
Reading an organization's culture		✓	✓	
Scanning the environment	✓			✓
Setting goals	✓			✓
Solving problems creatively	✓	✓	✓	✓
Valuing Diversity	✓	✓	✓	✓

Exhibit 1.7

# How The Manager's Job Is Changing

## The Increasing Importance of Customers

- **Customers: the reason that organizations exist**
  - ❖ Managing customer relationships is the responsibility of all managers and employees.
  - ❖ Consistent high quality customer service is essential for survival.

## Innovation

- **Doing things differently, exploring new territory, and taking risks**
  - ❖ Managers should encourage employees to be aware of and act on opportunities for innovation.

# Changes Impacting the Manager's Job

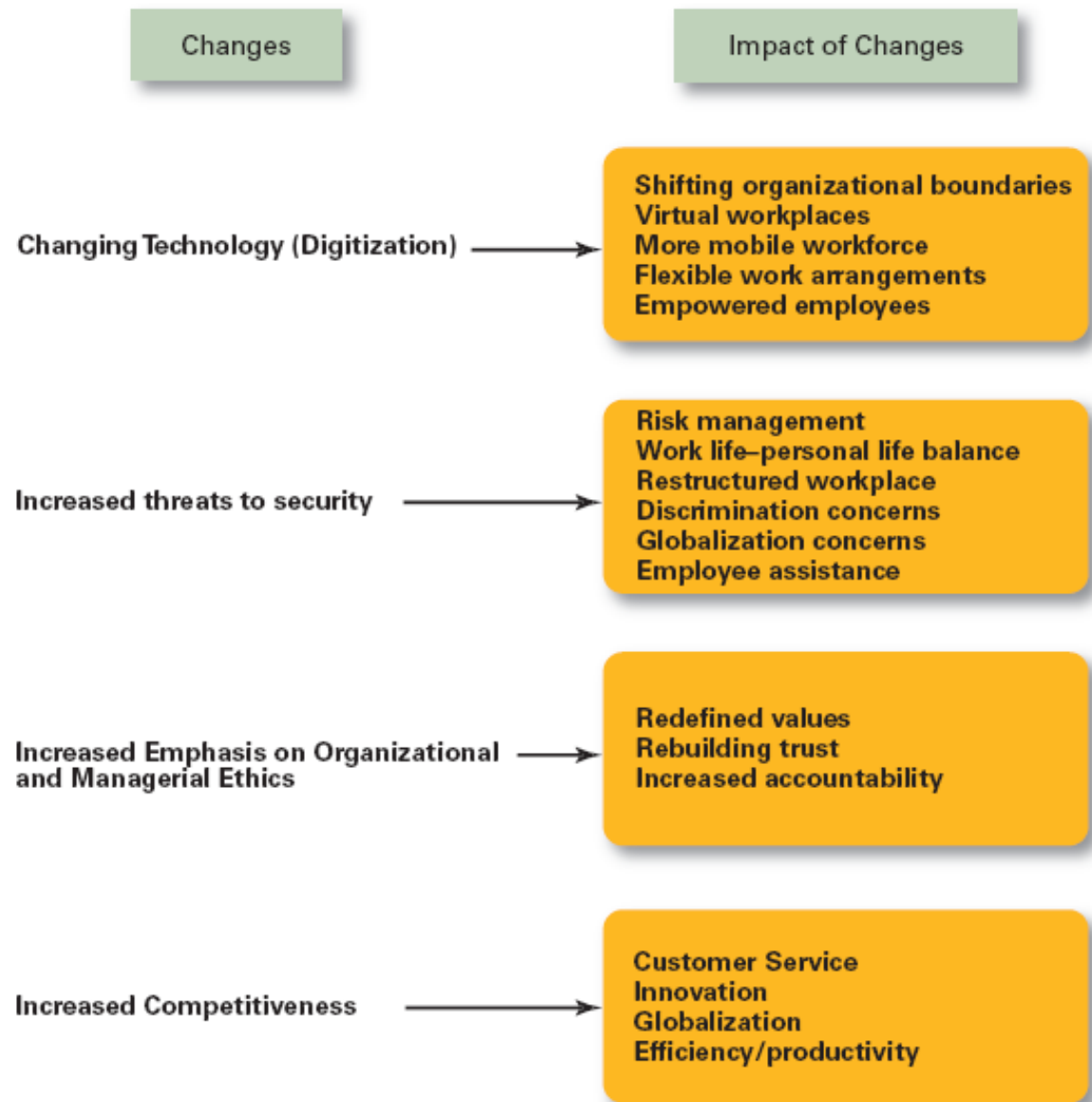


Exhibit 1.8

# What Is An Organization?

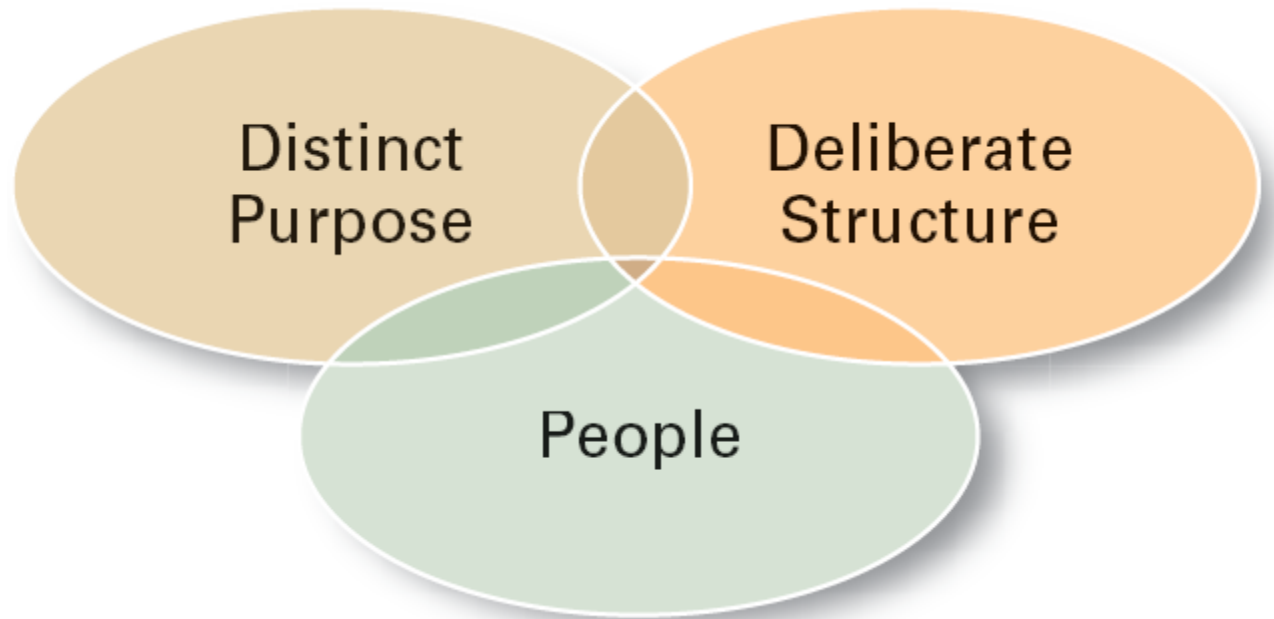
## An Organization Defined

- A deliberate arrangement of people to accomplish some specific purpose

## Common Characteristics of Organizations

- Have a distinct purpose (goal)
- Composed of people
- Have a deliberate structure

# Characteristics of Organizations





# The Changing Organization

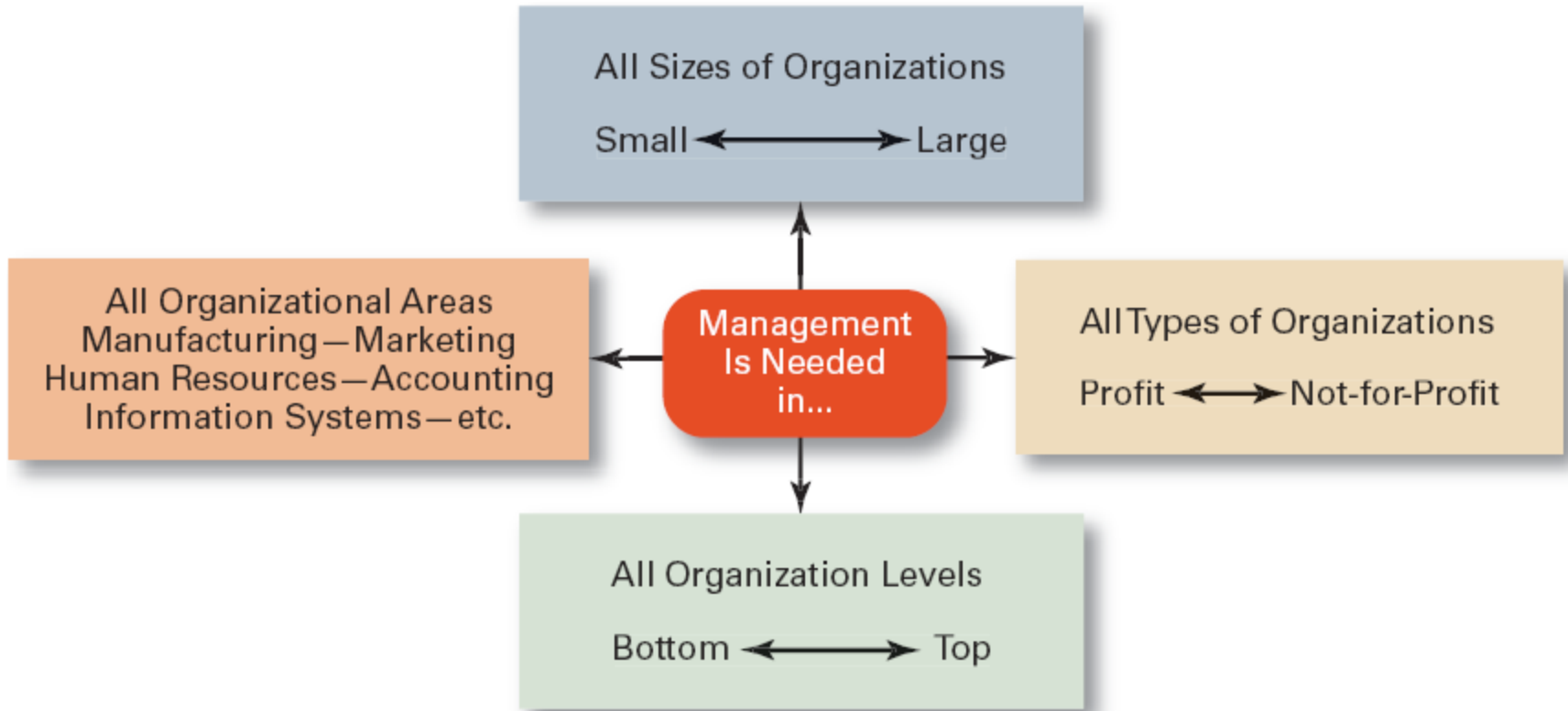
Traditional Organization	New Organization
<ul style="list-style-type: none"><li>• Stable</li><li>• Inflexible</li><li>• Job-focused</li><li>• Work is defined by job positions</li><li>• Individual-oriented</li><li>• Permanent jobs</li><li>• Command-oriented</li><li>• Managers always make decisions</li><li>• Rule-oriented</li><li>• Relatively homogeneous workforce</li><li>• Workdays defined as 9 to 5</li><li>• Hierarchical relationships</li><li>• Work at organizational facility during specific hours</li></ul>	<ul style="list-style-type: none"><li>• Dynamic</li><li>• Flexible</li><li>• Skills-focused</li><li>• Work is defined in terms of tasks to be done</li><li>• Team-oriented</li><li>• Temporary jobs</li><li>• Involvement-oriented</li><li>• Employees participate in decision making</li><li>• Customer-oriented</li><li>• Diverse workforce</li><li>• Workdays have no time boundaries</li><li>• Lateral and networked relationships</li><li>• Work anywhere, anytime</li></ul>

# Why Study Management?

## The Value of Studying Management

- **The universality of management**
  - ❖ Good management is needed in all organizations.
- **The reality of work**
  - ❖ Employees either manage or are managed.
- **Rewards and challenges of being a manager**
  - ❖ Management offers challenging, exciting and creative opportunities for meaningful and fulfilling work.
  - ❖ Successful managers receive significant monetary rewards for their efforts.

# Universal Need for Management



# Rewards and Challenges of Being A Manager

Rewards	Challenges
<ul style="list-style-type: none"><li>• Create a work environment in which organizational members can work to the best of their ability</li><li>• Have opportunities to think creatively and use imagination</li><li>• Help others find meaning and fulfillment in work</li><li>• Support, coach, and nurture others</li><li>• Work with a variety of people</li><li>• Receive recognition and status in organization and community</li><li>• Play a role in influencing organizational outcomes</li><li>• Receive appropriate compensation in form of salaries, bonuses, and stock options</li><li>• Good managers are needed by organizations</li></ul>	<ul style="list-style-type: none"><li>• Do hard work</li><li>• Have to deal with a variety of personalities</li><li>• Often have to make do with limited resources</li><li>• Motivate workers in chaotic and uncertain situations</li><li>• Successfully blend knowledge, skills, ambitions, and experiences of a diverse work group</li><li>• Success depends on others' work performance</li></ul>



# Management

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Chapter

6

Decision Making:  
The Essence of  
the Manager's Job

# LEARNING OUTLINE

*Follow this Learning Outline as you read and study this chapter.*

## **The Decision-Making Process**

- Define decision and decision-making process.
- Describe the eight steps in the decision-making process.

## **The Manager as Decision Maker**

- Discuss the assumptions of rational decision making.
- Describe the concepts of bounded rationality, satisficing, and escalation of commitment.
- Explain what intuition is and how it affects decision making.
- Contrast programmed and nonprogrammed decisions.

# LEARNING OUTLINE (cont'd)

*Follow this Learning Outline as you read and study this chapter.*

## **The Manager as Decision Maker (cont'd)**

- **Contrast the three decision-making conditions.**
- **Explain maximax, maximin, and minimax decision choice approaches.**
- **Describe the four decision making styles.**
- **Discuss the twelve decision-making biases managers may exhibit.**
- **Describe how manager can deal with the negative effects of decision errors and biases.**
- **Explain the managerial decision-making model.**

# LEARNING OUTLINE (cont'd)

*Follow this Learning Outline as you read and study this chapter.*

## **Decision Making for Today's World**

- **Explain how managers can make effective decisions in today's world.**
- **List six characteristics of an effective decision-making process.**
- **Describe the five habits of highly reliable organizations.**



# Decision Making

## Decision

- Making a choice from two or more alternatives.

## The Decision-Making Process

- Identifying a problem and decision criteria and allocating weights to the criteria.
- Developing, analyzing, and selecting an alternative that can resolve the problem.
- Implementing the selected alternative.
- Evaluating the decision's effectiveness.

# The Decision-Making Process

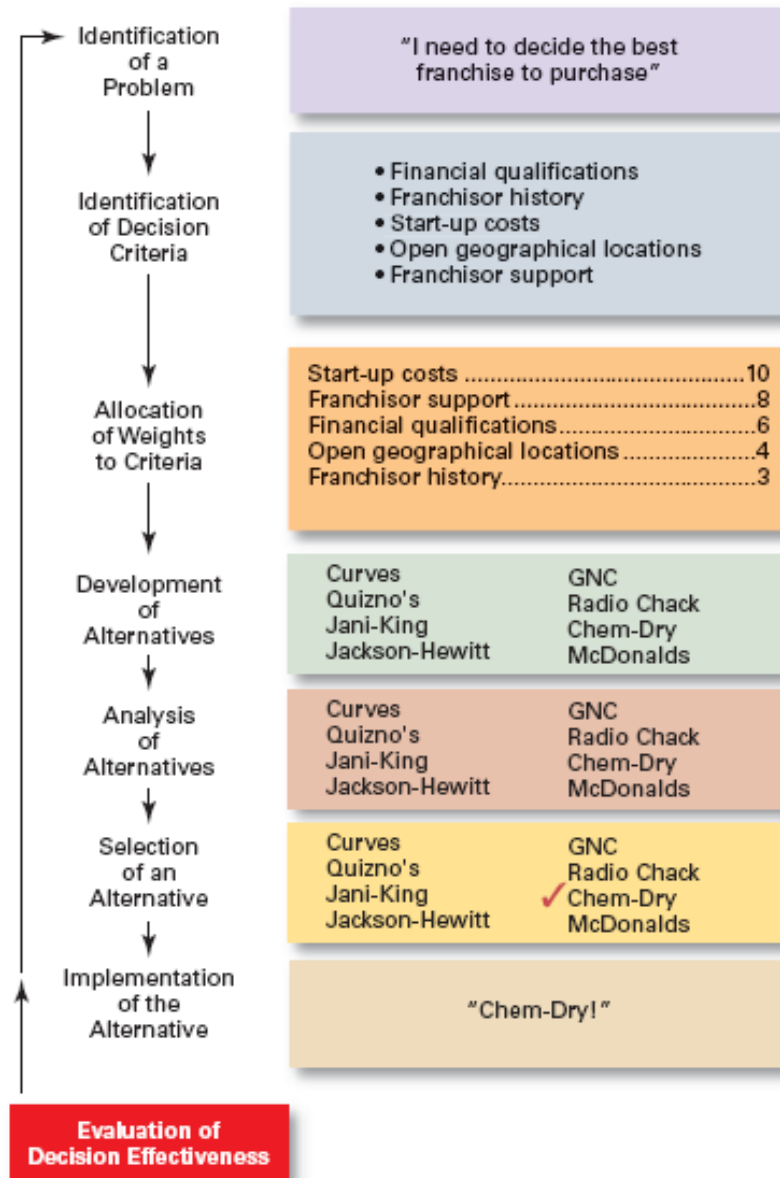


Exhibit 6.1

# Step 1: Identifying the Problem

## Problem

- A discrepancy between an existing and desired state of affairs.

## Characteristics of Problems

- A problem becomes a problem when a manager becomes aware of it.
- There is pressure to solve the problem.
- The manager must have the authority, information, or resources needed to solve the problem.

## Step 2: Identifying Decision Criteria

Decision criteria are factors that are important (relevant) to resolving the problem.

- Costs that will be incurred (investments required)
- Risks likely to be encountered (chance of failure)
- Outcomes that are desired (growth of the firm)

## Step 3: Allocating Weights to the Criteria

Decision criteria are not of equal importance:

- Assigning a weight to each item places the items in the correct priority order of their importance in the decision making process.

# Criteria and Weights for Franchise Decision

<b>Criterion</b>	<b>Weight</b>
<b>Start-up costs</b>	<b>10</b>
<b>Franchisor support</b>	<b>8</b>
<b>Financial qualifications</b>	<b>6</b>
<b>Open geographical locations</b>	<b>4</b>
<b>Franchisor history</b>	<b>3</b>

## Step 4: Developing Alternatives

### Identifying viable alternatives

- Alternatives are listed (without evaluation) that can resolve the problem.

## Step 5: Analyzing Alternatives

### Appraising each alternative's strengths and weaknesses

- An alternative's appraisal is based on its ability to resolve the issues identified in steps 2 and 3.

## Step 6: Selecting an Alternative

Choosing the best alternative

- The alternative with the highest total weight is chosen.

## Step 7: Implementing the Decision

Putting the chosen alternative into action.

- Conveying the decision to and gaining commitment from those who will carry out the decision.

# Assessed Values of Franchise Opportunities Using Decision Criteria

Franchise	Start-Up Costs	Franchise Support	Financial Qualifications	Open Locations	Franchisor History
Curves For Women	10	3	10	8	5
Quiznos Sandwiches	8	7	7	8	7
Jani-King	8	5	7	10	10
Jackson-Hewitt Tax Service	8	7	7	8	7
GNC Vitamins and Nutritional Supplements	7	8	7	8	7
Radio Shack	8	3	6	10	8
Chem-Dry Carpet Cleaning	10	7	8	6	7
McDonald's	4	10	4	8	10





# Evaluation of Franchise Alternatives Against Weighted Criteria

Franchise	Start-Up Costs	Franchise Support	Financial Qualifications	Open Locations	Franchisor History	Total
Curves For Women	100	24	60	32	15	231
Quiznos Sandwiches	80	56	42	32	21	231
Jani-King	80	40	42	40	30	232
Jackson-Hewitt Tax Service	80	56	42	32	21	231
GNC Vitamins and Nutritional Supplements	70	64	42	32	21	229
Radio Shack	80	24	36	40	24	204
Chem-Dry Carpet	100	56	48	24	21	249
McDonald's	40	80	24	32	30	206

# Step 8: Evaluating the Decision's Effectiveness

The soundness of the decision is judged by its outcomes.

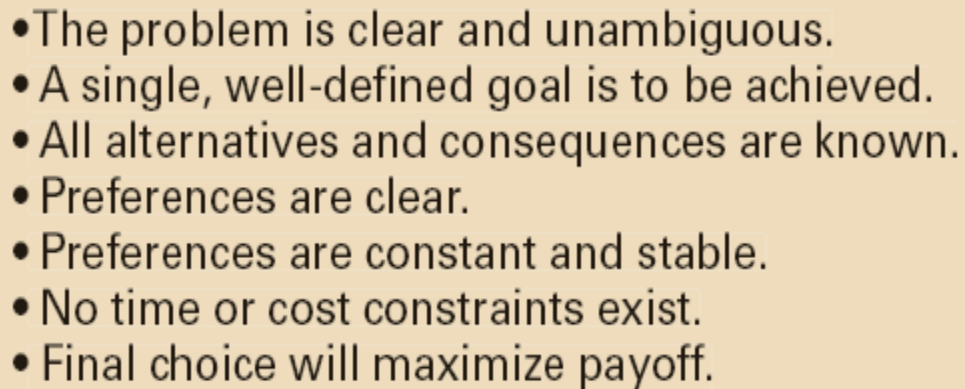
- How effectively was the problem resolved by outcomes resulting from the chosen alternatives?
- If the problem was not resolved, what went wrong?

# Making Decisions

## Rationality

- Managers make consistent, value-maximizing choices with specified constraints.
- Assumptions are that decision makers:
  - ❖ Are perfectly rational, fully objective, and logical.
  - ❖ Have carefully defined the problem and identified all viable alternatives.
  - ❖ Have a clear and specific goal
  - ❖ Will select the alternative that maximizes outcomes in the organization's interests rather than in their personal interests.

# Assumptions of Rationality

- 
- A diagram consisting of a light beige rectangular box on the left containing a bulleted list of assumptions. A black arrow points from the top right of this box to the right. To the right of the arrow is the text "Lead to". Below "Lead to" is a light blue rounded rectangular box containing the text "Rational Decision Making".
- The problem is clear and unambiguous.
  - A single, well-defined goal is to be achieved.
  - All alternatives and consequences are known.
  - Preferences are clear.
  - Preferences are constant and stable.
  - No time or cost constraints exist.
  - Final choice will maximize payoff.

*Lead to*

**Rational  
Decision  
Making**

# Making Decisions (cont'd)

## Bounded Rationality

- Managers make decisions rationally, but are limited (bounded) by their ability to process information.
- Assumptions are that decision makers:
  - ❖ Will not seek out or have knowledge of all alternatives
  - ❖ Will **satisfice**—choose the first alternative encountered that satisfactorily solves the problem—rather than maximize the outcome of their decision by considering all alternatives and choosing the best.

# Influences on Decision Making

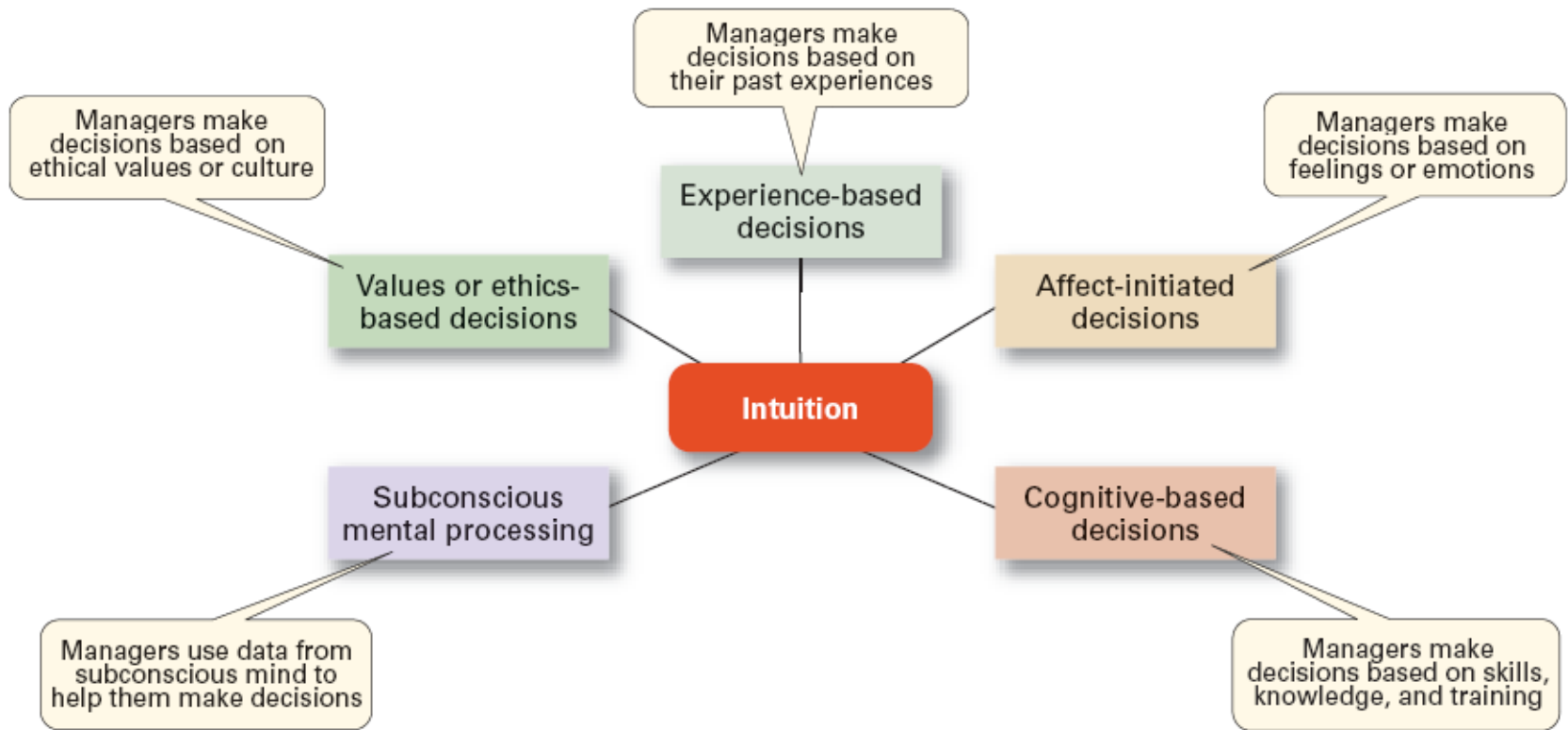
## Escalation of Commitment

- Increasing or continuing a commitment to previous decision despite mounting evidence that the decision may have been wrong.

## The Role of Intuition

- Intuitive decision making
  - ❖ Making decisions on the basis of experience, feelings, and accumulated judgement.

# What is Intuition?



Source: Based on L.A. Burke and M.K. Miller. "Taking the Mystery Out of Intuitive Decision Making." *Academy of Management Executive*. October 1999. pp. 91-99.

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# Problems and Decisions

## Structured Problems

- Involve goals that clear.
- Are familiar (have occurred before).
- Are easily and completely defined—information about the problem is available and complete.

## Programmed Decision

- A repetitive decision that can be handled by a routine approach.



# Types of Programmed Decisions

## A Policy

- A general guideline for making a decision about a structured problem.

## A Procedure

- A series of interrelated steps that a manager can use to respond (applying a policy) to a structured problem.

## A Rule

- An explicit statement that limits what a manager or employee can or cannot do in carrying out the steps involved in a procedure.

# Policy, Procedure, and Rule Example

## Policy

- Accept all customer-returned merchandise.

## Procedure

- Follow all steps for completing merchandise return documentation.

## Rules

- Managers must approve all refunds over \$50.00.
- No credit purchases are refunded for cash.

# Problems and Decisions (cont'd)

## Unstructured Problems

- Problems that are new or unusual and for which information is ambiguous or incomplete.
- Problems that will require custom-made solutions.

## Nonprogrammed Decisions

- Decisions that are unique and nonrecurring.
- Decisions that generate unique responses.

# Types of Problems, Types of Decisions, and Level in the Organization

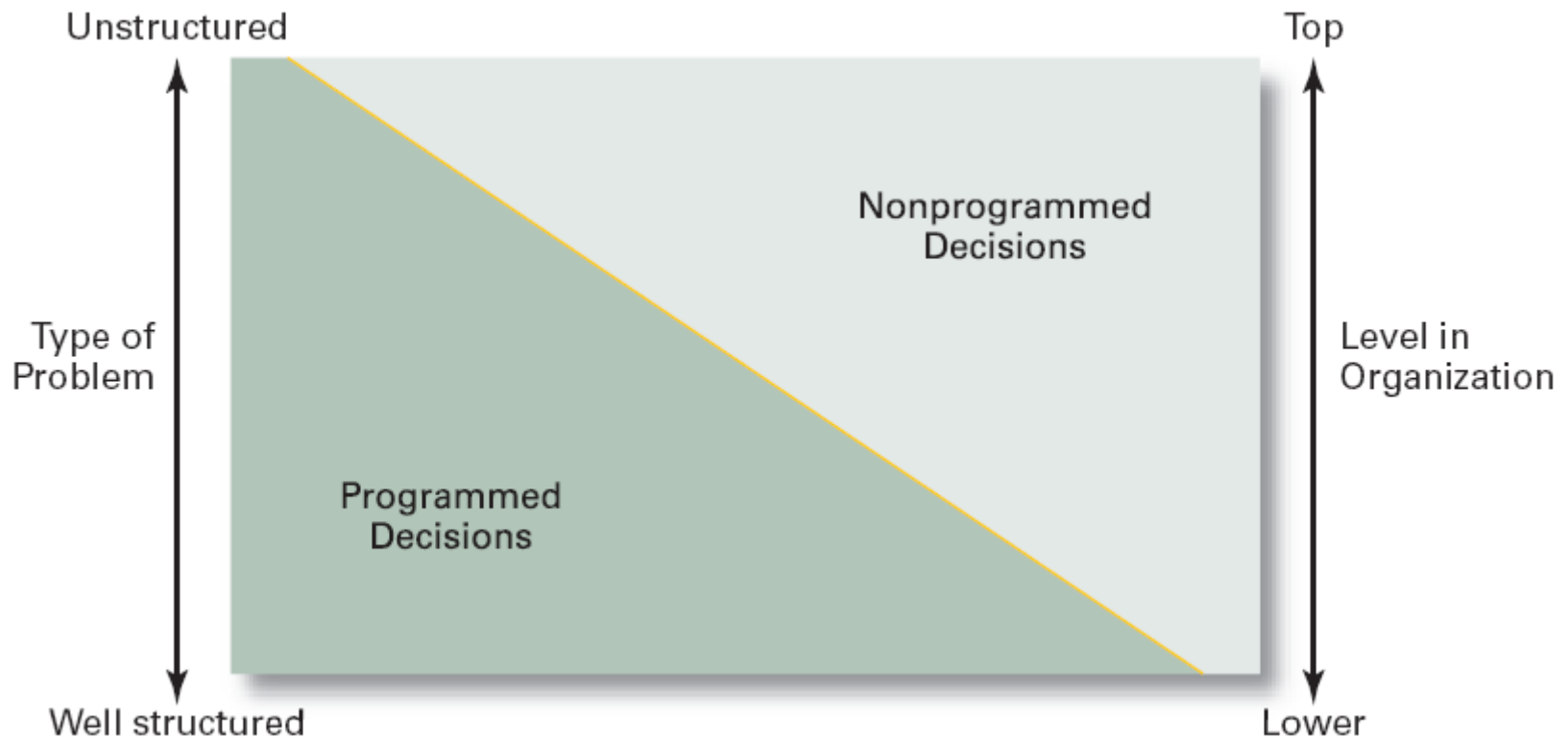


Exhibit 6.8

# Decision-Making Conditions

## Certainty

- A ideal situation in which a manager can make an accurate decision because the outcome of every alternative choice is known.

## Risk

- A situation in which the manager is able to estimate the likelihood (probability) of outcomes that result from the choice of particular alternatives.

# Decision-Making Conditions

## Uncertainty

- Limited or information prevents estimation of outcome probabilities for alternatives associated with the problem and may force managers to rely on intuition, hunches, and “gut feelings”.
  - ❖ **Maximax:** the optimistic manager’s choice to maximize the maximum payoff
  - ❖ **Maximin:** the pessimistic manager’s choice to maximize the minimum payoff
  - ❖ **Minimax:** the manager’s choice to minimize his maximum regret.

# Expected Value for Revenues from the Addition of One Ski Lift

<b>Event</b>	<b>Expected Revenues</b>	<b>×</b>	<b>Probability</b>	<b>=</b>	<b>Expected Value of Each Alternative</b>
Heavy snowfall	\$850,000		0.3	=	\$255,000
Normal snowfall	725,000		0.5	=	362,500
Light snowfall	350,000		0.2	=	<u>70,000</u>
					<b>\$687,500</b>

# Payoff Matrix

(in millions of dollars)  
Visa Marketing Strategy

MasterCard's Response

	CA <sub>1</sub>	CA <sub>2</sub>	CA <sub>3</sub>
S <sub>1</sub>	13	14	11
S <sub>2</sub>	9	15	18
S <sub>3</sub>	24	21	15
S <sub>4</sub>	18	14	28



# Regret Matrix

(in millions of dollars)  
Visa Marketing Strategy

MasterCard's Response

	CA <sub>1</sub>	CA <sub>2</sub>	CA <sub>3</sub>
S <sub>1</sub>	11	7	17
S <sub>2</sub>	15	6	10
S <sub>3</sub>	0	0	13
S <sub>4</sub>	6	7	0

# Decision-Making Styles

## Dimensions of Decision-Making Styles

### ➤ Ways of thinking

- ❖ Rational, orderly, and consistent
- ❖ Intuitive, creative, and unique

### ➤ Tolerance for ambiguity

- ❖ Low tolerance: require consistency and order
- ❖ High tolerance: multiple thoughts simultaneously

# Decision-Making Styles (cont'd)

## Types of Decision Makers

### ➤ Directive

- ❖ Use minimal information and consider few alternatives.

### ➤ Analytic

- ❖ Make careful decisions in unique situations.

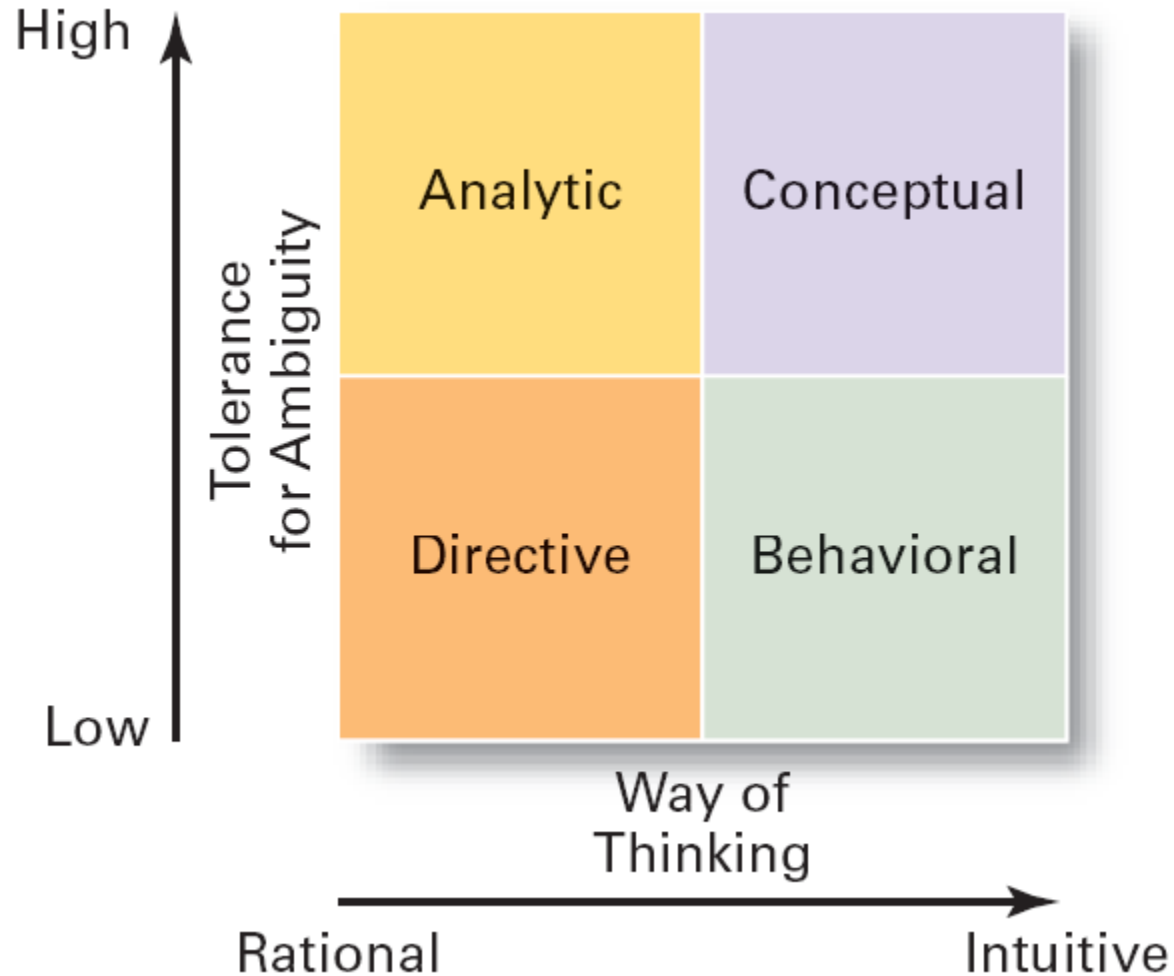
### ➤ Conceptual

- ❖ Maintain a broad outlook and consider many alternatives in making long-term decisions.

### ➤ Behavioral

- ❖ Avoid conflict by working well with others and being receptive to suggestions.

# Decision-Making Styles



Source: S.P. Robbins and D.A. DeCenzo, *Supervision Today*, 2nd ed. (Upper Saddle River, NJ: Prentice Hall, 1998). p. 166.

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● ● ● **Exhibit 6.12**

# Common Decision-Making Errors and Biases



# Decision-Making Biases and Errors

## Heuristics

- Using “rules of thumb” to simplify decision making.

## Overconfidence Bias

- Holding unrealistically positive views of one’s self and one’s performance.

## Immediate Gratification Bias

- Choosing alternatives that offer immediate rewards and that to avoid immediate costs.

# Decision-Making Biases and Errors (cont'd)

## Anchoring Effect

- Fixating on initial information and ignoring subsequent information.

## Selective Perception

- Selecting organizing and interpreting events based on the decision maker's biased perceptions.

## Confirmation Bias

- Seeking out information that reaffirms past choices and discounting contradictory information.

# Decision-Making Biases and Errors (cont'd)

## Framing Bias

- **Selecting and highlighting certain aspects of a situation while ignoring other aspects.**

## Availability Bias

- **Losing decision-making objectivity by focusing on the most recent events.**

## Representation Bias

- **Drawing analogies and seeing identical situations when none exist.**

## Randomness Bias

- **Creating unfounded meaning out of random events.**



# Decision-Making Biases and Errors (cont'd)

## Sunk Costs Errors

- **Forgetting that current actions cannot influence past events and relate only to future consequences.**

## Self-Serving Bias

- **Taking quick credit for successes and blaming outside factors for failures.**

## Hindsight Bias

- **Mistakenly believing that an event could have been predicted once the actual outcome is known (after-the-fact).**

# Decision Making for Today's World

Guidelines for making effective decisions:

- Know when it's time to call it quits.
- Practice the five “whys”.
- Be an effective decision maker.

Habits of highly reliable organizations (HROs)

- Are not tricked by their success.
- Defer to the experts on the front line.
- Let unexpected circumstances provide the solution.
- Embrace complexity.
- Anticipate, but also anticipate their limits.

# Characteristics of an Effective Decision-Making Process

**It focuses on what is important.**

**It is logical and consistent.**

**It acknowledges both subjective and objective thinking and blends analytical with intuitive thinking.**

**It requires only as much information and analysis as is necessary to resolve a particular dilemma.**

**It encourages and guides the gathering of relevant information and informed opinion.**

**It is straightforward, reliable, easy to use, and flexible.**

# Overview of Managerial Decision Making

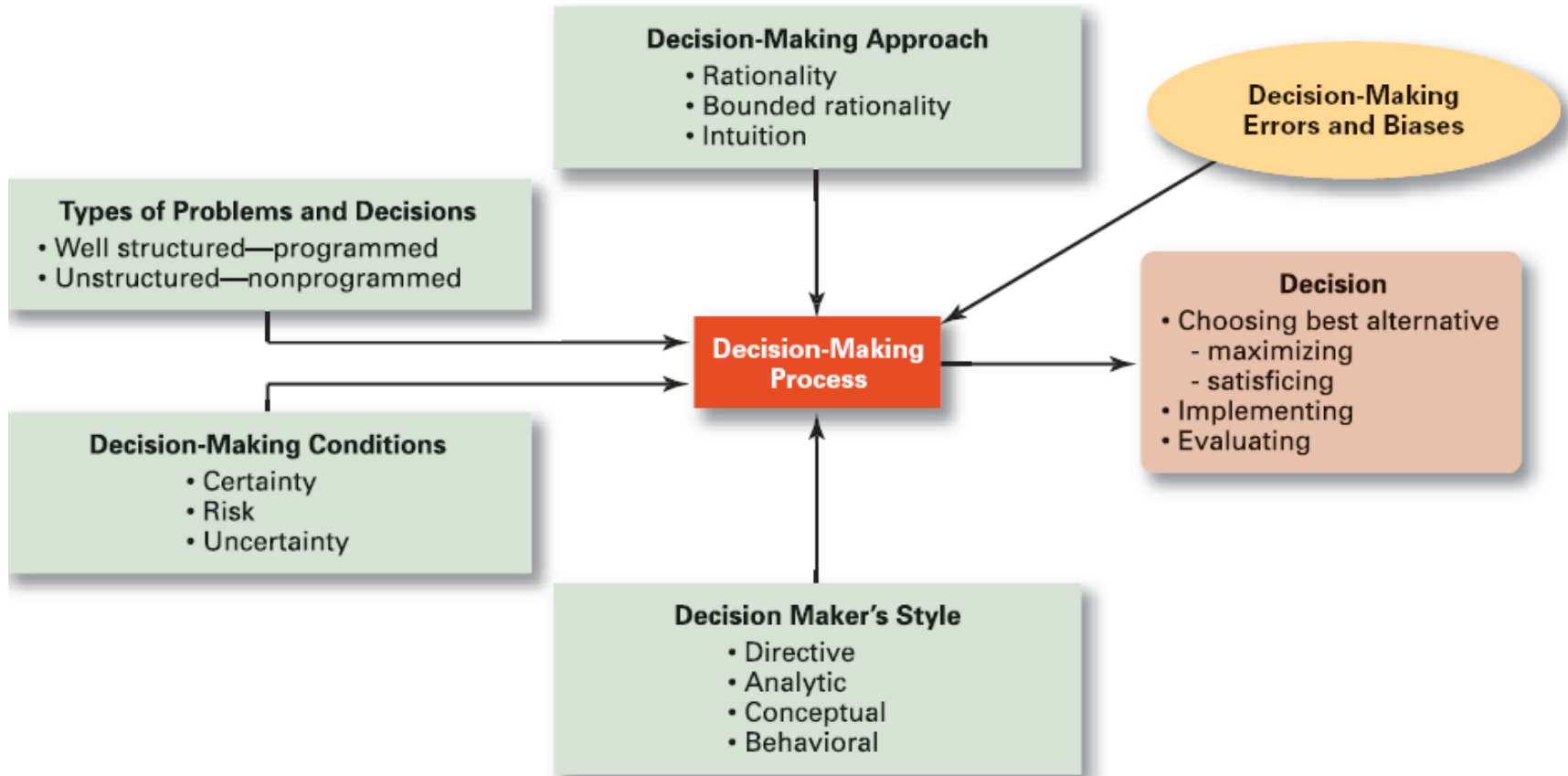


Exhibit 6.14



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Chapter

**5**

Social Responsibility and  
Managerial Ethics

# LEARNING OUTLINE

*Follow this Learning Outline as you read and study this chapter.*

## **What is Social Responsibility?**

- **Contrast the classical and socioeconomic views of social responsibility.**
- **Discuss the role that stakeholders play in the four stages of social responsibility.**
- **Differentiate between social obligation, social responsiveness, and social responsibility.**

## **Social Responsibility and Economic Performance**

- **Explain what research studies have shown about the relationship between an organization's social involvement and its economic performance.**
- **Explain what conclusion can be reached regarding social responsibility and economic performance.**

# LEARNING OUTLINE (cont'd)

*Follow this Learning Outline as you read and study this chapter.*

## **The Greening of Management**

- Describe how organizations can go green.
- Relate the approaches to being green to the concepts of social obligation, social responsiveness, and social responsibility.

## **Values-Based Management**

- Discuss what purposes shared values serve.
- Describe the relationship of values-based management to ethics.

# LEARNING OUTLINE (cont'd)

*Follow this Learning Outline as you read and study this chapter.*

## **Managerial Ethics**

- **Contrast the four views of ethics.**
- **Discuss the factors that affect ethical and unethical behavior.**
- **Discuss the six determinants of issue intensity.**
- **Explain what codes of ethics are and how their effectiveness can be improved.**
- **Describe the important roles managers play in encouraging ethical behavior.**



# LEARNING OUTLINE (cont'd)

*Follow this Learning Outline as you read and study this chapter.*

## **Social Responsibility and Ethics in Today's World**

- **Explain why ethical leadership is important.**
- **Describe how managers can provide ethical leadership.**
- **Describe social impact management.**

# What Is Social Responsibility?

## The Classical View

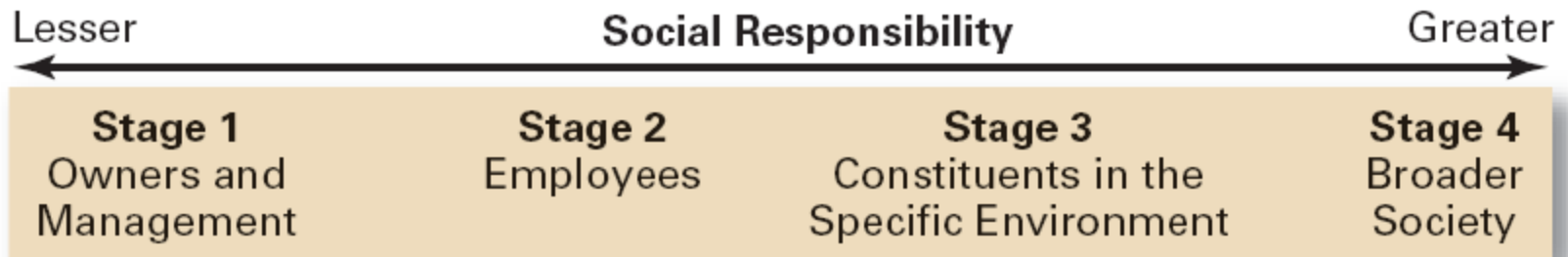
- Management's only social responsibility is to maximize profits (create a financial return) by operating the business in the best interests of the stockholders (owners of the corporation).
- Expending the firm's resources on doing "social good" unjustifiably increases costs that lower profits to the owners and raises prices to consumers.

# What Is Social Responsibility? (cont'd)

## The Socioeconomic View

- Management's social responsibility goes beyond making profits to include protecting and improving society's welfare.
- Corporations are not independent entities responsible only to stockholders.
- Firms have a moral responsibility to larger society to become involved in social, legal, and political issues.
- "To do the right thing"

# To Whom is Management Responsible?



# Arguments For and Against Social Responsibility

## For

- Public expectations
- Long-run profits
- Ethical obligation
- Public image
- Better environment
- Discouragement of further governmental regulation
- Balance of responsibility and power
- Stockholder interests
- Possession of resources
- Superiority of prevention over cure

## Against

- Violation of profit maximization
- Dilution of purpose
- Costs
- Too much power
- Lack of skills
- Lack of accountability

# From Obligation to Responsiveness to Responsibility

## Social Obligation

- **The obligation of a business to meet its economic and legal responsibilities and nothing more.**

## Social Responsiveness

- **The capacity of a firm to adapt to changing societal conditions through the practical decisions of its managers in responding to important social needs.**

## Social Responsibility

- **A firm's obligations as a moral agent extends beyond its legal and economic obligations, to the pursuit of long-term goals that are good for society.**

# Social Responsibility versus Social Responsiveness

	Social Responsibility	Social Responsiveness
Major consideration	Ethical Pragmatic/practical/logical	
Focus	Ends	Means
Emphasis	Obligation	Responses
Decision framework	Long term	Medium and short term

Source: Adapted from S.L. Wartick and P.L. Cochran, "The Evolution of the Corporate Social Performance Model," *Academy of Management Review*, October 1985, p. 766.

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# Does Social Responsibility Pay?

Studies appear to show a positive relationship between social involvement and the economic performance of firms.

- Difficulties in defining and measuring “social responsibility” and “economic performance raise issues of validity صحة and causation العلاقة السببيه in the studies.
- Mutual funds using **social screening** in investment decisions slightly outperformed other mutual funds.

A general conclusion is that a firm’s social actions do not harm its long-term performance.



# The Greening of Management

The recognition الاعتراف of the close link between an organization's decision and activities and its impact on the natural environment.

➤ **Global environmental problems facing managers:**

- ❖ Air, water, and soil pollution from toxic السامة wastes
- ❖ Global warming from greenhouse gas emissions الانبعاثات
- ❖ Natural resource depletion استنفاد



# How Organizations Go Green

## Legal (of Light Green) Approach

- Firms simply do what is legally required by obeying <sup>طاعة</sup> laws, rules, and regulations willingly and without legal challenge.

## Market Approach

- Firms respond to the preferences of their customers for environmentally friendly products.

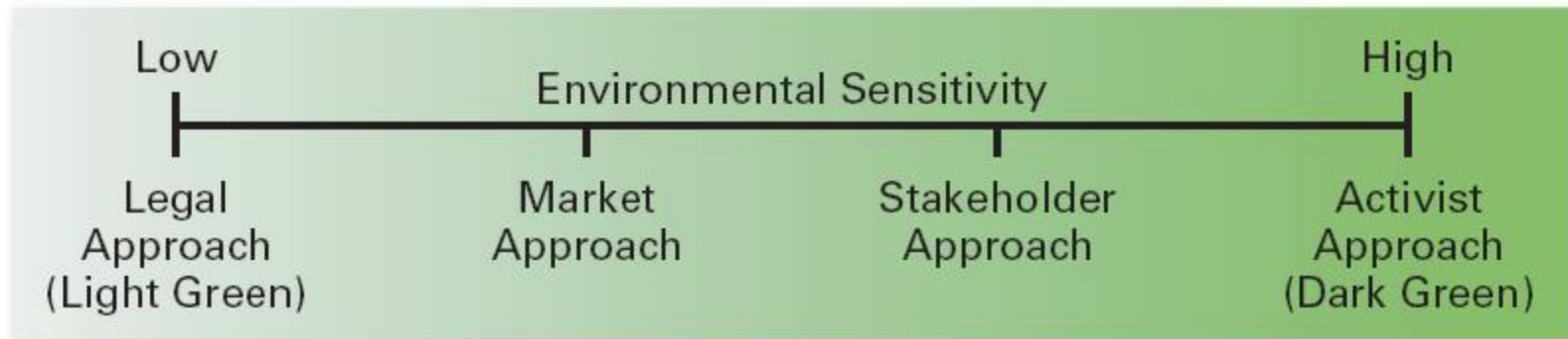
## Stakeholder Approach

- Firms work to meet the environmental demands of multiple stakeholders—employees, suppliers, and the community.

## Activist Approach

- Firms look for ways to respect and preserve environment and be actively socially responsible.

# Approaches to Being Green



Source: Based on R.E. Freeman, J. Pierce, and R. Dodd. *Shades of Green: Business Ethics and the Environment* (New York: Oxford University Press, 1995).

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● ● ● **Exhibit 5.4**

# Values-Based Management

## Values-Based Management

- An approach to managing in which managers establish and uphold an organization's shared values.

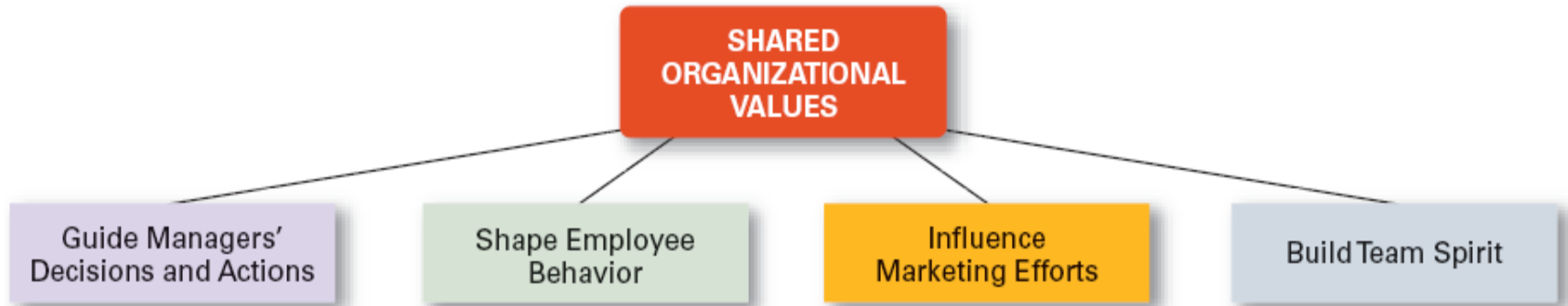
## The Purposes of Shared Values

- Serving as guideposts for managerial decisions
- Shaping employee behavior
- Influencing the direction of marketing efforts
- Building team spirit

## The Bottom Line on Shared Corporate Values

- An organization's values are reflected in the decisions and actions of its employees.

# Purposes of Shared Values



# Stated Values of Organizations

Stated Value	Percentage of Respondents
Customer satisfaction	77%
Ethics/integrity	76%
Accountability	61%
Respect for others	59%
Open communication	51%
Profitability	49%
Teamwork	47%
Innovation/change	47%
Continuous learning	43%
Positive work environment	42%
Diversity	41%
Community service	38%
Trust	37%
Social responsibility	33%
Security/safety	33%
Empowerment	32%
Employee job satisfaction	31%
Have fun	24%

Source: "AMA Corporate Values Survey," (www.amanet.org), October 30, 2002.  
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# Managerial Ethics

## Ethics Defined

- The rules and principles that define right and wrong conduct.

## Four Views of Ethics

- The utilitarian view النفعية
- The rights view
- The theory of justice view
- The integrative social contracts theory

# Managerial Ethics (cont'd)

## Utilitarian View

- Ethical decisions are made solely on the basis of their outcomes or consequences such that the greatest good is provided for the greatest number.
  - ❖ Encourages efficiency and productivity and is consistent with the goal of profit maximization.

## Rights View

- Concerned with respecting and protecting individual liberties and privacy.
  - ❖ Seeks to protect individual rights of conscience, free speech, life and safety, and due process.



# Managerial Ethics (cont'd)

## The Theory of Justice

- Organizational rules are enforced fairly and impartially **نزاهه** and follow all legal rules and regulations.
  - ❖ Protects the interests of underrepresented stakeholders and the rights of employee.

## Integrative Social Contracts Theory

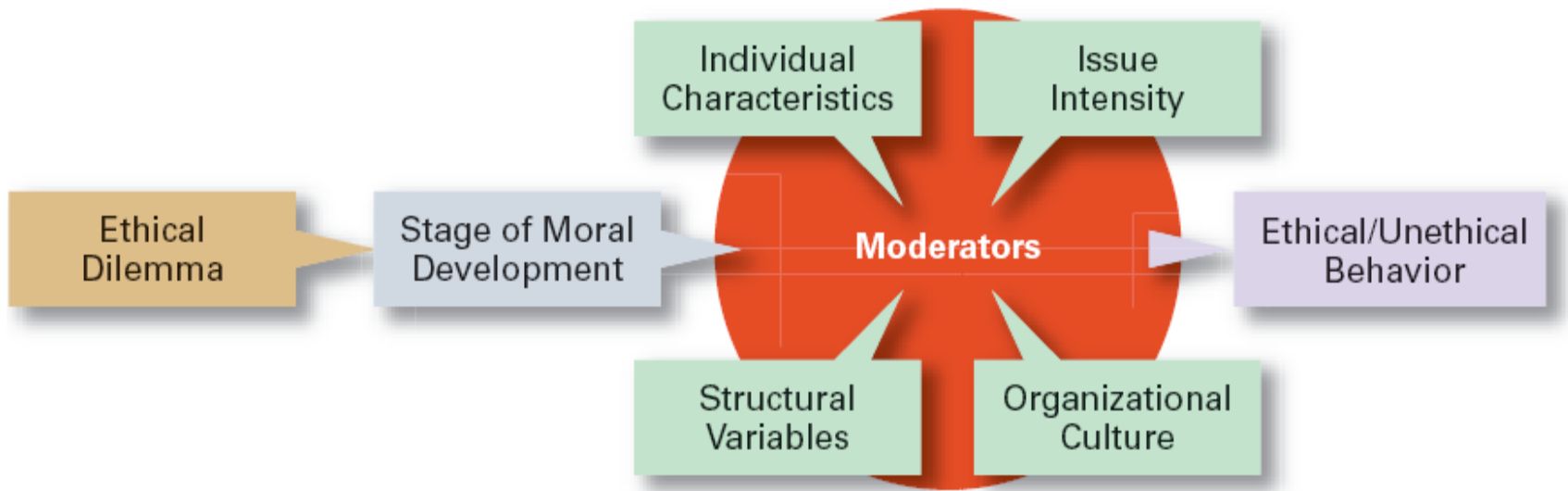
- Ethical decisions should be based on existing ethical norms in industries and communities in order to determine what constitutes right and wrong.
  - ❖ Based on integration of the general social contract and the specific contract between community members.

# Factors That Affect Employee Ethics

## Moral Development

- A measure of independence from outside influences
  - ❖ Levels of Individual Moral Development
    - Preconventional level
    - Conventional level
    - Principled level
- Stage of moral development interacts with:
  - ❖ Individual characteristics
  - ❖ The organization's structural design
  - ❖ The organization's culture
  - ❖ The intensity of the ethical issue

# Factors That Affect Ethical and Unethical Behavior



# Factors That Affect Employee Ethics (cont'd)

## Moral Development

### ➤ Research Conclusions:

- ❖ People proceed through the stages of moral development sequentially.
- ❖ There is no guarantee of continued moral development.
- ❖ Most adults are in Stage 4 (“good corporate citizen”).

# Individual Characteristics Affecting Ethical Behaviors

## Values

- Basic convictions about what is right or wrong on a broad range of issues

## Stage of Moral Development

- A measure of an individual's independence from outside influences

# Stages of Moral Development

Level	Description of Stage
Principled	<ul style="list-style-type: none"> <li>6. Following self-chosen ethical principles even if they violate the law</li> <li>5. Valuing rights of others and upholding absolute values and rights regardless of the majority's opinion</li> </ul>
Conventional	<ul style="list-style-type: none"> <li>4. Maintaining conventional order by fulfilling obligations to which you have agreed</li> <li>3. Living up to what is expected by people close to you</li> </ul>
Preconventional	<ul style="list-style-type: none"> <li>2. Following rules only when doing so is in your immediate interest</li> <li>1. Sticking to rules to avoid physical punishment</li> </ul>

**Source:** Based on L. Kohlberg, "Moral Stages and Moralization: The Cognitive-Development Approach," in T. Lickona (ed.). *Moral Development and Behavior: Theory, Research, and Social Issues* (New York: Holt, Rinehart & Winston, 1976), pp. 34–35.

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# Individual Characteristics

## Personality Variables

### ➤ Ego strength

- ❖ A personality measure of the strength of a person's convictions

### ➤ Locus of Control

- ❖ A personality attribute that measures the degree to which people believe they control their own life.
- ❖ **Internal locus:** the belief that you control your destiny.
- ❖ **External locus:** the belief that what happens to you is due to luck or chance.

# Structural Variables

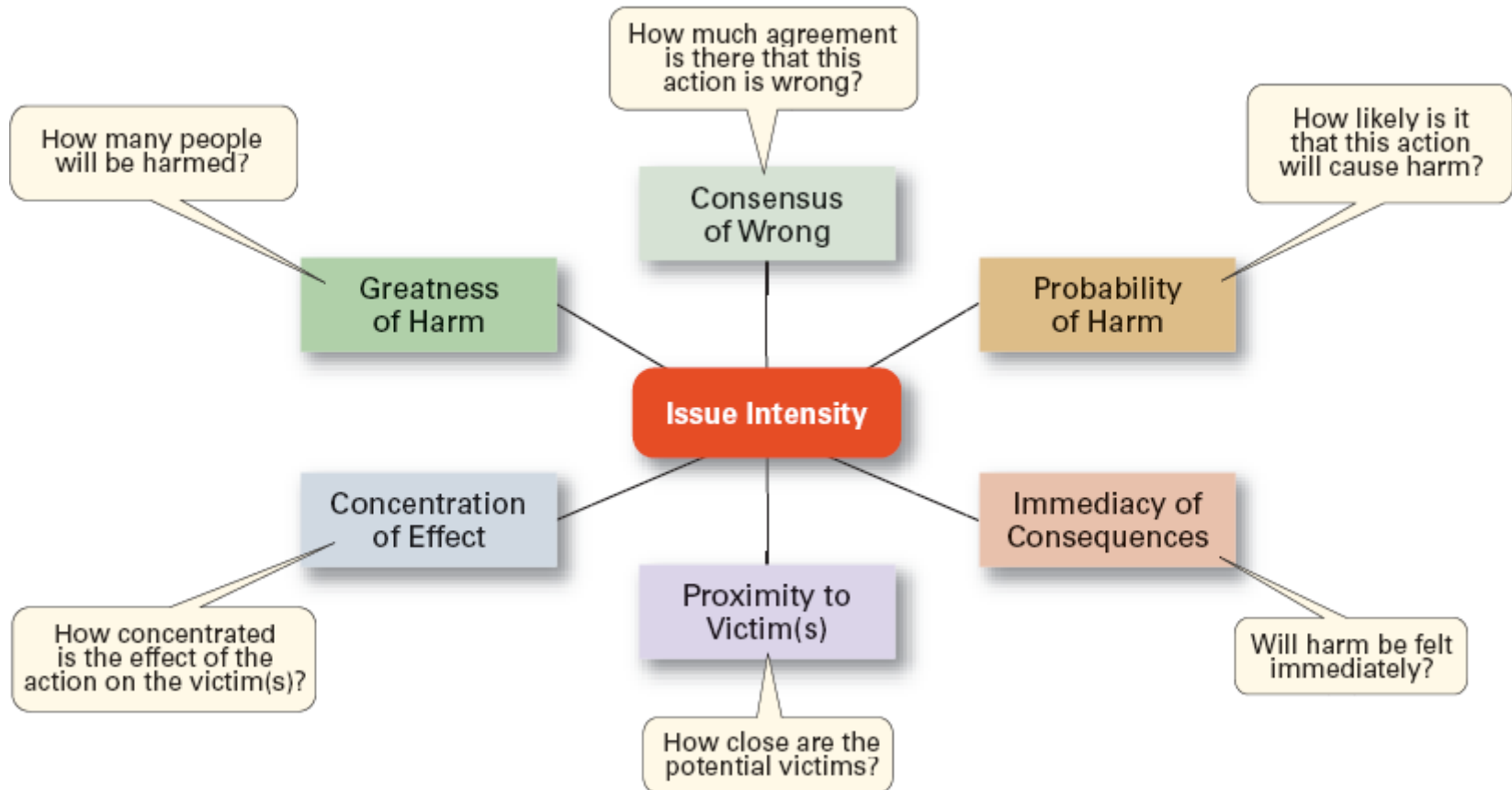
Organizational characteristics and mechanisms that guide and influence individual ethics:

- Performance appraisal systems
- Reward allocation systems
- Behaviors (ethical) of managers
- An organization's culture
- Intensity of the ethical issue

Good structural design minimizes ambiguity and uncertainty and fosters ethical behavior.



# Determinants of Issue Intensity



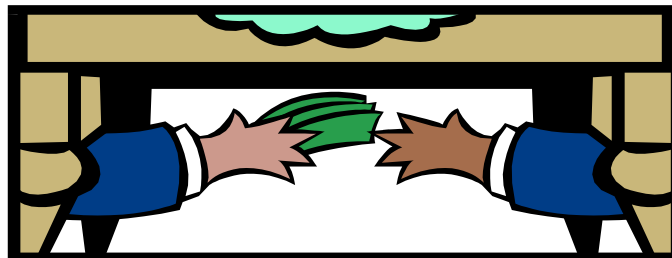
# Ethics in an International Context

Ethical standards are not universal.

- Social and cultural differences determine acceptable behaviors.

## Foreign Corrupt Practices Act

- Makes it illegal to corrupt a foreign official yet “token” payments to officials are permissible when doing so is an accepted practice in that country.



# The Global Compact

## Human Rights

**Principle 1: Support and respect the protection of international human rights within their sphere of influence.**

**Principle 2: Make sure business corporations are not complicit متواطئه in human rights abuses. انتهاكات.**

## Labor Standard معايير العمل

**Principle 3: Freedom of association and the effective recognition of the right to collective bargaining. المساومه.**

**Principle 4: The elimination القضاء of all forms of forced and compulsory labor. القضاء على جميع الأعمال القسريه والالزاميه**

**Principle 5: The effective abolition الغاء of child labor. عمالة الاطفال**

**Principle 6: The elimination of discrimination in respect of employment and occupation.**

## Environment

**Principle 7: Support a precautionary احترازي approach نهج to environmental challenges.**

**Principle 8: Undertake initiatives to promote greater environment responsibility.**

**Principle 9: Encourage the development and diffusion نشر of environmentally friendly technologies.**

*Source:* The Global Compact Web site ([www.unglobalcompact.org](http://www.unglobalcompact.org)), August 14, 2000.

# Code of Ethics

A formal statement of an organization's primary values and the ethical rules it expects its employees to follow.

- Be a dependable organizational citizen
- Don't do anything unlawful or improper that will harm the organization
- Be good to customers

# Effective Use of a Code of Ethics

Develop a code of ethics as a guide in handling ethical dilemmas in decision making.

Communicate the code regularly to all employees.

Have all levels of management continually reaffirm the importance of the ethics code and the organization's commitment to the code.

Publicly reprimand **توبيخ** consistently  
discipline **الانضباط** those who break the code.  
استمرار

# How Managers Can Improve Ethical Behavior in An Organization

1. Hire individuals with high ethical standards.
2. Establish codes of ethics and decision rules.
3. Lead by example.
4. Delineate تحديد job goals and performance appraisal mechanisms.
5. Provide ethics training.
6. Conduct independent social audits.
7. Provide support for individuals facing ethical dilemmas.

# The Value of Ethics Training

Training in ethical problem solving can make a difference in ethical behaviors.

Training in ethics increase employee awareness of ethical issues in business decisions.

Ethics training clarifies and reinforces the organization's standards of conduct.

Employees become more confident that they will have the organization's support when taking unpopular but ethically correct stances **المواقف**.

# Ethical Leadership

Managers must provide a *good role model* by:

- Being ethical and honest at all times.
- Telling the truth; don't hide or manipulate information.
- Admitting failure and not trying to cover it up.
- Communicating shared ethical values to employees through symbols, stories, and slogans **الشعارات** .
- Rewarding employees who behave ethically and punish those who do not.
- Protecting employees (**whistleblowers**) who bring to light unethical behaviors or raise ethical issues.



# Business Practices and Social Issues

## Social Impact Management

- The field of inquiry at the intersection of business practice and wider societal concerns that reflects and respects the complex interdependency of those two realities.
- The question of how to go about increasing managers' awareness within their decision-making processes of how society is impacted by the conduct and activities of their firms.

part

3

*People in Organizations*

# Business Essentials

6e

Ronald J. Ebert  
Ricky W. Griffin

CHAPTER 10

## HUMAN RESOURCE MANAGEMENT AND LABOR RELATIONS

# LEARNING OBJECTIVES

After reading this chapter, you should be able to:

1. Define *human resource management* and explain how managers plan for their organization's human resource needs.
2. Identify the tasks in staffing a company and discuss ways in which organizations select, develop, and appraise employee performance.
3. Describe the main components of a compensation system and describe some of the key legal issues involved in hiring, compensating, and managing workers in today's workplace.

## LEARNING OBJECTIVES (cont'd)

After reading this chapter, you should be able to:

4. Discuss workforce diversity, the management of knowledge workers, and the use of a contingent workforce as important changes in the contemporary workplace.
5. Explain why workers organize into labor unions and describe the collective bargaining process.

# What's in It for Me?

## ■ Why does effectively managing human resources matter to you?

- By understanding the material in this chapter, you'll be better able to understand:
  1. The importance of properly managing human resources in a unit or business you own or supervise
  2. Why and how your employer provides the working arrangements that most directly affect you

# The Foundations of Human Resource Management

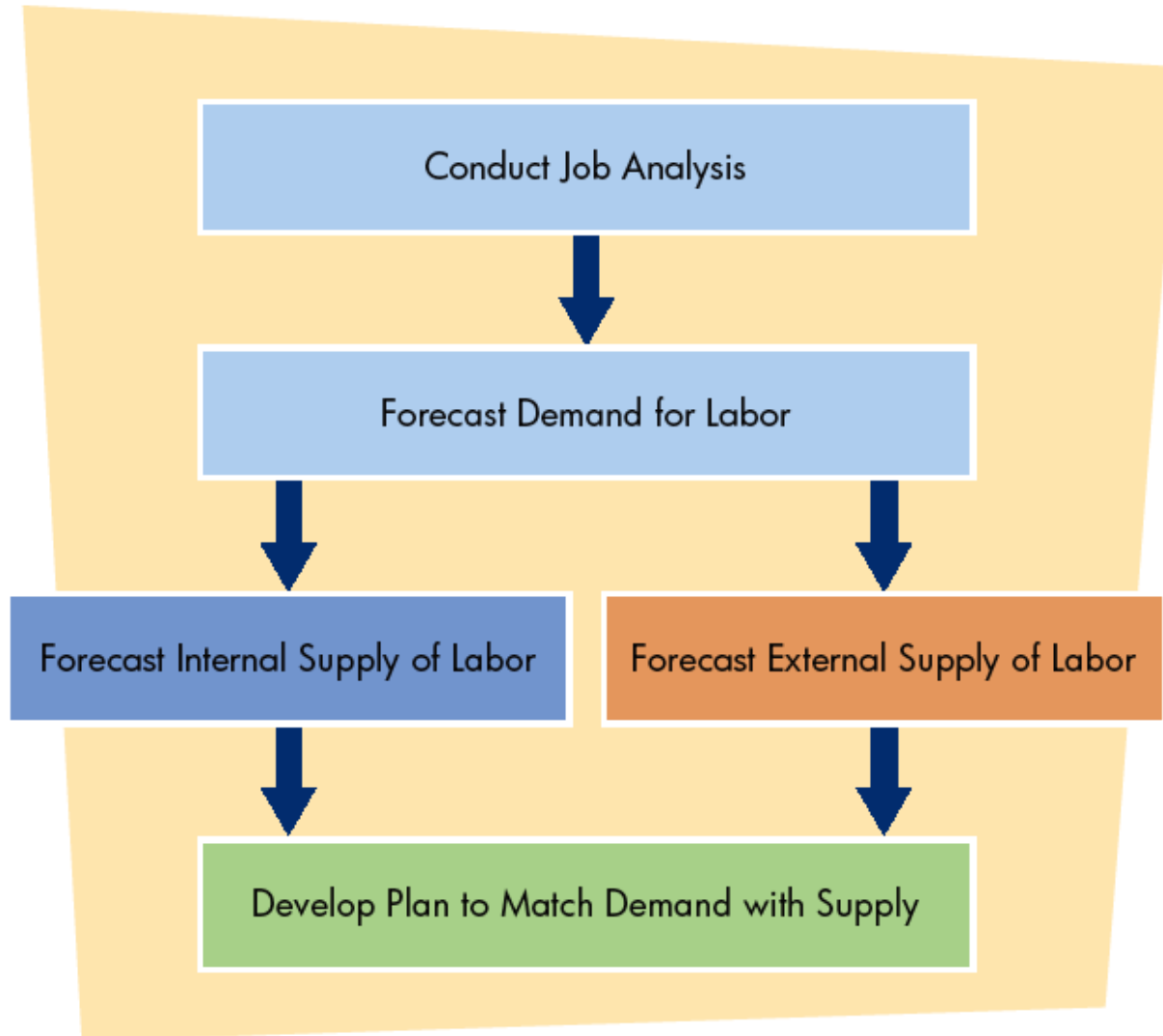
## ■ Human Resource Management (HRM)

- Activities directed at attracting, developing, and maintaining an effective workforce

## ■ The Strategic Importance of HRM

- Human resources are critical for effective organizational functioning
- Growth in importance due to:
  - ❖ Increased legal complexities
  - ❖ Recognition of the value of HR in improving productivity
  - ❖ Awareness of the costs associated with poor HRM

**FIGURE 10.1** The HR Planning Process



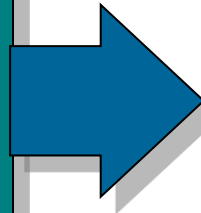
# HR Planning

## Job Analysis

- A systematic analysis of jobs within an organization

### Job Description

Lists the duties and responsibilities of a job, its working conditions; and the tools, materials equipment, and information used to perform it



### Job Specification

Lists the skills, abilities, and other credentials and qualifications needed to perform the job effectively



# HR Planning (cont'd)

## Forecasting HR Demand and Supply

- Forecasting internal supply (number/type of people who will be in the firm at a future date)
  - ❖ Replacement charts
  - ❖ Employee information systems (skills inventories)
- Forecasting external supply (number/type of people who will be available for hiring from the labor market at large)
  - ❖ State employment commissions
  - ❖ Government reports
  - ❖ College information

# HR Planning (cont'd)

## Matching HR Supply and Demand

### ➤ Alleviating Shortfalls

- ❖ Seeking new hires
- ❖ Retraining and transferring present employees
- ❖ Retaining retirees
- ❖ Installing more productive systems

### ➤ Managing Overstaffing

- ❖ Transferring extra employees
- ❖ Not replacing employees who quit (attrition)
- ❖ Encouraging early retirement
- ❖ Laying off personnel

# Staffing the Organization

## ... Recruiting

- Attracting qualified persons to apply for the jobs that are open
- Internal Recruiting
  - ❖ Considering present employees as candidates for openings
    - *Promotion from within*
    - *Union contracts and job bidding*
- External Recruiting
  - ❖ Attracting people outside of the organization to apply for jobs
    - *State employment agencies*
    - *Private employment agencies*
    - *Advertisements*

# Staffing the Organization (cont'd)

## Selecting Human Resources

- Application forms—no illegal questions
- Tests—ability, skills, aptitude الاستعداد, knowledge, attitude الموقف
- Interviews—validity is increased by:
  - ❖ Training interviewers to reduce individual bias
  - ❖ Using a structured interview format with job-related questions to improve consistency, reduce bias, and eliminate illegal questioning of applicants
- Other Techniques
  - ❖ Polygraph tests كشف الكذب
  - ❖ Physical examinations
  - ❖ Drug tests
  - ❖ Reference checks

# Developing the Workforce

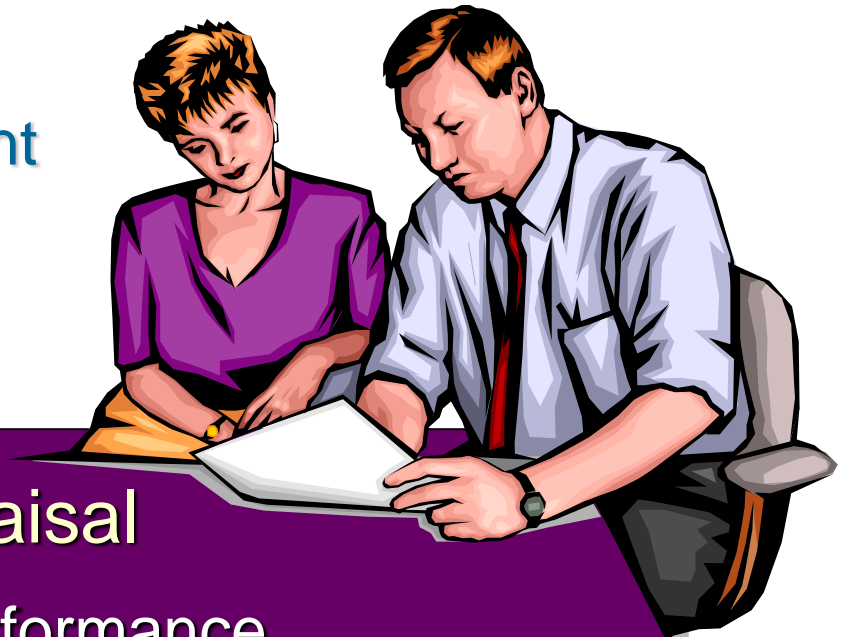
## ... Training

- On-the-job training
- Off-the-job training
- Vestibule training ( on job training conducted in a simulated environment )

# Developing the Workforce (cont'd)

## ... Performance Appraisal

- Defining performance standards
- Observing performance
- Writing up the assessment
- Discussing the appraisal



Performance Appraisal

Evaluating job performance

# Compensation and Benefits

## ... Compensation System

- The total package of rewards that a company offers employees in return for their labor
  - ❖ Wages—money paid for time worked
  - ❖ Salary—money paid to perform a job
- Factors affecting compensation
  - ❖ Competitors' wage offerings
  - ❖ Internal wage and salary structure—job value, performance, and longevity
  - ❖ Union contracts

# Compensation and Benefits (cont'd)

## ■ Incentive programs

- Special pay programs designed to motivate high performance
- Individual incentives:
  - ❖ Bonuses
  - ❖ Merit جداره salary systems
  - ❖ Pay for performance (variable pay)
- Company-wide incentives:
  - ❖ Profit-sharing plans
  - ❖ Gainsharing plans( productivity)
  - ❖ Pay-for-knowledge plans( new skills)





# Compensation and Benefits (cont'd)

## Benefits Programs

- **Mandatory (required by law)**
  - ❖ Social Security retirement benefits
  - ❖ Workers' compensation insurance
- **Discretionary (optional)**
  - ❖ Health, life, and disability insurance
  - ❖ Vacations and holidays
  - ❖ Employee assistance programs
  - ❖ Retirement (pension) plans
- **Contain the costs of benefits**
  - ❖ **Cafeteria benefits plans** (Benefit plans that set limits on Benefits per employee , each of whom may choose from a variety of alternative Benefits)



# The Legal Context of HRM

## Equal Employment Opportunity Laws

- Protect workers from unfair or inappropriate (non-job-related) discrimination in the workplace

## Protected Classes in the Workplace

- Individuals sharing common characteristics as defined by law
  - ❖ Race, color, religion, gender, age, national origin, disability status, and status as a military veteran

## Equal Employment Opportunity Commission (EEOC)

- Federal agency that enforces discrimination-related laws

## Affirmative / ايجابي Action

- Written plan for actively recruiting, hiring, and developing members of protected classes

# The Legal Context of HRM (cont'd)

## Contemporary المعاصره Legal Issues in HRM

### ➤ Employee safety and health

- ❖ Occupational Safety and Health Act of 1970 (OSHA)

### ➤ Emerging areas of discrimination law القوانين الناشئة

- ❖ AIDs in the workplace
- ❖ Sexual harassment المضايقة / bother
  - *Quid pro quo*
  - *Hostile* معاديه *work environment*
- ❖ Employment-at-will
  - *Wrongful discharge*



# New Challenges in the Changing Workplace

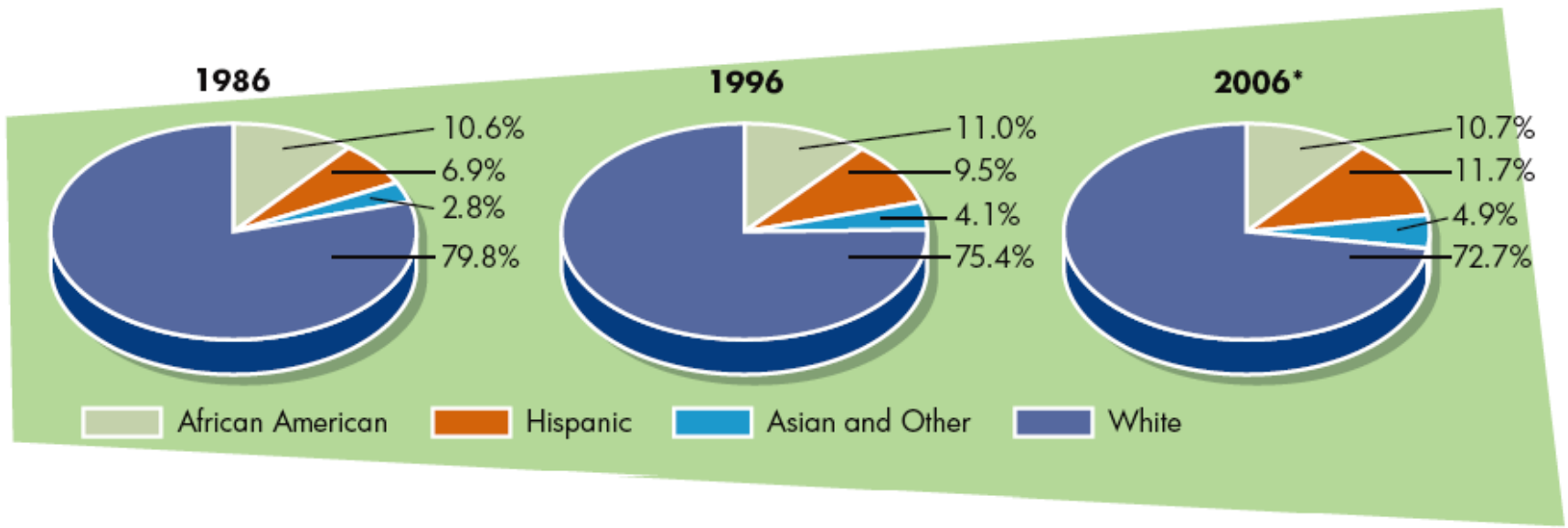
## Managing Workforce Diversity

### ➤ Workforce diversity:

- ❖ The range of workers' attitudes, values, beliefs, and behaviors that differ by gender, race, age, ethnicity, physical ability, and other relevant characteristics

### ➤ Organizations are recognizing that diversity التنوع can be a competitive advantage

**FIGURE 10.3** Changing Composition of the U.S. Workforce



*\*Projection*

# New Challenges in the Changing Workplace (cont'd)

## Managing Knowledge Workers

- Knowledge workers add value because of what they know
  - ❖ Computer scientists
  - ❖ Physical scientists
  - ❖ Engineers

**Hiring and retaining knowledge workers is a critical HR challenge**



# New Challenges in the Changing Workplace (cont'd)

## Contingent Workers

- A person who works for an organization on something other than a permanent or full-time basis
  - ❖ Independent contractors
  - ❖ On-call workers
  - ❖ Temporary employees
  - ❖ Contract and leased employees
  - ❖ Part-time workers

# New Challenges in the Changing Workplace (cont'd)

## ■ Managing Contingent and Temporary Workers

- Careful planning for coordinated use of temporary workers
- Understanding the advantages and disadvantages of contingent workers
- Assessing the true cost of using contingent workers
- Developing a strategy for integrating contingent workers into the organization



# Dealing with Organized Labor

## ... Labor Union

- A group of individuals working together to achieve shared job-related goals, such as higher pay, shorter working hours, more job security, greater benefits, or better working conditions

## ... Labor Relations

- The process of dealing with employees who are represented by a union

## ... Collective Bargaining

- The process by which union leaders and managers negotiate common terms and conditions of employment for the workers represented by unions

# Dealing with Organized Labor (cont'd)

## ■ Trends in Union Membership

- Since the mid-1950s, membership has declined at a steady rate to its present level of 12.5 percent.
- The percentage of successful union-organizing campaigns has also declined.

## ■ Trends in Union-Management Relations

- In most sectors, unions are in a weakened position, and have taken more conciliatory stances in their relations with management.

# Collective Bargaining

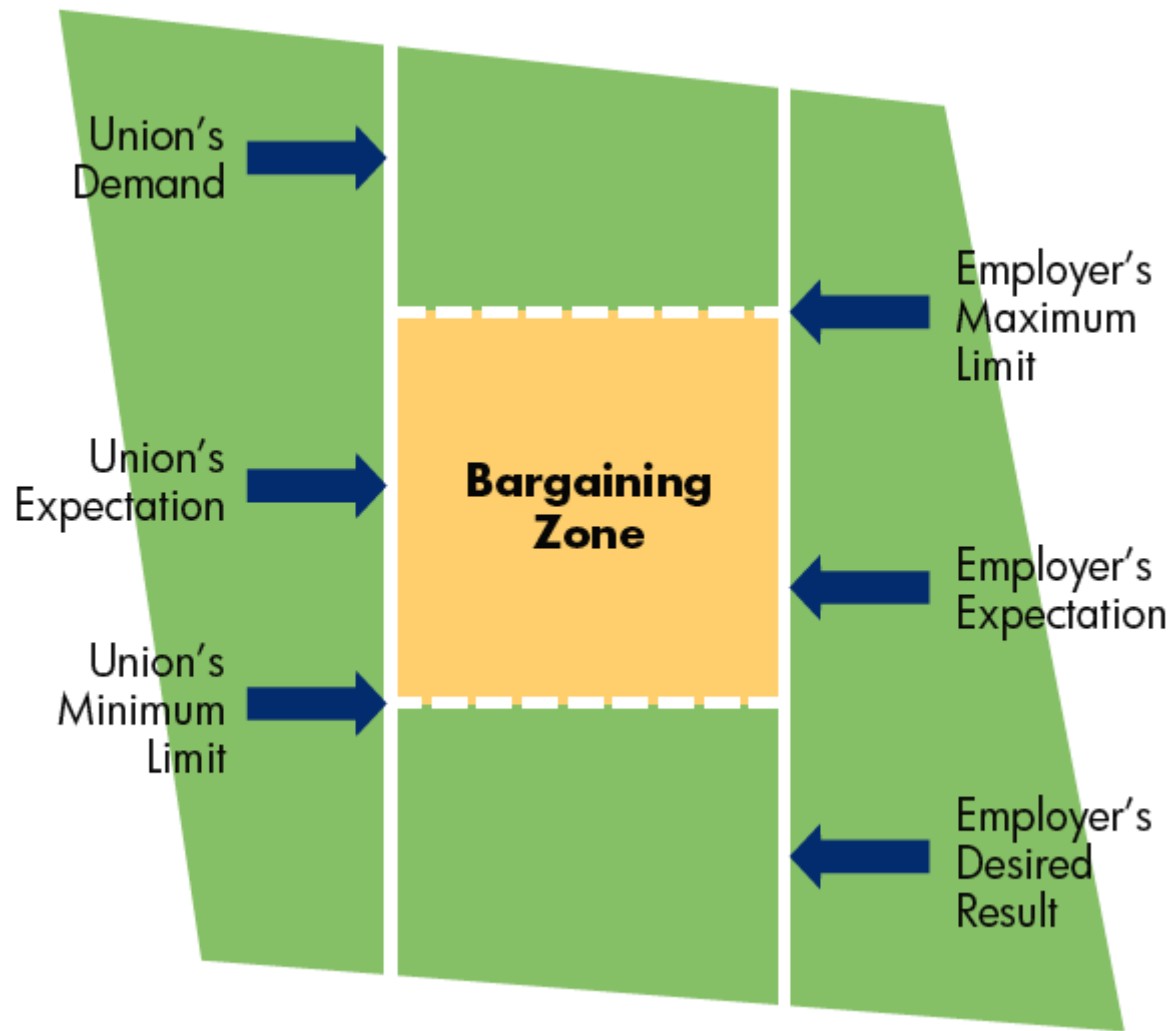
## Collective Bargaining المساومة

- An ongoing process involving both the drafting and the administering of the terms of a labor contract.

## Contract Issues

- Compensation
  - ❖ Cost of living adjustment (COLA) clauses
  - ❖ Wage reopener clauses
- Benefits
- Job security
- Other union issues
- Management rights

**FIGURE 10.5** The Bargaining Zone



# Collective Bargaining (cont'd)

## Union Tactics When Bargaining Fails

### ➤ Strike

- ❖ Economic strikes
- ❖ Sympathy (secondary) strikes
- ❖ Wildcat strikes العشوائية

### ➤ Picketing الاعتصام

### ➤ Boycott مقاطعة

### ➤ Work slowdown

## Management Tactics When Bargaining Fails

### ➤ Lockouts اغلاق

### ➤ Strikebreakers

# Collective Bargaining (cont'd)

## Resolving Disputes

Mediation

Voluntary Arbitration

Compulsory Arbitration



# KEY TERMS

affirmative action plan

benefits

bonus

boycott

cafeteria benefits plan

collective bargaining

compensation system

compulsory arbitration

contingent worker

cost-of-living adjustment (COLA)

economic strike

employee information system  
(skills inventory)

employment at will

equal employment opportunity

Equal Employment Opportunity  
Commission (EEOC)

external recruiting

gainsharing plan

hostile work environment

human resource management  
(HRM)

incentive program

internal recruiting

job analysis

job description

job specification

knowledge workers

# KEY TERMS (cont'd)

labor relations

labor union

lockout

mediation

merit salary system