MGT-420 Lecture 2

Environment and Planning

Introduction

Microsoft founder Bill Gates asserts (as cited in Schwan, 2003), "Information is the central ingredient of an emerging world economy." If we take a close look at economic growth and industry trends, the United States has moved from an agricultural economy for the first 100 years to a manufacturing, industrial-based economy for the next 100 years, and an information-based economy for the past 30 years. This evolution highlights changes in the access to and utilization of information, making decisions about information, and managing those decisions.

Environment

To survive and thrive in today's environment, organizations need to create and sustain a competitive advantage. Schermerhorn (2008) suggests that an organization can achieve a competitive advantage through its products, customer service, cost efficiency, and quality, among other things. To do this efficiently organizations need to analyze their specific and general environment. The specific environment includes the people, groups, and organizations with whom that company interacts. The general environment of an organization consists of the political, economic, sociocultural, technological, environmental, and legal factors (PESTEL factors). It is vital for organizations to scan the environment and develop their strategies accordingly. Environments that have few factors that change slowly are more stable. The most turbulent environments are those that have many risk factors that change rapidly. Environmental uncertainty consists of two components: complexity of the environment and rate of change of the environment. Risk environments exist when decision makers lack complete certainty regarding the outcomes of various courses of action, but they are aware of the probabilities associated with their occurrence; certain environments exist when complete information is available, thus decision makers are fully aware of the results of their decisions. Conversely, an uncertain environment is one where the amount of and quality of available information is limited such that decision makers are unable to predict the outcomes that may ensue as a results of the decisions they make. Organizations today are made up of a diverse workforce due to the globalization of industries and the blurring of organizational boundaries. Effective managers must realize the effect of the PESTEL factors on the organization's behavior, and consequently, the bottom line. Of the six PESTEL factors, technology has experienced the most change recently, and has had the greatest impact on the way organizations do business.

Influence of IT and Globalization on Management

The rise of institutions such as NASDAQ and the effect of high-tech on the world's economy illustrates that the transfer of knowledge has become the new industrial paradigm and that knowledge itself is the new currency. The revolution in the business world created by innovative organizations such as Microsoft demonstrates that the handling of knowledge via information technology is indeed a viable industry on its own. Additionally, the incredible rise of online education perfectly illustrates the premium now placed on knowledge and the understanding of technology.

The current trend is knowledge transfer and, in particular, education for those who must make decisions on how best to use information. "Turning information into knowledge and then managing it is a challenge for future businesses. Not all information is valuable. Therefore it is up to individual companies to determine what information qualifies as intellectual and knowledge-based assets" (Schwan, 2003). The ability of workers to sort through the vast amounts of data, now so easily and abundantly transmitted, to find meaningful information is only going to be achieved through education. In addition, as the economic base of the United States has shifted to IT, the need for training and education of the workforce is undeniable.

The traditional university system has historically restricted access for reasons both altruistic and self-serving. New educational organizations have not only created new services and products, but have also created such a higher degree of access that the demand has increased for technological and information-based learning. Thomas (1994, as cited in Scott, 2003) states that technology must be evaluated in terms of its degree of functionality, its added value, and what it can do for us in terms of attaining goals.

Many advocate that, in the future, organizations will be flatter, more responsive, more flexible, and require a greater level of technical sophistication. Scott discusses this structure (2003, p. 255) with regard to organic and high-performance work organizations (HPWOs). Employees working in organic systems inherently respond better to conditions of high complexity through the internal strength of the organization, not the external structure. HPWOs have shown that employees are more prone to share their views out of concern for the well being of the organization and the customer, yet they are perhaps more fearful in terms of job stability because change is a constant.

If we examine these concepts in terms of educational requirements, information age workers must be trained across several disciplines and have a solid working knowledge of organizational structure and interrelations. They must have real-world understanding supported by theoretical knowledge, and they must adapt quickly to a constantly changing environment. This is where adult learning theory demonstrates a superior capability in addressing the challenges of the modern work environment. If one adds online delivery, a robust, flexible, responsive, and widely accessible education system is able to provide not only foundational education, but ongoing education as well.

The old paradigm dictated that an undergraduate degree was necessary to get a good job. The next paradigm shift saw the advent of the MBA, which has now become as essential in the workplace as the bachelor's degree used to be. We are now seeing the emergence of a new paradigm: the DBA and DM (Doctor of Business Administration and

Doctor of Management), professional terminal degrees that will one day be de rigueur in business. Traditional forms of higher education are no longer sufficient, and the worker of the future must learn on a continuous basis, developing new skill sets and forever refining old ones. Organizations dedicated to education will grow more competitive in nature and learning will become a commodity.

One other change we have seen relates to governance in organizations. Whereas in the past, top -C level- managers made all the decisions and were not usually accountable to anyone (with the exception of regulators and stockholders), there has been an increase in scrutiny of such practices especially in light of recent high profile unethical business practices. One significant change we have seen relates to corporate governance. Corporate governance refers to a board of directors (or trustees in nonprofits) whose role it is to actively oversee management decisions and company actions.

Planning, Managing, and Executing

The natural formation of organizations categorizes people into one of three broad groups:

1. *Planning* – This group is involved in steering an organization toward long-term success. In many organizations, this is a small group of senior executives.
2. *Project Management* – This includes systems development teams and product development groups and executes finite-term undertakings.
3. *Operations* – This group is involved in functions directly related to the sale and production of the organization's product on a day-to-day basis. Examples include customer service and traffic.

The orientation of each group leads to different modes of operation. Planning employs a cyclical process that starts over regularly. Organizations are quick to audit themselves in order to develop a plan that is realistic, given their internal constraints. This internal self-examination can find shortfalls, specifically in defining how a plan can be implemented throughout the entire organization. An important element to planning, at a micro level, is management by objectives (MBO). MBO is a structured process of regular communication in which a supervisor/team leader and subordinates/team members jointly set performance objectives and review results accomplished. It is a useful technique in goal setting, planning, and performance appraisal due to its motivational impact.

Project management is a linear management process with a starting point, milestones, and an ending point. Project groups use project management to manage undertakings tasked by the planning group. These groups often do not have high visibility of or fail to take into account strategic objectives and their relation to operational considerations.

The operations function is a continuous process for selling, producing, and distributing the organization's product using tools determined by project groups. Like project groups, they often do not have visibility of or fail to take into account strategic objectives. Their decision period is usually very short and has almost immediate impact on the relationship of the organization and its external environment.

When an organization does not anticipate and resolve conflicts that arise between the cyclical, linear, and continuous processes in the organization as a part of the strategic planning process, a difference between what was planned, what was developed, and how it is used results. The consequences of such may include lost time, lost opportunity, and missed revenue targets.

Cultural Differences

In crafting a strategy for the organization, it is important to take into consideration the culture in which the organization exists. Perhaps the best-known framework for understanding different international cultures is that developed by Hofstede (1980). Based on extensive international research, Hofstede developed a framework for explaining cultural difference along five different dimensions:

1. *Individualism versus Collectivism* – The extent to which a national culture emphasizes individual development and behavior or collective group progress and harmony
2. *Power Distance* – The degree of hierarchical distance that exists between the *haves* and the *have nots* in a society, and the degree to which the national culture accepts this power distance as *normal* and *right*
3. *Uncertainty Avoidance* – The extent to which the national culture accepts ambiguity and encourages risk taking
4. *Masculinity versus Femininity* – The degree to which a national culture reflects traditionally masculine traits such as aggressiveness and assertiveness, versus traditionally feminine traits such as empathy and sensitivity
5. *Time Orientation* – The extent to which a national culture favors either short- or long-term planning and thinking (1980)

When placed on continuums, these five dimensions of national culture can be used to compare the national culture of one country to that of another:

One of the concerns of multinational corporations is whether U.S. management practices and theories are appropriate for use in foreign countries. Research in this area indicates that American theories are still ethnocentric and caution should be exercised when implementing them in other countries. Managers in today's global world are more effective when they are culturally intelligent.

Conclusion

Strategic planning, vision, and mission statements are crucial for organizational success. Indeed, they lead the enterprise in a specific direction. At the same time, a strategic plan must be adaptable so that the organization can be agile and adjust quickly to changing marketing conditions. As a rule, this is easier said than done; it is a test of institutional courage and personal leadership to decide when to stay the course, and when to adjust operations to changing business conditions.

The global orientation of organizations, changes in information, decision-making, and management indicate that, in the future, the average worker will have a foundation that is discipline specific (i.e., business, accounting, engineering), an MBA that is discipline related (e.g., an MBA – Engineering), and specific for those in positions of senior management and leadership (a DBA or DM). It will also become common for workers to hold several degrees across different disciplines, and business organizations will subcontract educational services to ensure the competitive advantage that comes with a highly educated workforce. The trend to job hop has proven to be very costly, and education may provide the inducement necessary to maintain employee loyalty.

References

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