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Chapter 2: Understanding Management's Context: Constraints and Challenges

The components of an organization's culture are as complex as the different aspects of an individual's personality. Today's managers must understand how the force of an organization's internal and external environments may influence, and sometimes constrain, its productivity.

LEARNING OUTCOMES

2.1 **Contrast** the actions of managers according to the omnipotent and symbolic views.
2.2 **Describe** the constraints and challenges facing managers in today's external environment.
2.3 **Discuss** the characteristics and importance of organizational culture.
2.4 **Describe** current issues in organizational culture.

Spotlight: Manager at Work

The events that occured at Taj Mahal Palace in Mumbai exemplify the worst case scenario for a manager. Jagad, just 24 years old, faced a terrorist situation during a dinner event she was managing. The guest and the employees were in serious danger from both gunfire and later a fire in the hotel. Jagad, and other employees, responded to this demanding situation by putting the lives of guests above their own. It is clear

that the employees at Taj Mahal Palace went above and beyond what was required. The question for students to address is, 'How do organizations get such enduring attitudes and behaviors from employees?'

This is a difficult question and could bring up multiple student responses. First, do organizations want employees to put themselves at risk in this type of situation? There are liability issues to employees taking such actions and most employees in the United States are not trained in how to handle terrorist situations. Second, looking at this question in a more mundane context, most managers would be happy if employees would simply fulfill their regular job duties without complaints.

Ultimately, the answer to this question lies in an understanding of organizational culture and the external environment. This chapter addresses how to create a culture based on the values of employee commitment and sacrifice. There is also a section on how to create a customer-responsive culture. The last half of the chapter addresses how the external environment defines a manager's job. Hopefully not everyone will face a terrorist situation at work, like Jagad, but managers should understand the demands imposed by multiple stakeholders and the situation.

CHAPTER OUTLINE

INTRODUCTION
>
> Managers must realize that organizational culture and organizational environment have important implications for the way an organization is managed. Both organizational culture and external forces that can shape an organization are explored in order to gain a better understanding of the complexities presented by internal and external environments.

2.1   THE MANAGER: OMNIPOTENT OR SYMBOLIC?
Two perspectives concerning the role that managers play in an organization's success or failure have been proposed.
>
> A.   The **Omnipotent View**. This maintains that managers are directly responsible for the success or failure of an organization.
> 1.   This view of managers as being omnipotent is consistent with the stereotypical picture of the "take-charge" executive who can overcome any obstacle in carrying out the organization's objectives.
> 2.   When organizations perform poorly, someone must be held accountable. According to the omnipotent view, that "someone" is the manager.
>
> B.   The **Symbolic View**. This view of management upholds the view that much of an organization's success or failure is due to external forces outside managers' control.
> 1.   The influence that managers do have is seen mainly as a symbolic outcome.
> 2.   Organizational results are influenced by factors outside of the control of managers, including the economy, customers, governmental policies, competitors' actions, the state of the

particular industry, the control of proprietary technology, and decisions made by previous managers in the organization.

      3.   The manager's role is to create meaning out of randomness, confusion, and ambiguity.

      4.   According to the symbolic view, the actual part that management plays in the success or failure of an organization is minimal.

C.   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 (see **Exhibit 2-1**).

2.2   THE EXTERNAL ENVIRONMENT

The impact of the **external environment** on a manager's actions and behaviors cannot be overemphasized. Forces in the external environment play a major role in shaping managers' endeavors. The **external environment** consists of those factors and forces outside the organization that affect the organization's performance (See **Exhibit 2-2**). The external environment includes these 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, which have changed more rapidly than any other element of the general environment. Global factors include global competitors and global consumer markets.

FUTURE VISION: The Working World in 2025

Demographic projections for the United States point to two major changes in the next twelve years: an increase in Hispanics and senior citizens. The growing number of Hispanics will be more evident in the southern part of the country. This could entail work force changes including a growing of younger workers and an increasing use of Spanish in the work place. The graying of society, a term used to describe the growing number of retired workers, and will have a strong impact on Social Security and other retirement funds. Ask students if they see other effects of these two changes. How do they view the future demographic composition of the United States? Will greater diversity be an advantage or disadvantage?

A.   The Economic Environment

      1.   Global Economic Recession and the Economic Context

            a.   The Organization for Economic Cooperation and Development predicted some 25 million unemployed individuals globally; 8.4 million jobs in the United States vanished.

            b.   Experts predict the current economic crisis, called the "Great Recession", began with the home mortgage markets in the United States.

3

   c. 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."

  2. Economic Inequality and the Economic Context
   a. A Harris survey showed that 10 percent of adults think that economic inequality is 'not a problem at all.'
   b. The Occupy Wall Street protestors in 2011 focused attention on the social and economic inequality, greed, corruption, and the undue influence of corporations on government.
   c. Business leaders need to recognize how societal attitudes in the economic context also may create constraints as they make decisions and manage their businesses.
   b.

B. The Demographic Environment
  1. Demographic conditions, including physical characteristics of a population (e.g., gender, age, level of education, geographic location, income, composition of family) can change, and managers must adapt to these changes. Common terms used to describe demographic groups include Baby Boomers, Gen Y, and Post Millenials
  2. Baby Boomers. Born between 1946 and 1964, the sheer numbers of people in that cohort means they've significantly affected every aspect of the external environment.
  3. Gen Y (or the "Millennials") Born between 1978 and 1994, this age group is also large in number and making its imprint on external environmental conditions from technology to clothing styles to work attitudes.
  4. Post-Millennials The youngest identified age group has also been called the iGeneration, primarily because they've grown up with technology that customizes everything to the individual.

C. How the External Environment Affects Managers
  1. 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
  2. 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 2-3**).
   a. Degree of change is characterized as being dynamic or stable.

4

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

c. 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.

d. 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.

e. Because uncertainty is a threat to organizational effectiveness, managers try to minimize environmental uncertainty.

Leader Who Made A Difference

Akio Toyoda faced a difficult first three years as the President of Toyota. In 2009, the company experienced their first operating loss in 70 years; in 2010, the company's image was damaged by recalls; and in 2011, the tsunami in Japan damaged Toyota's global supply chain. Akio was not deterred and sought to make the company react faster and be more flexible. This meant changing management and refocusing on key stakeholders. Students are asked what they can learn from Mr. Toyoda. Responses should include his quick response during a time of crisis and his willingness to adapt to a changing environment.

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

a. Stakeholders are any constituencies in the organization's external environment that are affected by the organization's decisions and actions. (See **Exhibit 2-4** for an identification of some of the most common stakeholders.)

b. Stakeholder relationship management is important for two reasons:

1) 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.

2) 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.

3. Stakeholder relationships are managed using four steps:

a. Identify external stakeholders.

        b.   Determine the specific interests of each stakeholder group.

        c.   Decide how critical these interests are to the organization. d. Determine what specific approach managers should use to manage each relationship, based on environmental uncertainty and importance of the external stakeholder to the organization.

2.3 ORGANIZATIONAL CULTURE: CONSTRAINTS AND CHALLENGES

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

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

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

    2. Organizational culture is shared by individuals within the organization.

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

    4. Seven dimensions of an organization's culture have been proposed (see **Exhibit 2-5**):

        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)

    5. **Exhibit 2-6** describes how the cultural dimensions can be combined to create organizations that are significantly different.

B. Strong Cultures

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

    2. Whether a company's culture is strong, weak, or somewhere in between depends on organizational factors such as size, age, employee turnover rate, and intensity of original culture.

3. A culture has increasing impact on what managers do as the culture becomes stronger.

4. 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.

5. Studies of organizational culture have yielded various results. One study found that employees in firms with strong cultures were more committed to their firm than were employees in firms with weak cultures. Organizations with strong cultures also used their recruitment efforts and socialization practices to build employee commitment. An increasing body of research suggests that strong cultures are associated with high organizational performance.

C. Where Culture Comes From and How it Continues.

1. The original source of an organization's culture is usually a reflection of the vision or mission of the organization's founders. The culture is a result of the interaction between the founders' biases and assumptions and what the first employees subsequently learned from their own experiences.

2. An organization's culture continues when:
   a. When a culture is in place, practices help to maintain it.
   b. Hiring practices reflect the culture in terms of "fit."
   c. Actions of top executives help to maintain the culture.
   d. New employees learn the organization's way of doing things through **socialization**—the process that helps employees adapt to the organization's culture.

D. How Employees Learn Culture

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

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

3. **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.

4. 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.

5. **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.

E. How Culture Affects Managers. An organization's culture is important because it establishes constraints on what managers can do.

1. The link between corporate values and managerial behavior is fairly straightforward.
2. The culture conveys to managers what is appropriate behavior.
3. An organization's culture, particularly a strong one, constrains a manager's decision-making options in all managerial functions (see **Exhibit 2-9**).

2.4 CULTURE ISSUES IN ORGANIZATIONAL CULTURE
Four current cultural issues managers should consider:
A. Creating an Innovative Culture
1. What does an innovative culture look like? Swedish researcher Goran Ekvall provides these characteristics:
- Challenge and involvement
- Freedom
- Trust and openness
- Idea time
- Playfulness/humor
- Conflict resolution
- Debates
- Risk taking

B. Creating a Customer-Responsive Culture
1. What does a customer-responsive culture look like? Research shows the following six characteristics routinely present in a customer-responsive culture. (See **Exhibit 2-10** for actions managers can take to make their cultures more customer responsive.)
- Type of employee
- Type of job environment
- Widespread use of empowerment
- Role clarity
- Employees who are conscientious in desire to please customers
C. Spirituality and Organizational
1. **Workplace Spirituality** is a culture in which organizational values promote a sense of purpose through meaningful work taking place in the context of community.
2. This movement is important for several reasons: employees are looking for ways to cope with the stresses of a turbulent pace of life, contemporary life styles have shown the lack of community many employees feel, and baby boomers are looking for something meaningful beyond their work.
3. Research shows that spiritual organizations tend to have five cultural characteristics:
a. Strong sense of purpose
b. Focus on spiritual development
c. Trust and openness
d. Employee empowerment
e. Toleration of employee expression

8

4. Critics of spiritual workplaces focus on its legitimacy and economics.
5. Another criticism surrounds the misinterpretation that spiritualism denotes religion. However, as long as the search for spiritualism focuses on finding meaning at work and not a company endorsed religion, there is value in having employees pursue a greater purpose for their work and a sense of community.

Answers to Review and Discussion Questions

1. *Describe the two perspectives on how much impact managers have on an organization's success or failure.*

   In section 1 of chapter 2, the omnipotent and symbolic views of management are presented. 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 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. (LO:1, Contrast the actions of managers according to the omnipotent and symbolic views, AACSB: Analytic skills)

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

   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, 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. (LO:4, Describe current issues in organizational culture, AACSB: Reflective thinking skills)

3. *Refer to Exhibit 2-6. How would a first-line manager's job differ in these two organizations? How about a top-level manager's job?*

    In Organization A, strong attention would be given to detail, with little innovation and risk taking. Teamwork would not be encouraged, and employees would be viewed as a means to an end. Strict controls would be placed on workers, and task achievement would be most important. The supervisor would have little latitude and would do things "by the book." In Organization B, innovation and risk taking would be highly encouraged. The supervisor would have more autonomy in how to achieve goals. Employees would be given the opportunity to provide input, and a team approach would be used. People would be viewed as important contributors. The supervisor's job would be more like that of a coach, encourager, and facilitator. (LO:4, Describe current issues in organizational culture, AACSB: Reflective thinking skills)

4. *Classrooms have cultures. Describe your class culture using the seven dimensions of organizational culture. Does the culture constrain your instructor? How?*

    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 the class. One point you might want to explore: What role does your instructor play in establishing the culture of the classroom? Ask students to relate this information to the role a manager might play in establishing the culture of a business organization. (LO:3, Discuss the characteristics and importance of organizational culture, AACSB: Analytic skills)

5. *Can culture be a liability to an organization? Explain.*

    In some cases, organizational culture could be a liability. In the global environment, a society that discriminates on the basis of ethnicity or gender or in the exploitation of workers could experience a backlash from the reactions of consumers in other nations. (See, for example, Reebok's and Nike's problems regarding manufacturing in emerging nations. (LO:4, Describe current issues in organizational culture, AACSB: Analytic skills)

6. *Discuss the impact of a strong culture on organizations and managers.*

    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. **Exhibit 2-7**, gives five employee related outcomes of strong vs. weak cultures. In the end, strong cultures aid a manager in fulfilling their functions: planning, organizing, leading and controlling. (LO:3, Discuss the characteristics and importance of organizational culture, AACSB: Analytic skills)

7.   *Using Exhibit 2-8, explain how a culture is formed and maintained.*

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 his/her 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. (LO:3, Discuss the characteristics and importance of organizational culture, AACSB: Analytic skills)

8.   *Explain why workplace spirituality seems to be an important concern.*

This movement is important for several reasons. First, as work becomes more hectic and jobs uncertain, employees are looking for ways to cope with the stresses of a turbulent pace of life. Second, contemporary life styles have shown the lack of community many employees feel, and baby boomers are looking for something meaningful beyond their work. (LO:2, Describe the constraints and challenges facing managers in today's external environment, AACSB: Analytic skills)

Ethics Dilemma

The field of sports has seen many technological advancements – new training methods, food supplements, equipment, clothing. In this case, students are asked to give their opinion on the ethical use of technology in sporting events. Have students discuss the concept of fairness with regard to the use of this new technology. Does it take away from the competition where it becomes a game of who has the most money to buy the technology? Encourage students to think about a point where it the use of technology crosses the line in competition. LO:2, Describe the constraints and challenges facing managers in today's external environment, AACSB: Ethical understanding and reasoning abilities)

Skills Exercise

Environmental scanning is an important managerial skill. In this exercise, students are asked to practice this skill using five suggestions:
- *Decide which type of environmental information is important to your work.*
- *Regularly read and monitor pertinent information.*
- *Incorporate the information that you get from your environmental scanning into your decisions and actions.*

⌄ *Regularly review your environmental scanning activities.*
   ⌄ *Encourage your subordinates to be alert to information that is important.*
Students are then given two scenarios to these skills into action. (LO:2, Describe the
constraints and challenges facing managers in today's external environment, AACSB:
Analytic skills)

Team Exercise

Have students work in teams of three or four. Students may want to refer to the
following sites for help in selecting two companies:

Aerospace
   ⌄ Boeing—*www.boeing.com*
   ⌄ Lockheed Martin—*www.lockheedmartin.com/*
Automotive
   ⌄ Ford—*www.ford.com*
   ⌄ General Motors—*www.gm.com*
Athletic Wear
   ⌄ Nike—*www.nike.com*
   ⌄ Reebok—*www.reebok.com*
Beverages
   ⌄ Coca-Cola—*www.cocacola.com*
   ⌄ PepsiCo—*www.pepsico.com*
Electronics
   ⌄ Panasonic—*www.panasonic.com*
   ⌄ Sony—*www.sony.com*
Golf Equipment
   ⌄ Maxfli—*www.maxfli.com*
   ⌄ Titleist—*www.titleist.com*
Mail, Package, and Freight Delivery
   ⌄ Federal Express—*www.fedex.com*
   ⌄ United Parcel Service—*www.ups.com*
   ⌄ United States Postal Service—*www.usps.com*

Have students use the form below to identify the environmental factors for the
two companies they have selected. How are these components similar and different for
each company? Using the same two companies, get students to think about who are
the important stakeholders for each company.

General Environmental Force/Factor	Company 1	Company 2

Economic Conditions		
Political/Legal Conditions		
Sociocultural		
Global		
Technological Conditions		

(LO:2, Describe the constraints and challenges facing managers in today's external environment, AACSB: Analytic skills)

Learning to be a Manager

- Find two current examples in any of the popular business periodicals of the omnipotent and symbolic views of management. Write a paper describing what you found and how the two examples you found represent the views of management. (LO:1, Contrast the actions of managers according to the omnipotent and symbolic views, AACSB: Reflective thinking skills)

- Choose an organization with which you're familiar or one that you would like to know more about. Create a table identifying potential stakeholders of this organization. Then, indicate what particular interests or concerns these stakeholders might have. (LO:4, Describe current issues in organizational culture, AACSB: Reflective thinking skills)

- Pick two organizations that you interact with frequently (as an employee or as a customer) and assess their culture by looking at the following aspects: *Physical design* (buildings, furnishings, parking lot, office or store design)— Where are they located and why? Where do customers and employees park? What does the office/store layout look like? What activities are encouraged or discouraged by the physical layout? What do these things say about what the organization values?

Symbols (logos, dress codes, slogans, philosophy statements)—What values are highlighted? Where are logos displayed? Whose needs are emphasized? What concepts are emphasized? What actions are prohibited? What actions are encouraged? Are any artifacts prominently displayed? What do those artifacts symbolize? What do these things say about what the organization values?
Words (stories, language, job titles)—What stories are repeated? How are employees addressed? What do job titles say about the organization? Are jokes/anecdotes used in conversation? What do these things say about what the organization values?
Policies and activities (rituals, ceremonies, financial rewards, policies for how customers or employees are treated)—(Note: You may be able to assess this one only if you're an employee or know the organization well.) What activities are rewarded? Ignored? What kinds of people succeed? Fail? What rituals are important? Why? What events get commemorated? Why? What do these things say about what the organization values?
(LO:3, Discuss the characteristics and importance of organizational culture, AACSB: Analytic skills)

- If you belong to a student organization, evaluate its culture. How would you describe the culture? How do new members learn the culture? How is the culture maintained? If you don't belong to a student organization, talk to another student who does and evaluate it using the same questions.
(LO:3, Discuss the characteristics and importance of organizational culture, AACSB: Analytic skills)

- Steve's and Mary's suggested readings: Terrence E. Deal and Allan A. Kennedy, Corporate Culture: The Rites and Rituals of Corporate Life (Perseus Books Group, 2000); Edgar H. Schein, The Corporate Culture Survival Guide (Jossey-Bass, 1999); and Kim S. Cameron and Robert E. Quinn, Diagnosing and Changing Organizational Culture (Jossey-Bass, 2005).
(LO:4, Describe current issues in organizational culture, AACSB: Reflective thinking skills)

- Find one example of a company that represents each of the current issues in organizational culture. Describe what the company is doing that reflects its commitment to this culture.
(LO:4, Describe current issues in organizational culture, AACSB:)

- In your own words, write down three things you learned in this chapter about being a good manager.
(LO:1, Contrast the actions of managers according to the omnipotent and symbolic views, AACSB: Reflective thinking skills)
(LO:2, Describe the constraints and challenges facing managers in today's external environment, AACSB: Reflective thinking skills)
(LO:3, Discuss the characteristics and importance of organizational culture, AACSB: Reflective thinking skills)
(LO:4, Describe current issues in organizational culture, AACSB: Reflective thinking skills)

- Self-knowledge can be a powerful learning tool. Go to mymanagementlab and complete any of these self-assessment exercises: What's the Right Organizational Culture for Me? How Well Do I Respond to Turbulent Change? and Am I Experiencing Work/Family Conflict? Using the results of our assessments, identify personal strengths and weaknesses. What will you do to reinforce your strengths and improve your weaknesses?
(LO:4, Describe current issues in organizational culture, AACSB: Reflective thinking skills)

Answers to Case Application Questions

Going to Extremes

1. *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.*

    Zappo's values are now called 'Family Core Values' and are posted on their website. Use the following URL to go directly to the 10 values: http://about.zappos.com/our-unique-culture/zappos-core-values.
    To address this question, students should look at how values affect employee performance and behavior. Some of these values promote organizational citizenship while others foster higher levels of commitment and job satisfaction. The most beneficial values are linked to some affective response that people have toward the organization. If employees feel that the company is looking for the same thing out of employees that they want for their own life, then there is a better match between the employee and the organization. (LO:3, Discuss the characteristics and importance of organizational culture, AACSB: Analytic skills)

2. *Using this list of corporate values and Exhibit 2-5, describe Zappos organizational culture. In which areas would you say that Zappos culture is very high (or typical)? Explain.*

    Students should answer that Zappos is culture is higher on people and team orientation. These are obvious by looking at the CEO's family values and the humor he brings to the company. But, if students dig deeper into the case, then innovation, orientation, and attention to detail are also present. Being an internet company that processes millions of orders from around the world, Zappos needs to be customer focused and provide the most up to date products and technical capabilities to their customers. (LO:3, Discuss the characteristics and importance of organizational culture, AACSB: Analytic skills)

3. *How did Zappos' corporate culture begin? How is Zappos' corporate culture maintained?*

    Most corporate cultures in the beginning are strongly influenced by the founder(s). In this case, Tony Hseih, the CEO of Zappos was a strong influence. Hired one year after the company began online operations. Hsieh had a strong

opinion of what he wanted the company to be and instituted policies and procedures early on to facilitate his vision.

Part of how Zappos maintains its culture lies in the development and use of its core values. These values are clearly listed on the website and integrated throughout he organization. According to the case, "The culture has to be "lived." And Zappos does this by maintaining a "complex web of human interactions." This is done through social media and a monthly cultural survey to gauge the pulse of the company. The company also maintains its culture by creating and maintaining rituals, ceremonies and stories that exemplify the company's values. (LO:3, Discuss the characteristics and importance of organizational culture, AACSB: Analytic skills)

4.   *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?*

The use of the word 'right' in this question is subjective and students should note that the rightness of a culture depends both upon its strength and its ability to fit into the environment. Some companies have tried to copy the culture of exemplary organizations and have failed because they did not recognize that culture is unique to the setting and history of the place where it was formed. (LO:4, Describe current issues in organizational culture, AACSB: Reflective thinking skills)

5.   *What could other companies learn from Tony Hsieh and Zappos' experiences?*

Students answers may vary, but most will focus on the fun atmosphere that the CEO has created. However, the use of humor and togetherness is part of the organizational culture that does not happen by accident. Tony has worked hard to build a strong sense of belonging for his employees and a brand image for his customers. Through establishing a strong organizational culture and reinforcing that culture, employees and customers understand what the company stands for and its purpose. (LO:4, Describe current issues in organizational culture, AACSB: Reflective thinking skills)

Not Sold Out

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

Traditionally, movie theaters have done well during poor economic conditions. However, as this case points out, there are many factors that may be the cause of a general depression in movie ticket sales. Students may choose several of the components of the external environment as important. All of these factors, even the political/legal, play a part in declining sales. Encourage students to see how the open systems view of management applies to the environment and organizational performance. (LO:2, Describe the constraints and challenges facing managers in today's external environment, AACSB: Analytic skills)

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

        The trends in this case revolve around changing technology involved in downloading and watching movies at home. Students will probably be more familiar than faculty regarding the latest websites that offer 'free' downloads of movies and other forms of entertainment. The ability to download movies coupled with the decreasing prices of home entertainment systems that take advantage of high definition screens and digital sound will have an effect on theater sales for years to come as these trends are not likely to reverse. (LO:2, Describe the constraints and challenges facing managers in today's external environment, AACSB: Analytic skills)

3.   *How do you think these trends might constrain decisions made by managers at the movie theater chains?*

        Movie theater managers could react in a variety of ways to decreasing sales. Managers could decide to invest more money in state of the art technology to provide movie goers with experiences that are not easily replicated at home. This would increase cost, but may attract customers willing to pay for extra money for blockbuster movies. Managers could also move another direction and cut cost in order to attract more customers – cost being a major dislike for consumers. Finally, managers could try to exploit niche markets and seek to attract customers by providing movies not available on cable channels or DVD rentals. (LO:2, Describe the constraints and challenges facing managers in today's external environment, AACSB: Analytic skills)

4.   *What stakeholders do you think might be most important to movie theater chains? What interests might these stakeholders might have?*

        Students could potentially make a case for all of the eleven stakeholders listed in Exhibit 2-4. However, the groups that are the most influential to their immediate situation are customers, suppliers, the media, and competitors. With regard to customers, movie theaters ultimately depend upon their dollars to keep the theater solvent. Suppliers are important as the quality of movies and the number of releases have an impact on the number of ticket sales. Media outlets are also playing a big part in ticket sales. Many movie goers regularly check reviews on websites such as RottenTomatoes.com. If movie reviews point to a flop, many consumers will simply stay away from a movie. Finally, competitors are a major concern as they seek to go against the theaters and the other ways that movies can be viewed create more competition. (LO:2, Describe the constraints and challenges facing managers in today's external environment, AACSB: Analytic skills)

ADDITIONAL CHAPTER INFORMATION

Ask students to look for different examples of organizational culture in business publications such as *Wall Street Journal* ("Marketplace" section). Students could

research *Forbes*, *Fortune*, *Working Woman*, and *BusinessWeek* for current information. You might have students choose either one of the companies to study in depth or look at a number of different companies. Tie this material into your discussion of organizational personalities. Ask students what they expect from an organization and whether organizations that they have researched are consistent with their expectations. You might want to ask students whether they would like to work for the company (companies) they studied, and to tell why or why not.