Chapter 1

Who Are Managers?
Manager

—someone who works with and through other people by coordinating their work activities in order to accomplish organizational goals

—changing nature of organizations and work has blurred the clear lines of distinction between managers and non-managerial employees
Who Are Managers? (cont.)
Managerial Titles
—*First-line managers* - manage the work of non-managerial individuals who are directly involved with the production or creation of the organization's products
—*Middle managers* - all managers between the first-line level and the top level of the organization
•manage the first-line managers
—*Top managers* - responsible for making organization-wide decisions and establishing the plans and goals that affect the entire organization

What Is Management?
Management

—the process of coordinating work activities so that they are completed efficiently and effectively with and through other people

—elements of definition

•*Process* - represents ongoing functions or primary activities engaged in by managers

•*Coordinating* - distinguishes a managerial position from a non-managerial one
What is Management? (cont.)
Management (cont.)

—elements of definition

•*Efficiency* - getting the most output from the least amount of inputs

—"doing things right"

—concerned with means

•*Effectiveness* - completing activities so that organizational goals are attained

—"doing the right things"

—concerned with ends
Efficiency and Effectiveness in Management
What Do Managers Do?
Management Functions and Process
—most useful conceptualization of the manager's job
—*Planning* - defining goals, establishing strategies for achieving those goals, and developing plans to integrate and coordinate activities

–***Organizing*** - determining what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom, and where decisions are made

–***Leading*** - directing and motivating all involved parties and dealing with employee behavior issues

–***Controlling*** - monitoring activities to ensure that they are going as planned

What Do Managers Do? (cont.)

Management Functions and Process (cont.)

–***Management process***

•set of ongoing decisions and work activities in which managers engage as they plan, organize, lead, and control

•managerial activities are usually done in a continuous manner

What Do Managers Do? (cont.)

Management Roles

–specific categories of managerial behavior

•***Interpersonal*** - involve people and duties that are ceremonial and symbolic in nature

•***Informational*** - receiving, collecting, and disseminating information

•***Decisional*** - revolve around making choices

–emphasis that managers give to the various roles seems to change with their organizational level

EXHIBIT 1.4: MINTZBERG'S MANAGERIAL ROLES

What Do Managers Do? (cont.)

Management Skills

–***Technical*** - knowledge of and proficiency in a certain specialized field

–***Human*** - ability to work well with other people both individually and in a group

–***Conceptual*** - ability to think and to conceptualize about abstract and complex situations

•see the organization as a whole

•understand the relationships among subunits

•visualize how the organization fits into its broader environment

EXHIBIT 1.5: SKILLS NEEDED AT DIFFERENT MANAGEMENT LEVELS

What Do Managers Do? (cont.)

Managing Systems

–***System*** - a set of interrelated and interdependent parts arranged in a manner that produces a unified whole

•provides a more general and broader picture of what managers do than the other perspectives provide

–***Closed system*** - not influenced by and do not interact with their environment

–***Open system*** - dramatically interact with their environment

•organizations - take in inputs from their environments

–transform or process inputs into outputs

–outputs are distributed into the environment

The Organization As An Open System

What Do Managers Do? (cont.)

Managing Systems (cont.)

—managers must

•coordinate various work activities

•ensure that interdependent parts work together

•recognize and understand the impact of various external factors

—decisions and actions taken in one organizational area will affect other areas and vice versa

What Do Managers Do? (cont.)

Managing in Different and Changing Situations

—require managers to use different approaches and techniques

—*Contingency perspective* - different ways of managing are required in different organizations and different circumstances

•stresses that there are no simplistic or universal rules

•*contingency variable*

EXHIBIT 1.8: POPULAR CONTINGENCY VARIABLES

What Is An Organization?

Organization

—a deliberate arrangement of people to accomplish some specific purpose

•elements of definition

—each organization has a distinct purpose

—each organization is composed of people

—all organizations develop some deliberate structure

—today's organizations have adopted:

•flexible work arrangements

•open communications

•greater responsiveness to changes

EXHIBIT 1.10: THE CHANGING ORGANIZATION

Why Study Management?

Universality of Management

—management is needed

•in all types and sizes of organizations

•at all organizational levels

•in all work areas

—management functions must be performed in all organizations

•consequently, have vested interest in improving management

EXHIBIT 1.11: UNIVERSAL NEED FOR MANAGEMENT

Why Study Management? (cont.)

The Reality of Work

—most people have some managerial responsibilities

—most people work for a manager

Why Study Management? (cont.)

Rewards of Being a Manager

—create an environment that allows others to do their best work

—provide opportunities to think creatively

—help others find meaning and fulfillment

—meet and work with a variety of people

Chapter 2

Management's Connection To Other Fields
Academic Disciplines that Affected Management

—*Anthropology* - work on cultures and social environments

—*Economics* - concern about the allocation and distribution of scarce resources

—*Philosophy* - examines the nature of things

—*Political science* - effect of political environment on individuals and groups

—*Psychology* - seeks to measure, explain, and change human behavior

—*Sociology* - studies people in relation to their fellow human beings
Development Of Major Management Theories
Historical Background Of Management
Organizations Have Existed for Thousands of Years

—testifies to the existence of early management practice

•ability to create the Pyramids, Great Wall of China
Significant Pre-Twentieth-Century Events

—*Wealth of Nations* - Adam Smith

•*division of labor* - breakdown of jobs into narrow and repetitive tasks increased productivity

—*Industrial Revolution*

•substitution of machine power for human power

•large organizations required formal management

Scientific Management
F.W. Taylor - Principles of Scientific Management

—use of scientific methods to define the "one best way" for a job to be done

—perspective of improving the productivity and efficiency of manual workers

—applied the scientific method to shop floor jobs
Frank and Lillian Gilbreth

—use of motion pictures to study hand-and-body movements

—*microchronometer*

—*therbligs* - classification system for 17 basic hand motions
EXHIBIT 2.2: TAYLOR'S FOUR PRINCIPLES OF MANAGEMENT
General Administrative Theorists
Henri Fayol

—concerned with making the overall organization more effective

—developed theories of what constituted good management practice

•proposed a universal set of management functions

•published *principles of management*

—fundamental, teachable rules of management
EXHIBIT 2.3: FAYOL'S 14 PRINCIPLES OF MANAGEMENT
General Administrative Theorists (cont.)
Max Weber

—developed a theory of authority structures and relations

—*Bureaucracy* - ideal type of organization

•division of labor

•clearly defined hierarchy

•detailed rules and regulations

•impersonal relationships
EXHIBIT 2.4: WEBER'S IDEAL BUREAUCRACY
Quantitative Approach To Management
Operations Research (Management Science)

—use of quantitative techniques to improve decision making

•applications of statistics

•optimization models

•computer simulations of management activities

—*Linear programming* - improves resource allocation decisions

—*Critical-path scheduling analysis* - improves work scheduling
Toward Understanding Organizational Behavior
Organizational Behavior

—study of the actions of people at work

—early advocates

•late 1800s and early 1900s

•believed that people were the most important asset of the organization

•ideas provided the basis for a variety of human resource management programs

—employee selection

—employee motivation
EXHIBIT 2.5: EARLY ADVOCATES OF OB
Organizational Behavior (cont.)
Hawthorne Studies

—started in 1924 at Western Electric Company

•began with illumination studies

•intensity of illumination not related to productivity

—*Elton Mayo* - studies of job design

•revealed the importance of social norms as determinants of individual work behavior

—changed the dominant view that employees were no different from any other machines

Current Trends And Issues

Globalization

—all organizations are faced with the opportunities and challenges of operating in a global market

•no longer constrained by national borders

Workforce Diversity

—heterogeneous workforce in terms of gender, race, ethnicity, and age

•workforce is getting older

•Asians and Hispanics are an increasingly large percentage of workforce

—*"melting pot" approach* versus *celebration of differences*

Current Trends And Issues (cont.)

Entrepreneurship

—three important themes

•*pursuit of opportunities* - capitalizing on environmental change to create value

•*innovation* - introducing new approaches to satisfy unfulfilled market needs

•*growth* - not content to remain small

—will continue to be important in all societies

—will influence profit and not-for-profit organizations

Current Trends And Issues (cont.)

Managing in an E-Business World

—*E-commerce* - any form of business exchange or transaction in which parties interact electronically

—*E-business* - comprehensive term describing the way an organization does its work by using electronic (Internet-based) linkages with key constituencies

•may include e-commerce

•three categories reflect different degrees of involvement in
  e-business

—*intranet* - an internal organizational communication system that uses Internet technology and is accessible only by organizational employees

Types of E-Commerce Transactions

Categories of E-Business Involvement

Current Trends And Issues (cont.)

Need for Innovation and Flexibility

—without a constant flow of new ideas, an organization is doomed to obsolescence or even worse

—must be flexible to accommodate changing customers' needs, appearance of new competitors, and shifting employees from project to project

Quality Management

—*Total Quality Management (TQM)* - philosophy of management based on continual improvement and responding to customer needs and expectations

–*customer* - refers to internal and external entities that interact with the organization's product or service
EXHIBIT 2.8: WHAT IS TQM?
Current Trends And Issues (cont.)
Learning Organizations and Knowledge Management
–*learning organization* - one that has developed the capacity to continuously learn, adapt, and change
–create learning capabilities throughout the organization
•understanding that knowledge is an important resource
–*knowledge management* - involves cultivating a learning culture where organizational members systematically gather knowledge and share it with others in the organization so as to achieve better performance
–managers must transform themselves from bosses to team leaders
•learn to listen, motivate, coach, and nurture
EXHIBIT 2.9: LEARNING ORGANIZATION VERSUS TRADITIONAL ORGANIZATION
Current Trends And Issues (cont.)
Workplace Spirituality

–"a recognition of an inner life that nourishes and is nourished by meaningful work that takes place in the context of community"

–growing interest in spirituality at work by workers at all levels and in all areas of organizations

•employees looking for meaning, purpose, and a sense of connectedness or community from their work and their workplace

–uncertainty in business environment contributes to interest in workplace spirituality

Chapter 3

The Manager: Omnipotent Or Symbolic?
Omnipotent View of Management
–managers are directly responsible for an organization's success
•if the organization performs poorly, managers will be held accountable
Symbolic View of Management
–the actual part that managers play in organizational success or failure is minimal
–managers must create meaning out of randomness, confusion, and ambiguity
Reality Suggests a Synthesis
–managers are neither helpless nor all powerful

The Organization's Culture
What is Organizational Culture?
–A system of shared meaning and beliefs held by organizational members that determines, in large degree, how they act
•a common perception

•individuals describe organizational culture in similar terms

•a descriptive term

–composite picture of organizational culture may be derived from seven dimensions

•organization's personality often shaped by one of these dimensions

EXHIBIT 3.2: DIMENTIONS OF ORGANIZATIONAL CULTURE

The Organization's Culture (cont.)

Strong Versus Weak Cultures

–in strong cultures, the key values are deeply held and widely shared

–strong cultures have greater influence on employees than do weak cultures

–employees more committed to organizations with strong cultures

–strong cultures are associated with high organizational performance

–most organizations have moderate to strong cultures

The Organization's Culture (cont.)

The Source of Culture

–usually reflects the vision or mission of the founder

•founders project image of what the organization should be

How Employees Learn Culture

–*Stories* - a narrative of significant events or people

–*Rituals* - repetitive sequences of activities

–*Material symbols* – essential in creating an
                                        organization's personality.

–*Language* - identifies members of a culture

•organizations develop unique terminology or jargon

The Organization's Culture (cont.)

How Culture Affects Managers

–establishes appropriate managerial behavior

–constrains decision making in all management functions

•*Planning* - degree of risk that plans should contain

–how much environmental scanning is necessary

•*Organizing* - degree of autonomy given to employees

–degree of interdepartmental interaction

•*Leading* - degree of concern for job satisfaction

–what leadership styles are appropriate

•*Controlling* - reliance on external or internal controls

–what performance criteria to use

The External Environment

The Environment

Defining the External Environment

–External environment - forces and institutions outside the organization that may affect organizational performance

•*Specific environment* - includes those constituencies that have a direct and immediate impact on managers' decisions and actions

–directly relevant to goal achievement

–is unique to each organization, including:

»*customers* - absorb organization's output

»*suppliers* - provide material and equipment

»*competitors* - influence of Internet

»*pressure groups* - special-interest groups

The Environment (cont.)

–External environment (cont.)

•*General environment* - includes the broad conditions that may affect organizations

–*Economic conditions* - interest rates, changes in disposable income, and stage of the business cycle

–*Legal conditions* - federal, state, and local regulation

»substantial expense entailed to meet regulations

»limit choices available to organizations

–*Political conditions* - general stability of country

»attitudes of governmental officials toward business

EXHIBIT 3.6: SELECTED U.S. LEGISLATION AFFECTING BUSINESS

The Environment (cont.)

–External environment (cont.)

•General environment (cont.)

–*Sociocultural conditions* - expectations of society

»values, customs, and tastes

–*Demographic conditions* - trends in the physical characteristics of a population

»e.g., "baby boomers" influential because of their numbers

»e.g., "digital" or "net" generation - immersion and acceptance of computers

The Environment (cont.)

–External environment (cont.)

•General environment (cont.)

–*Technological conditions* - most rapidly changing aspect of the general environment

»changing the ways that organizations are structured

»information is the basis of important competitive advantages

–*Global conditions* - increasing number of global competitors and consumer markets

»major factor affecting organizations

 The Environment (cont.)

How the Environment Affects Managers

–Assessing environmental uncertainty - determined by:

•degree of unpredictable change

–*dynamic* - frequent change

–*stable* - minimal change

•*environmental complexity*

–the number of components in the environment

–amount of information available or required about those components

•managers attempt to minimize uncertainty

EXHIBIT 3.7: ENVIRONMENTAL UNCERTAINTY MATRIX
The Environment (cont.)
Stakeholder Relationship Management

—Who are stakeholders?

• any constituencies that are affected by the organization's decisions and actions

—include internal and external groups

—can influence the organization
The Environment (cont.)
Stakeholder Relationship Management (cont.)

—Why is stakeholder relationship management important?

•the more secure the relationship, the more influence managers will have over organizational outcomes

•it's the "right" thing to do

EXHIBIT 3.8: ORGANIZATIONAL STAKEHOLDERS
The Environment (cont.)
Stakeholder Relationship Management (cont.)

—How can these relationships be managed?

•four steps

—identify the stakeholders

—determine real and potential concerns of each stakeholder group

—determine whether stakeholder is critical

—determine specific approach to manage the relationship

•approach to a stakeholder group based on the importance of the group and the degree of environmental uncertainty
EXHIBIT 3.9: MANAGING STAKEHOLDER RELATIONSHIPS

Chapter 4

Who Owns What?
Global Environment

—national borders have become increasingly irrelevant

—has potential for dramatic expansion of organizations

—presents numerous challenges for managers
Revenues From Non-U.S. Operations For Selected Companies
What's Your Global Perspective?
Parochialism

—nation views the world solely through its own eyes and perspectives

—people do not recognize that other people have different ways of living and working

—significant obstacle for global managers
Ethnocentric Attitude

—parochialistic belief that the best work approaches and practices are those of the home country

—lack trust in foreign employees with key decisions or technology

What's Your Global Perspective? (cont.)

Polycentric Attitude

—belief that host-country managers know the best work approaches and practices

—let foreign employees determine work practices

Geocentric Attitude

—focuses on using the best approaches and people from around the globe

—look for the best approaches and people regardless of the country of origin

 Key Information about Three Global Attitudes

Understanding The Global Environment

Regional Trading Alliances

—global competition is influenced by regional trading and cooperation agreements

—*The European Union* - created by Maastrict Treaty in 1992

•a unified economic and trade entity

•a single market without barriers to travel, employment, investment, and trade

•*Economic and Monetary Union (EMU)*

—*Euro* - common currency

•assertion of economic power against U.S. and Japan

•created one of the world's richest markets

European Union Countries

Understanding The Global Environment (cont.)

Regional Trading Alliances (cont.)

—*North American Free Trade Agreement (NAFTA)*

•links economies of U.S., Mexico, and Canada

•since 1994, eliminated barriers to free trade such as tariffs, import licensing requirements, customs user fees

—other Latin American free-trade blocs

•*Free Trade Area of the Americas (FTAA)*

•*Southern Cone Common Market (Mercosur)*

Mercousur Members

Understanding The Global Environment (cont.)

Regional Trading Alliances (cont.)

—*Association of Southeast Asian Nations (ASEAN)*

•alliance of 10 Southeast Asian nations

•created in one of the fastest growing economic regions in the world

•could rival NAFTA and EU

ASEAN Members

Understanding The Global Environment (cont.)

Different Types of Global Organizations

—multinational corporation (MNC)

- maintain significant operations in multiple countries but are managed from a base in the home country
- exemplifies the ethnocentric attitude

—transnational corporation (TNC)

- maintains significant operations in more than one country but decentralizes management to the local country
- nationals hired to run operations in each country
- marketing strategies tailored for each country
- exemplifies the polycentric attitude

Understanding The Global Environment (cont.)
Different Types of Global Organizations (cont.)

—borderless organization

- eliminates structural divisions that impose artificial geographical barriers
- an attempt to increase efficiency and effectiveness in a competitive global marketplace
- exemplifies the geocentric attitude

How Organizations Go Global
Three Stages

—each stage requires more investment globally and entails more risk

Stage I

—nominal steps toward being a global business

- *exporting* - making products and selling them overseas
- *importing* - selling products at home that are made overseas

—most organizations start doing business globally this way

—involves minimal investment and minimal risk

How Organizations Go Global (cont.)
Stage II

—no physical presence of company employees outside the company's home country

—to handle sales, company may:

- send domestic employees on regular overseas business trips
- hire foreign agents or brokers

—to handle manufacturing may contract with a foreign firm to produce the organization's products

How Organizations Go Global (cont.)
Stage III

—most serious commitment to pursue global markets

—*licensing* and *franchising*

- both involve an organization giving another organization the right to use its brand name, technology, or product specifications
- licensing primarily used in manufacturing
- franchising primarily used in service operations

How Organizations Go Global (cont.)
Stage III (cont.)

—*strategic alliances*

•partnerships between an organization and a foreign company

•both organizations share resources and knowledge

•both organizations share risks and rewards

•*joint venture* - partners agree to form a separate, independent organization for some business purpose
How Organizations Go Global (cont.)
Stage III (cont.)

—*foreign subsidiary*

•involves direct investment in a foreign country

—establish a separate and independent production facility or office

•entails the greatest commitment of resources

•poses the greatest amount of risk
How Organizations Go Global
Managing In A Global Environment
The Legal-Political Environment
—U.S. has stable legal and political systems
—managers in foreign countries face greater uncertainty
•some countries have history of unstable governments
•must stay informed of laws in foreign countries
•political interference is a fact of life in some countries
The Economic Environment
—global manager must be attentive to:
•strength of home currency versus foreign currency
•differences in inflation rates around the world
•tax rules differ from country to country
Managing In A Global Environment (cont.)
The Cultural Environment

—*national culture*

•the values and attitudes shared by individuals from a specific country

•shapes behavior and beliefs

•has greater effect on employees than organizational culture

•getting information about a country's cultural differences is difficult
Managing In A Global Environment (cont.)
The Cultural Environment (cont.)

—*Geert Hofstede* - four dimensions of national culture

•individualism versus collectivism

—*individualism* - loosely knit social framework

»people are supposed to look after their own interests and those of their immediate family

»wealthier countries tend to be individualistic

–*collectivism* - tightly knit social framework

»people expect others in groups in which they are a part to look after them

»owe absolute loyalty to the group

»poorer countries tend to be collectivistic

Managing In A Global Environment (cont.)
The Cultural Environment (cont.)

–Geert Hofstede (cont.)

•*power distance* - degree of acceptance of unequal distributions of power in institutions and organizations

–large power distance society accepts wide differences in power

–low power distance society plays down inequalities

•*uncertainty avoidance* - degree to which people tolerate risk and unconventional behavior

–low - tolerate risks and opinion differences

–high - political and social mechanisms created to provide security and reduce risk

Managing In A Global Environment (cont.)
The Cultural Environment (cont.)

–Geert Hofstede (cont.)

•quantity versus quality of life

–*quantity of life* - culture values assertiveness and the acquisition of money and material goods

–*quality of life* - value relationships

»show sensitivity and concern for the welfare of others

Examples of Hofstede's Cultural Dimensions
Is A Global Assignment For You?
Criteria Used When Making Global Assignment

–technical and human factors are considered

–criteria used influenced by the company's experience and commitment to global operations

–include technical skills, language fluency, flexibility, and family adaptability

Is A Global Assignment For You?
Factors That Determine Adjustment to Global Assignment

–*preassignment adjustment* - depends on:

•accurate expectations about the global job and the country of assignment

•predeparture training and previous experience

–*in-country adjustment* - depends on:

•individual factors

•organizational factors

–organizational culture

–organizational socialization
Factors that Affect Global Adjustment

Chapter 5

What Is Social Responsibility?
Two Opposing Views of Social Responsibility

–*Classical view* - management's only social responsibility is to maximize profits

•*Milton Friedman* - managers' primary responsibility is to serve the interests of the stockholders

–doing "social good" adds to the cost of doing business

–costs have to be passed on to consumers
What is Social Responsibility (cont.)
Two Opposing Views of Social Responsibility (cont.)
–*Socioeconomic view* - businesses are not just economic institutions
•management's social responsibility goes beyond making profits to include protecting and improving society's welfare
•businesses have responsibility to a society that:
–endorses their creation through laws and regulations
–supports them by buying their products/services
•more organizations around the world have increased their social responsibility
What Is Social Responsibility (cont.)
From Obligations to Responsiveness
–*social responsibility* - a business's obligation to pursue long-term goals that help society
•goes beyond legal and economic requirements
•views business as a moral agent
–*social obligation* - obligation of a business to meet its economic and legal responsibilities
•pursues social goals only when they contribute to economic goals
–*social responsiveness* - capacity of a firm to adapt to changing societal conditions
•tries to satisfy social needs in line with social norms
Levels Of Social Involvement
Social Responsibility versus
Social Responsiveness
Social Responsibility And Economic Performance
Most Research Shows a Positive Relationship
–methodological questions associated with trying to measure "social responsibility" and "economic performance"
–issue of causation
Evaluation of Socially Conscious Mutual Stock Funds
–social screening - applying social criteria to investment
•these funds often outperform the market average
Conclusion

–a company's socially responsible actions do not hurt its long-term economic performance

Values-Based Management

Definition

–an approach to managing in which managers establish, promote, and practice an organization's shared values

•values reflect what it stands for and what it believes in

Purposes of Shared Values

–act as guideposts for managerial decisions and actions

•shape employee behavior by communicating what the organization expects of its members

–influence marketing efforts

–build team spirit

•inspire greater commitment to work and responsibility

Purposes Of Shared Values

Values-Based Management (cont.)

Developing Shared Values

–it is difficult to establish shared values

–managers are responsible for shaping the organization so that its values, norms, and ideals appeal strongly to employees

–companies that practice values-based management have broad commitment to being socially responsible and socially responsive

Suggestions for Creating a Good Corporate Values Statement

The "Greening" Of Management

Definition

–recognition of the close link between an organization's decisions and activities and its impact on the natural environment

–resulted from highly visible ecological problems and environmental disasters

Global Environmental Problems

–there are many global environmental problems

–developed nations are blamed for the problems

–problems expected to increase as emerging countries become more developed

The "Greening" Of Management (cont.)

How Organizations Go Green

–products and production processes have become cleaner

–*shades of green* - describe different approaches that organizations may take

•*legal approach* - follow legal obligations

–little environmental sensitivity

•*market approach* - organizations respond to the environmental preferences of customers

•*stakeholder approach* - organization chooses to respond to multiple demands made by stakeholders

•*activist approach* - looks for ways to respect and preserve the earth and its natural resources

Approaches To Being Green

The "Greening" Of Management (cont.)

Summing Up Social Responsibility

–four-stage progression of an organization's social responsibility

•each stage implies an increasing level of managerial discretion

•*Stage 1* - promote stockholders' interests by seeking to minimize costs and maximize profits

–all laws and regulations are followed

–feel little obligation to satisfy other societal needs

•*Stage 2* - managers accept their responsibility to employees and focus on human resource concerns

–improve working conditions

The "Greening" Of Management (cont.)

Summing Up Social Responsibility (cont.)

–four-stage progression (cont.)

•*Stage 3* - expand responsibilities to other stakeholders

–actions include providing fair prices, high-quality products and services, safe products, and good supplier relations

•*Stage 4* - managers feel responsibility to society as a whole

–try to advance the public good

–promote social justice, preserve the environment, and support social and cultural activities

To Whom Is Management Responsible?

Managerial Ethics

Ethics

–rules and principles that define right and wrong conduct

Four Views of Ethics

–***utilitarian view*** - ethical decisions are made on the basis of their outcomes or consequences

•offers the greatest good for the greatest number

•encourages efficiency and productivity

•may ignore the rights of some stakeholders

•most businesspeople subscribe to this view

Managerial Ethics (cont.)

Four Views of Ethics (cont.)

–***rights view*** - respects and protects individual liberties and privileges

•may present obstacles to high productivity and efficiency

–***theory of justice view*** - managers impose and enforce rules fairly and impartially

•protect the interests of stakeholders who may be underrepresented or lack power

•encourages a sense of entitlement that might make employees reduce risk taking, innovation, and productivity

Managerial Ethics (cont.)

Four Views of Ethics (cont.)

—*integrative social contracts theory* - decisions should be based on empirical and normative factors

•based on integration of two "contracts'

—*general social contract* - allows businesses to operate

»defines the acceptable ground rules

—*specific contract* - addresses acceptable ways of behaving in a particular community
Managerial Ethics (cont.)
Factors That Affect Managerial Ethics

—*Stage of moral development* - at each successive stage, moral judgment is less dependent on outside influences

•people proceed through the levels sequentially

•no guarantee of continued moral development

•majority of adults at Stage 4

—*preconventional level* - choice between right and wrong is based on personal consequences

—*conventional level* - moral values reside in living up to others' expectations

—*principled level* - individual tries to define moral principles apart from the authority of society
Stages of Moral Development
Managerial Ethics (cont.)
Factors That Affect Managerial Ethics (cont.)

—*Individual characteristics*

•*values* - basic convictions about right and wrong

•*ego strength* - strength of a person's convictions

•*locus of control* - degree to which people believe that they control their own fate

—*internals* - believe that they control their own destinies

—*externals* - believe that what happens to them is due to luck or chance
Managerial Ethics (cont.)
Factors That Affect Managerial Ethics (cont.)

—*Structural variables*

•design of organization affects ethical behavior

—designs that minimize ambiguity and uncertainty more likely to encourage ethical behavior

•rules and regulations

—written codes of ethics

•behavior of superiors

•performance appraisal systems that focus on means as well as ends

•reward systems that punish failure to achieve ends is likely to compromise ethics
Managerial Ethics (cont.)
Factors That Affect Managerial Ethics (cont.)

—*Organizational culture*

- strong culture more influential than a weak culture
- high ethical standards result from a culture that is high in risk tolerance, control, and conflict tolerance

—*Issue intensity*

- importance of an ethical issue
- more intense issues prompt greater ethical behavior

Determinants of Issue Intensity
Factors That Affect Ethical And Unethical Behavior
Managerial Ethics (cont.)
Ethics in an International Context

—social and cultural differences determine ethical and unethical behavior

—*Foreign Corrupt Practices Act* - makes it illegal for U.S. firms to knowingly corrupt foreign officials

—global firms must clarify their ethical guidelines

—*Global Compact* - United Nations document containing principles for doing business globally in the areas of human rights, labor, and environment

Managerial Ethics (cont.)
Toward Improving Ethical Behavior

—comprehensive ethics programs have the potential to improve an organization's ethical climate

- no guarantees that even well-designed ethics programs will lead to the desired outcome

—*Employee selection* - eliminate ethically questionable applicants

—*Codes of ethics* - formal statement of an organization's primary values and ethical rules

- shouldn't be developed and applied in isolation
- must consistently reaffirm the importance of the code
- must consistently discipline those who break the code

Clusters of Variables Found in 83 Corporate Codes of Business Ethics
Managerial Ethics (cont.)
Toward Improving Ethical Behavior (cont.)

—*Top management's leadership* - what they *do* is far more important than what they say

- set the cultural tone by their reward and punishment practices

—*Job goals* - goals should be clear and realistic

- reduce ambiguity

—*Performance appraisal* - must focus on ethical standards

—*Ethics training* - an increasing number of organizations use training to encourage ethical behavior

- reinforce the organization's standards of conduct
- clarify acceptable and unacceptable practices

Managerial Ethics (cont.)
Toward Improving Ethical Behavior (cont.)

—*Formal protective mechanisms* - protect employees who face ethical dilemmas

- can do what is right without fear of retribution
- ***ethical counselors*** - act as a sounding board and provide guidance
- ***ethics officers*** - design, direct, and modify the organization's ethics program