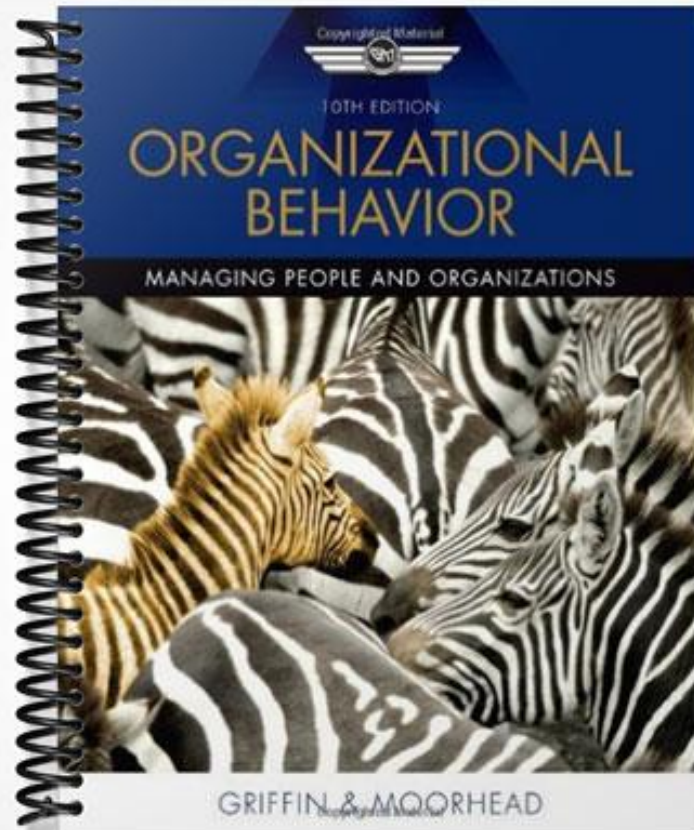


SOLUTIONS MANUAL



CHAPTER 2

The Changing Environment of Organizations

CHAPTER OVERVIEW

The environment of business is changing at an unprecedented rate. The effects of today's changing environment permeate the entire organization. Hence, to truly understand the behavior of people in organizational settings, it is also necessary to understand the changing environment of business. This chapter is intended to provide the framework for such understanding. We introduce and examine five of the central environmental forces for change faced by today's organizations: globalization, diversity, technology, ethics and corporate governance, and new employment relationships.

CHAPTER LEARNING OBJECTIVES

After studying this chapter you should be able to:

1. Discuss the emergence of international management and its impact on organizations.
2. Describe the nature of diversity in organizations and identify and explain the key dimensions of diversity.
3. Discuss the changing nature of technology and its impact on business.
4. Describe emerging perspectives on ethics and corporate governance.
5. Discuss the key issues in new employment relationships.

LECTURE OUTLINE

- I. Globalization and Business. Perhaps the most significant source of change impacting many organizations today is the increasing globalization of organizations and management.
 - A. The Growth of International Business. In 2010, the volume of international trade in current dollars was almost fifty times greater than the amount in 1960. Four major factors account for much of this momentum (see Figure 2.1).
 1. Communication and transportation have advanced dramatically over the past several decades.
 2. Businesses have expanded internationally to increase their markets.
 3. More and more firms are moving into international markets to control costs, especially to reduce labor costs.
 4. Many organizations have become international in response to competition.
 - B. Cross-Cultural Differences and Similarities.
 1. General Observations. Cultural and national boundaries do not necessarily coincide. One major review of the literature on international management reached five basic conclusions:
 - a) Behavior in organizational settings varies across cultures.
 - b) Culture itself is one major cause of this variation. Culture is the set of shared values, often taken for granted, that help people in a group, organization, or society understand which actions are considered acceptable and which are deemed unacceptable.

- c) Although causes and consequences of behavior within organizational settings remain quite diverse across cultures, organizations and they way they are structured appear to be growing increasingly similar.
 - d) The same individual behaves differently in different cultural settings.
 - e) Cultural diversity can be an important source of synergy in enhancing organizational effectiveness.
2. Specific Cultural Issues. Geert Hofstede studied workers and managers in sixty countries and found that specific attitudes and behaviors differed significantly because of the values and beliefs that characterized those countries (see Table 1.2).
- a) Individualism versus collectivism.
 - b) Power distance (orientation to authority).
 - c) Uncertainty avoidance (preference for stability).
 - d) Masculinity (assertiveness or materialism).
 - e) Long-term versus short-term orientation.
- C. Managerial Behavior Across Cultures. Some individual variations in people from different cultures shape the behavior of both managers and employees. Other differences are much more likely to influence managerial behavior *per se*. In general, these differences relate to managerial beliefs about the role of authority and power in the organization (see Figure 2.2).
- II. Diversity and Business. Workforce diversity refers to the important similarities and differences among the employees of organizations. Employees' conceptions of work, expectations of rewards from the organization, and practices relating to others are all influenced by diversity. A stereotype is a generalization about a person or group of persons based on certain characteristics or traits. A stereotype can lead to prejudice, a judgment about others that reinforces beliefs about superiority and inferiority.
- A. Dimensions of Diversity.
- 1. Primary dimensions are those factors that are either inborn or exert extraordinary influence on early socialization. Examples include age, race and ethnicity, gender, physical and mental abilities, and sexual orientation.
 - 2. Secondary dimensions include factors that matter to us as individuals and that to some extent define us to others; however, they may be less permanent than primary dimensions and can be adapted or changed. They include educational background, geographical location, income, marital status, military experience, parental status, religious beliefs, and work experience.
- B. Who Will be the Workers of the Future? Figures 2.3 and 2.4 show some significant statistical changes in the workforce projected to 2014. White males will decline as a percentage of the workforce while older workers generally (fifty-five and older) will dramatically increase (46.6 percent).
- C. Global Workforce Diversity. Similar statistics on workforce diversity are found in other countries. In Canada, for instance, minorities are the fastest-growing segment of the population and the workforce. Increasing diversity in the workplace is even more dramatic in Europe.
- D. The Value of Diversity. Rather than the traditional view of the U.S. as a "melting pot" where people from culturally different groups were assimilated into existing organizations, today the U.S. workplace is viewed more as a "tossed salad" made up of a mosaic of different flavors, colors, and textures.
- 1. Assimilation is the process through which members of a minority group are forced to learn the ways of the majority group. Dominant groups tend to be self-perpetuating and be unaware of outside opinions. Table 2.2 shows the results of interviews with organization members about attitudes reinforced by their

organization's culture, typically those of the dominant group. Ignoring diversity, however, can result in tension, lower productivity, increased absenteeism and turnover, lower morale and more equal opportunity lawsuits against the employer.

2. Valuing diversity means putting an end to the assumption that everyone who is not a member of the dominant group must assimilate. Valuing diversity is not just the right thing to do for workers; it is the right thing to do for the organization, both financially and economically.

- III. Technology and Business. Technology refers to the methods used to create products, including both physical goods and intangible services. Technological change has become a major driver for other forms of organization change. Three specific areas of technology worth noting are the shift toward a service-based economy, the growing use of technology for competitive advantage, and mushrooming change in information technology.
 - A. Manufacturing and Service Technologies. Manufacturing is a form of business that combines and transforms resources into tangible outcomes that are sold to others. Manufacturing entered a period of long decline in the U.S. during the 1970s, primarily because of foreign competition. At the same time, the service sector grew tremendously. A service organization is one that transforms resources into intangible output and creates time or place utility for its customers.
 - B. Technology and Competition. Technology is the basis of competition for some firms. Another challenge is meeting constant demands to decrease cycle time—the time required to accomplish some recurring activity or function—which businesses increasingly are finding can make them more competitive.
 - C. Information Technology has resulted in leaner organizations, more flexible operations, increased collaboration among employees, more flexible work sites, and improved management processes and systems. On the other hand, it has also led to less personal communication, less “down time” for managers and employees, and an increased sense of urgency.
- IV. Ethics and Corporate Governance.
 - A. Contemporary Ethical Issues. Rapid changes in business relationships, organizational structures, and financial systems pose unsurpassed difficulties in keeping accurate track of a company's financial position. Other concerns involve such areas as executive compensation, environmental protection, working conditions in foreign factories, pricing policies, and the pressure to balance profits against costs.
 - B. Ethical Issues in Corporate Governance. Corporate Governance is the oversight of a public corporation by its board of directors. The biggest complaint today leveled at boards often relates to board independence.
 - C. Ethical Issues in Information Technology. Individual rights to privacy and the potential abuse of information technology are specific questions in this area.
- V. New Employment Relationship.
 - A. The Management of Knowledge Workers. Unlike traditional employees who added value to organizations because of what they did or because of their experience, knowledge workers add value simply because of what they know. Examples include computer scientists, physical scientists, engineers, product designers, and video game developers. They often believe they have right to work in an autonomous fashion, identify strongly with their profession, and require extensive, highly specialized training. Compensation and related policies for knowledge workers must be highly tailored.
 - B. Outsourcing. This is the practice of hiring other firms to do work previously performed by the organization itself. It helps firms focus on their core activities and avoid being sidetracked into secondary activities. While outsourcing makes good business sense in

areas that are highly unrelated to a firm's core business activities, it has drawn criticism because of a trend toward outsourcing abroad merely to cut labor costs.

- C. **Temp and Contingency Workers.** recent years have seen an explosion of contingent workers who work for an organization on something other than a permanent or full-time basis. Another category is part-time workers. About 10 percent of the U.S. workforce uses one of these alternative forms of employment relationships. This percentage is increasing at a consistent pace.
- D. **Tiered Workforce.** A tiered workforce exists when one group of an organization's workforce has a different contractual arrangement with the organization from another group performing the same jobs. These arrangements will pose challenges in the future. Firms may face higher turnover among their lower-paid employees.

DISCUSSION QUESTIONS AND POSSIBLE RESPONSES

1. **Identify ways in which the internationalization of business affects businesses in your community.**

Answer: Students probably will recognize that international business affects almost every aspect of business in every community. Within the work sphere, it influences product design, distribution, market segmentation, promotion, and pricing. At a higher level, it influences corporate objectives, policies, and strategies. Like it or not, every business is in the international marketplace.

2. **What would you imagine to be the major differences among working for a domestic firm inside the United States, working for a foreign company's operations inside the United States, and working for an American firm's operations abroad?**

Answer: Possible cultural clashes when there is a mixture of different cultures (U.S. versus foreign) would be the major difference. Language differences might also be a factor when a different one is spoken by the parent company than what the employee is accustomed to.

3. **Why do organizations need to be interested in managing diversity? Is it a legal or moral obligation, or does it have some other purpose?**

Answer: Organizations need to be interested in managing diversity for several reasons. First, the composition of the workforce is becoming more diverse, as indicated by the data shown in the text. Second, it is the right thing to do because the workforce will be more productive. Third, personnel costs can be decreased. Fourth, companies are finding that it is necessary to be more competitive in the marketplace.

4. **Summarize in your own words what the statistics tell us about the workforce of the future.**

Answer: Summaries should include the increasing number of women and minority group members in the workforce, increasing participation by older workers, and growth of all sectors except the typical white male.

5. **All things considered, do you think people from diverse cultures are more alike or more different? Explain the reasons for your answer?**

Answer: Responses to this question will largely depend on students' exposure to people of other cultures. Once the initial "culture shock" has been overcome, familiarity should breed sameness; that is, the more one is exposed to other cultures, the more alike people are apt to appear.

6. **What roles does changing technology play in your daily activities?**

Answer: Communication is faster, easier, and a wide range of options is available. Privacy may be encroached upon with greater ease than ever; unit costs of communication are lower. Entertainment is also more varied in terms for format and accessibility, increasing a person's options. It may be more of a challenge to keep pace with the rapid changes in technology in the consumer products field as well as work-related technology, and the problem and pace of obsolescence are accelerating.

7. How concerned are you regarding Internet security? Are your concerns increasing? Why or why not?

Answer: The growing publicity about identity theft may increase students' concerns about security. Hacking and related activities such as deliberately planted "viruses" have revealed the downside of Internet popularity.

8. Do you think concerns regarding ethics will remain central in managerial thinking, or will these concerns eventually become less important? Why?

Answer: Concerns about ethics will likely remain fresh in the minds of current managers and business students, perhaps fading in future generations, especially if other issues, such as a shrinking workforce or global catastrophes, emerge. As long as business schools and organizations themselves make an effort to remind the young about ethical issues they will remain important, if not central, to managerial thinking.

9. Do you anticipate becoming a "knowledge worker"? How do you think this will shape your own thinking regarding an employer, compensation, and so forth?

Answer: Probably every student taking this class anticipates becoming a knowledge worker or they would not be in it! Since that is the case, their expectations regarding various aspects of employment will be affected. They will seek an employer who appreciates them as individuals, grants them freedom and flexibility, pays well, supports any training or education they may need, and invites their input on every aspect of the job.

10. What are your personal opinions about the use of international outsourcing?

Answer: If one has never lost one's job due to international outsourcing the opinion might be very positive—it can reduce labor costs, make the organization more efficient and competitive, and help develop economies that are below par. There are downsides, of course, particularly revolving around the short-term effects on individual American workers and the communities in which they live from a sudden loss of jobs. Longer-term, downsizing can force individuals and organizations alike to learn new skills, streamline their operations, and ... change for the better!

11. Why does multiculturalism contribute to competitive advantage for an organization?

Answer: The multicultural organization contributes to competitive advantage by reducing personnel costs, increasing marketing creativity for special markets, increasing creativity and innovation in product development and marketing, increasing problem solving and decision making, and increasing flexibility.

ORGANIZATIONAL BEHAVIOR CASE FOR DISCUSSION

Lost in Aerospace

Summary

Two organizations had battled for a lucrative U.S. Air Force contract. One is Boeing, the world's largest aerospace company. The other is an American-European partnership. The Pentagon rejected Boeing's argument that it would create jobs and bypassed Congressional sentiment in Boeing's favor. How had this reversal of Boeing's fortunes come about? Some believe that Boeing's ethics violations entered into the decision.

Case Questions and Possible Responses

1. **Is McNerney's approach to the company's ethical problems likely to improve ethical practices at Boeing? If your answer is yes, explain why. If it's no, propose some actions that would be effective.**

Answer: Yes. McNerney made ethics a priority at Boeing and communicated his point of view to managers. He was hired as an outsider by the board as "someone who could communicate a commitment to ethics. As a retreat, McNerney showed the pictures of two former employees, jailed for ethics violations. He clearly stated that Boeing's culture had become dysfunctional and needed to be changed. He showed how ethical lapses were preventing Boeing from landing lucrative government contracts, calling attention to the relationship between ethics and the bottom line.

2. **In October 2010, Boeing announced a record charge of \$1 billion related to delays in delivering its new Dreamliner 747-8 jumbo jet. As an investor with a good knowledge of the company's past record, to what extent do you attribute its performance problems to problems in its corporate governance?**

Answer: The board of a public corporation like Boeing is expected to insure that the business is being properly managed. **As an investor with a good knowledge of the company's past record, you need to have sufficient independence to carry out the oversight function and find out the cause of the delays in delivering the new jumbo jet.**

3. **Let's say that you're a member of Boeing's board of directors—and thus a representative of its shareholders. Boeing's stock price stood at \$60 at the beginning of 2009 (down from a high of \$105 a little more than year earlier). By October, it had dropped to just over \$29, although it again topped \$60 at the beginning of 2010. What's your current thinking about McNerney's performance as CEO?**

Answer: The board of a public corporation like Boeing is expected to insure that the decisions made by its senior management are in the best interests of shareholders and other stakeholders. As a board member, I would carefully scrutinize all McNerney's decisions, but I would give him credit for Boeing's 2010 stock price which has doubled despite the continuing economic problems facing the U.S.

BUILDING MANAGERIAL SKILLS

Exercise Overview: Communications skills refer to your ability to convey ideas and information to other people. The task, of course, is easier when the person to whom you're communicating is familiar with the same language as you are, but in an increasingly diverse business environment, you won't always have the luxury of expressing yourself strictly on your own terms. This exercise asks you to communicate information by carefully crafting the terms in which you express yourself.

Exercise Background: You're the owner of a store that sells unfinished furniture made of fine woods. Customers, both individual consumers and retailers, buy your furniture and finish the pieces themselves, usually with oil-based finishes. One of your best customers is the owner of a small furniture store catering to the members of a local ethnic community. She is not a native speaker of English. She has learned that waste rags used in the application of oil-based finishes have been known to explode—a phenomenon known as “spontaneous combustion”—and has become worried, both about the safety of her customers and about her own liability. You need to send her a letter reassuring her that the problem, while real, can be dealt with easily and safely. You also need to tell her what to tell her customers

Exercise Task: The point of this exercise is for students to think through a challenging workplace-related scenario in which students write clear messages to nonnative speakers to reduce the possibility of a misunderstanding. Guidelines for “internationalizing” the English language are also included in the exercise. The same guidelines are useful when communicating to another native speaker of English.

SELF-ASSESSMENT EXERCISE

Cross-Cultural Awareness

This assessment inventory is intended to provide insights into the students' awareness of other cultures. Students indicate their responses to twenty questions and then add up their score. A higher score indicates more awareness of other cultures. Students can compare their scores to others in their groups or classes and discover strengths and weaknesses.

EXPERIENCING ORGANIZATIONAL BEHAVIOR

Understanding Your Own Stereotypes About Others

Purpose: This exercise will help students better understand their own stereotypes and attitudes toward others.

Format: Students will be asked to evaluate a situation and the assumptions they make in doing so. Then they will compare their results with those of the rest of the class.

Procedure

1. Read the following description of the situation to yourself, and decide who it is that is standing at your door and why you believe it to be that person. Make some notes that

- explain your rationale for eliminating the other possibilities and selecting the one that you did. Then answer the follow-up questions.
2. Working in small groups or with the class as a whole, discuss who might be standing at your door and why you believe it to be that person. Using the grid at the end of this exercise, record the responses of class members.
 3. In class discussion, reflect on the stereotypes used to reach a decision and consider the following:
 - a. How hard was it to let go of your original belief once you had formed it?
 - b. What implications do first impressions of people have concerning how you treat them, what you expect of them, and your assessment of whether the acquaintance is likely to go beyond the initial stage?
 - c. What are the implications of your responses to these questions concerning how you, as a manager, might treat a new employee? What will the impact be on that employee?
 - d. What are the implications of your answers for yourself in terms of job hunting?

Situation: You have just checked into a hospital room for some minor surgery the next day. When you get to your room, you are told that the following people will be coming to speak with you within the next several hours.

1. The surgeon who will do the operation
2. A nurse
3. The secretary for the department of surgery
4. A representative of the company that supplies televisions to the hospital rooms
5. A technician who does laboratory tests
6. A hospital business manager
7. The dietitian

[Note: You have never met any of these people before and do not know what to expect.]

About half an hour after your arrival, a woman who seems to be of Asian ancestry appears at your door dressed in a straight red wool skirt, a pink-and-white-striped polyester blouse with a bow at the neck, and red medium-high-heeled shoes that match the skirt. She is wearing gold earrings, a gold chain necklace, a gold wedding band, and a white hospital laboratory coat. She is carrying a clipboard.

Follow-Up Questions and Possible Responses

1. Of the seven people listed, which of them is standing at your door? How did you reach this conclusion?

Answer: The person is a technician who does laboratory tests or a dietitian. I reached this conclusion because a surgeon or nurse typically wears scrub suits under their white coats. Others such as a business manager, secretary, or hospital rep. would wear business attire.

2. If the woman had not been wearing a white hospital laboratory coat, how might your perceptions of her have differed? Why?

Answer: A white coat is a symbol of the medical profession. Doctors, nurses, lab technicians, and other hospital personnel wear white coats. Had the woman not worn a white coat, my perception would have been different. I would have assumed that she was not a member of the medical profession.

3. If you find out that she is the surgeon who will be operating on you in the morning, and you thought initially that she was someone else, how confident do you now feel in her ability as a surgeon? Why?

Answer: I would not feel confident because the woman does not have a professional look and therefore, my perception is that she is not competent. However, most surgeons are selected by referral from a primary care physician, and most patients rely on a surgeon's reputation not his or her looks. A surgeon's reputation could counteract the negative impression portrayed by the woman's frilly attire.

4. What implications can you draw from this exercise regarding the management of knowledge workers?

Answer: Knowledge workers believe they have the right to work in an autonomous fashion, and identify more strongly with their profession than any organization. Managers have to provide an orientation to knowledge workers so they conform to the norms of the organization. In this case, managers have to make knowledge workers aware of the hospital dress code and insist that knowledge workers dress appropriately.

MINILECTURE

How to Launch a Diversity Initiative

Introduction

Most organizations believe that diversity is important. Still, because the importance of building a diverse workforce is a relatively new challenge, most firms are unsure about how to launch a diversity initiative. Initially, there are two important rules for launching a diversity initiative that should be followed. The first is to have clear diversity-related goals and to have a way of measuring success. The second is to communicate diversity-related goals to employees and to periodically report the results of the diversity efforts. Most employees recognize and appreciate it when their company is "making progress" on important goals and objectives. However, it is hard to convince employees that progress is being made unless a firm can report positive results on measurable goals.

In addition to establishing goals, a firm needs to carefully prepare for the launch of a diversity-related initiative. The launch is crucial, because a strong and effective launch sets the tone for employees' perception of how important the diversity effort really is. The following are several components that should be in place before a diversity initiative is introduced.

Key Components to the Effective Launch of a Diversity Initiative

1. **An Awareness of the Benefits of Diversity.** Workplace diversity has many benefits that go beyond simply complying with the law and/or satisfying the demands of certain stakeholders. Before launching a program, a firm should answer the question, "How can workforce diversity help us?" An answer to that question can help a firm shape and mold its diversity-related objectives and goals. For example, the following is a quotation from IBM's website, explaining the company's perspective on workforce diversity.

“To know our markets and serve them well requires that we understand them. And understanding comes from employees who represent those markets. Our customers can clearly see that they are people like us. They can relate to the fact that we are people like them. Diversity is our source of innovation, opportunity and competitive advantage. It is our key to continuing success.”

This statement says a lot about why IBM values workforce diversity. It is also a statement that can be used to explain the value of workplace diversity to employees, customers, and other stakeholders when the diversity initiative is introduced.

2. **Top Management Support.** Diversity initiatives need top management support. It is optimal for the CEO or president to lead his or her firm’s diversity effort. This approach sends an important message to employees that “diversity is important.” It also holds top management accountable to do its part in a company’s diversity initiative.
3. **Set up a Diversity Team.** Along with top management support, an effective diversity program must be supported by the rank-and-file employees. A cross-functional team or task force should be formed to manage the diversity effort. The team itself should be as diverse as possible, ensuring that the needs and concerns of all the demographic groups in the firm are represented.
4. **Establish Specific Diversity-Related Goals.** This reiterates the information provided above, but is worth repeating. The diversity initiative should be attached to specific diversity-related goals, with appropriate measures of success in place. For example, a firm may have a goal of increasing minority hiring from 20 percent to 35 percent in one year. This is a specific goal that is measurable.
5. **Integration.** A diversity program can’t stand alone. It must become part of the culture and fabric of the organization. As a result, the support of diversity must be reflected at all levels within a firm, and across all stakeholder groups (i.e., employees, customers, suppliers, creditors, stockholders, local communities, and so on). This objective can’t happen by just wishing that it will. A firm must make plans early on to support the introduction of its diversity initiative with diversity training, mentoring opportunities for minorities and women, employee incentives that reward diversity efforts, and so on.

Summary

In summary, the effective launch of a diversity program is a challenging, yet achievable, objective. Many examples of excellent diversity programs exist. The launch of an effective diversity program, however, must be accompanied by the key components outlined above to have the maximum chance of achieving success.

ADDITIONAL EXPERIENTIAL EXERCISE

Diversity Success

Purpose: To understand that some companies are actively promoting diversity programs and to appreciate the innovative ways companies compete for the best talent.

Format: Students should research publications for the “Best Places to Work” for minorities and women. Individually or in small groups, as directed by your instructor, compile a list of best practices from your research. Share your research with the class.

Procedure: Each student’s research should answer the following questions. What programs do the winning companies have in common? What aspects of the company culture support

opportunities for everyone? What was the most unique practice you read about? Would you want to work there? If you were a white male, would you feel the same way? Or, what if you were a minority?