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Business Briefs

Business Theory Made Simple

Coleman Patterson

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Business Briefs: Business Theory Made Simple
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Contents

Preface

This book is a collection of practical writings on business and management topics and is a companion to "Management Briefs: Management and Leadership Theory Made Simple."

These writings originally appeared in the business section of the local newspaper in Abilene, Texas, U.S.A. Using examples from movies, books, sports, and everyday experiences, they are designed to introduce readers to a variety of business topics in a concise, fun, and interesting manner. This volume should be useful to professional and aspiring managers as well as to students of management and business.

Some of the examples mentioned in the writings are specific to an American audience and refer to specific events or times of the year (e.g., sports championships, Christmas shopping, etc.), but were included because of their larger underlying lessons. The original titles and publication dates of the articles appear in the appendix at the end of the book.

1 Change

1.1 Skill Development

In a speech to students at Day of Affirmation ceremonies at the University of Capetown in South Africa, June 6, 1966, Senator Robert F. Kennedy said: “There is a Chinese curse which says, ‘May he live in interesting times.’ Like it or not, we live in interesting times….” Whether Kennedy’s statement is of Chinese origin or is meant to be a curse is debatable, but what is true is that it applies to our times today.

As an example of the times in which we live, I usually show my students a picture of my grandmother’s high school class taken with one of her city’s most famous winter residents. The students in the picture of the Fort Myers (Florida) High School class of 1924 surround an elderly Thomas Alva Edison, who is seated in a large wicker chair. From the beginning of mankind until the time of Edison (a man who lived so recently as to have had his picture taken with my grandmother), people had to use some type of flame to see after the sun went down. Electric lights are something that we take for granted today—along with countless other inventions and advancements.

We live in times of rapid innovation and change. Things that seemed unimaginable only a few decades ago are now commonplace today. Advances in science, medicine, and computer and information technology have changed the ways that people live, work, communicate, and play. It seems that the pace of development of new technologies is ever increasing.

The skills, competencies, and abilities required to thrive in our rapidly changing world are also changing. Workers wanting to compete for and hold cutting-edge jobs need skills in mathematics, science, and engineering—skills that take many years of intense education and training to learn. Hard work, dedication, and years of formal study will be required to prepare tomorrow’s workers for tomorrow’s workplace. Rapid change also demands that today’s workers continuously upgrade and improve their skills to be relevant in tomorrow’s workplace.

Today’s changing technology is also making it easier for people from other countries to compete for jobs that have long been out of their reach. In total, the populations of just China and India are more than seven times that of the United States. The technologies that we use and continue to develop make it easier for millions of highly skilled and educated overseas knowledge workers from China, India, and other countries (who are hungry for high-paying jobs) to compete for the best and most innovative jobs in the marketplace.

We live in interesting times—times that require new sets of skills and competencies to succeed and thrive in the workplace. Modern and future technologies require modern and future job skills. Parents should encourage their children to master and pursue science and mathematics education. Young people should position themselves through education and work experiences to make themselves relevant in tomorrow's marketplace, and current workers should continuously upgrade and develop their skills and abilities to remain relevant and productive. Are our interesting times a curse? You decide.

1.2 Information Technology

Have you ever tried to imagine the wonder that people who lived in the past would experience if they were alive today? The machines and technology that have come into being in recent decades would astound even our parents and grandparents. Thomas Friedman, in his book "The World is Flat," describes the history and development of today's information technology.

As a real-life example of the flattening effects of modern information technology, I used my digital camera to shoot videos of the students in my e-commerce class at The International University in Vienna while they worked on a group assignment. During class, I downloaded the videos to my laptop, imported them into a movie-making program on my computer, downloaded free background music, created a video, and uploaded it to YouTube.com using my laptop's wireless Internet connection. Within one hour of shooting the first video, the completed video was on the web for the world to see. Many of my students text-messaged their friends to watch the video on the web—which many did and instantly reported back to those in our class.

Another "flat world" example that occurred during my time at IU Vienna involved a guest lecturer in the same e-commerce class. A colleague at Hardin-Simmons University in Abilene, Texas wrote our textbook; I wanted my students to meet him and hear his experiences. Using Skype, an Internet-based voice and video transmission program, and two laptops with web cameras and microphones, my colleague sat at his desk at HSU and delivered a lecture and answered questions from the students in my class in Vienna, Austria. Video images of the students in my class were displayed on his laptop, and video of him speaking to the students was projected on the wall of my classroom through a computer projector. This experience was conducted in real time and involved no cost—because we already had access to all the necessary equipment.

Making this story even more interesting was the fact that an Abilene television station reported on the story and aired it on the evening news. A friend in Abilene recorded the news story using his DVD recorder and then uploaded it to my YouTube.com account. The next day in Vienna, I was able to pull up the story on YouTube.com and show it to the class in Vienna. They saw images of themselves that were displayed on a laptop in Abilene, broadcast on Abilene television, uploaded to the Internet, and downloaded for viewing in Vienna. All of this was done with no cost and minimal effort.

Today's information technology is changing the ways that people communicate, live, and work with one another. Many of these technologies are readily available and inexpensive to use. Organizations of all types should be aware of the ways that today's information technology can improve the ways they conduct business. Embracing new technology can be a form of competitive advantage for companies—not doing so can leave them behind the times and behind the competition.

1.3 Creative Destruction

When I was a kid, my father worked in New York City, and we lived in Connecticut. I remember my grandparents coming to visit us from their home in New Orleans each summer for two weeks. They made their cross-country trip each year by train—which even in the 1970s seemed like an outdated method of transportation.

While still common in many parts of the world, the popularity of long-distance train travel in America has become negligible compared to what is was a century ago. The rise of the automobile and highway systems, and the birth and development of airline transportation have relegated the train-travel industry to an almost forgotten mode of transportation—just as trains did to horse and stagecoach travel in earlier times.

The forces that propelled interest in automobile and airline travel over railroad travel caused many railroad-related jobs to become irrelevant and unnecessary. Many jobs and industries ceased to exist when the new, superior and preferred types of transportation came into being. The lost railroad-related jobs were replaced in the economy by countless jobs in the automobile, highway, and airlines industries. New technologies, jobs, and industries supplanted old technologies, jobs, and industries.

This replacement process is not limited to the transportation industries. The medical field is continually announcing new procedures, treatments, and ways to prevent and remedy diseases and afflictions. Scientists and researchers are constantly discovering new things that improve the ways we live and work—in agriculture, engineering, and through pure and applied research in chemistry, biology, and physics. Advances in electronics and computer technology have given us countless new products that have radically replaced old products and equipment—from more powerful personal computers to bigger televisions to smaller cell phones. Each radical product advancement brings with it new technologies and new jobs. Old technologies, jobs, and products are lost in the economy.

Economists refer to the process of new and better products, ideas, and innovations replacing old ones as "creative destruction." Innovations bring with them new sets of required skills, knowledge, and worker abilities. The jobs related to the old products become irrelevant, and new jobs become in demand. Our capitalistic economy is one that encourages and rewards the invention and creation of new and better things. Entrepreneurs and innovative companies constantly look to find and develop the next "big thing" for the market and to make themselves and their companies wealthy in the process. Because "new and better" is the norm of the market, the required skills, knowledge, and abilities of workers in the marketplace are also constantly changing.

New developments and innovations mean new opportunities for innovative companies and workers. Companies and workers who possess knowledge of outdated technologies and the skills needed to produce unwanted offerings will find themselves irrelevant in the marketplace. Individuals and organizations must constantly keep their knowledge and skills up-to-date with the market to make themselves relevant in the future—through continuous training, development, and education, and strong senses of curiosity and personal discovery.

1.4 Continuous and Discontinuous Change

The Pythagorean theorem states that for a right triangle, the square of the length of the hypotenuse is equal to the sum of the squares of the two other lengths. For a triangle with two sides that measure three and four units, the hypotenuse will equal five units. The square of three (nine) plus the square of four (16) equals the square of five (25). The hypotenuse will always be shorter than the sum of the lengths of the two other sides.

From the work of W. Edwards Deming came the ideas of Total Quality Management (TQM). TQM is a management philosophy and method used in production settings and is concerned with producing high-quality products. Many of Deming's ideas about creating quality and high-performance organizations have been extended and applied to areas beyond production. One of the central ideas of his methodology is the notion of "continuous improvement."

Continuous improvement is concerned with on-going and gradual changes in the ways of production and work. Making small and incremental changes over time can result in big changes in the long run. When change is continuous and gradual over time, less effort is needed at any point in time than what would be required for a radical and drastic change over a short time period. And at any point in time, an organization that is continually improving and "moving up" is performing better than one that continues in an original course of action and changes only periodically and drastically.

Anyone who has pulled a washing machine up the ramp of a moving truck on a dolly, as opposed to physically picking it up and lifting it into the back of a truck, can appreciate the help that a ramp provides. Each step up a ramp raises the load gradually to the level of the truck. Wheeling a heavy load on the ground from the end of the ramp to the back of a truck and then lifting it into the truck requires more distance moved and much more exertion on the lift.

A trip up the hypotenuse of a triangle is shorter than a trip down one side, stopping and turning 90 degrees at the right angle, and then moving up the other side. With all else held equal, the distance, time, and energy needed to move at right angles is greater than moving on the hypotenuse.

Deming's notion of continuous improvement is equivalent to gradually moving up the hypotenuse of a triangle; like moving up a ramp. Discontinuous change, or radical change, is analogous to proceeding down one side of a triangle without any change, stopping and changing directions at the right angle, and then restarting and continuing in a new direction. And as with a heavy load that has to be lifted into a truck, the change and movement from the right angle to the end of the second side can be very difficult for those involved in the change.

When planning for organizational change, remember your geometry!

2 Decision-Making

2.1 Legal and Ethical Decisions

The decision-making process involves several distinct stages. The first step is to define the problem. Alternative solutions to a problem are then generated before one is chosen as the solution to implement. After a solution is implemented, it should later be evaluated and altered if necessary. Not all problems are the same and not all alternatives are acceptable.

Decision-making involves selecting an alternative to implement from among a number of possible alternatives. Many times, the alternatives that decision-makers select and implement are those with which they are familiar or those that are readily available. For example, each day when I get into my car to return home from work, I choose an alternative that is very familiar and easy for me to implement. However, on any given day I could choose a different alternative from among an almost unlimited number of other effective solutions. I could bum a ride from one of my friends or acquaintances from work, call a taxi, ride a bus, walk, ride a bike or skateboard, or choose any combination of those alternatives.

In addition to those alternatives, there are also a number of illegal alternatives from which I could choose. I could steal or hijack a vehicle, sneak onto public transportation, or ride in a taxi and stiff the driver of the fare. However, I never consider those alternatives as legitimate possibilities because they are not legal. Selecting and implementing one of those could result in criminal prosecution, fines, incarceration, and other unpleasant consequences. Illegal alternatives are screened out as unacceptable before being evaluated as possible solutions.

Some alternatives, though legal, are likewise never considered as possible solutions. For example, I could con a motorist into driving me home under the guise of a personal or family emergency. I could play on the sympathy of a coworker by faking an injury for a ride or to borrow a vehicle. I could also concoct a hard-luck story to solicit money from friends or strangers for bus or cab fares. Those alternatives never come up for consideration in my mind because they violate my sense of ethics and morality. Violating my ethical principles would make me feel guilty and ashamed of my actions and could cost me the trust of those who helped me—if they ever learned that I had taken advantage of them. Only the alternatives that are legal and ethical become possible solutions to a problem.

As more and more organizations embrace the notions of empowerment and shared decision-making, it is becoming increasingly important that workers know how to make decisions. They must understand how to define problems and develop alternative solutions that are both legal and ethical. To do that, workers need to understand the legal environments in which their organizations operate and the ethical guidelines that drive their operations. Organizational leaders must continually train and educate their workers on these issues and clearly express their expectations for ethical and legal behavior. Failure to do so can be costly.

2.2 Brainstorming

"Brainstorming" is a term that people often use to describe finding a solution to a problem. What many people do not realize is that brainstorming is a technique with specific rules and procedures. It is really more of an idea-generation technique than a "solution" technique. Brainstorming is designed to tap into the power of groups to develop a list of possible solutions to a problem.

Groups can outperform individuals on both physical and mental tasks. With physical tasks, multiple individuals can carry more weight, move more things, cover more territory, and make more contacts than a single person. Workloads for physical tasks can be shared among group members. On mental tasks, groups can also outperform individuals because of the different experiences, knowledge, and perspectives that members possess and use to solve mental problems. When individual members collectively use their past experiences to solve a common group problem, richer and better solutions arise than when only a single perspective is tapped. That is a key principle of brainstorming.

The problem-solving process involves several distinct steps. The first step is problem definition, followed by the generation of alternative solutions, selection of an alternative, implementation of the alternative, and evaluation and feedback. The chosen solutions should be legal and ethical. Brainstorming is a technique that is used to develop a list of alternative solutions to a problem. Some end up being routine, and some creative. As described by Alex F. Osborn, the father of brainstorming, the rules for brainstorming are:

1. Groups should consist of five to seven people.
2. Everybody should be given the chance to contribute.
3. No criticism is allowed during the idea generation phase.
4. Freewheeling and outlandish ideas should be encouraged.
5. "Piggybacking" off others' ideas should be encouraged.
6. The greater the quantity and variety of ideas, the better.
7. Ideas should be recorded.
8. After all of the ideas have been generated, each idea should be evaluated in terms of the pros and cons, costs and benefits, feasibility, and so on.

Requiring groups to have five to seven people and having them all contribute ideas allows the power of groups to come into play. When groups are too small, there are not enough different past experiences to draw upon. When groups become too large, the forces that inhibit individual participation become more prominent. With brainstorming, the alternatives suggested by group members should be spoken without thought of fear or evaluation. People should feel free to suggest any ideas that come to their minds. Silly-seeming or outlandish ideas should be encouraged because they might spark creative ideas in others that could lead to exceptional solutions. All ideas should be recorded. Idea feasibility should be assessed only after time has been called to cease generating ideas.

Brainstorming techniques allow groups to generate many possible solutions to problems. Through the processes of generating and evaluating many possible solutions, an unobvious, outstanding, and one-in-a-million solution might be discovered.

2.3 Divergent Thinking

Have you caught on to the Sudoku craze? Sudoku is like a crossword puzzle that uses numbers. Each puzzle is solved by figuring out the one particular combination of numbers that completes a grid so that every row, column, and three-by-three sub-grid contains the numbers one through nine. There is only one solution to each puzzle.

Likewise, crossword puzzles are constructed so that each clue has one and only one solution. Because the crossword puzzle squares can include letters in multiple words going across rows and down columns, the answers must be exactly what the puzzle author intended or the puzzle will not be solved.

Sudoku and crossword puzzles are challenging because they require people to find the "one" solution from a large number of possible solutions. The type of thinking required to boil down a long list of possible solutions to the one correct solution is known as convergent thinking. For organizations, having people with strong convergent thinking skills can be an asset. Being able to disregard many incorrect alternatives while seeking out the one correct solution is sometimes a necessary skill.

At other times, it may be beneficial to have people who can be divergent, rather than convergent, in their thinking. Divergent thinking is the ability to see many alternatives for a single problem. When confronted with a problem or issue, divergent thinkers are able to envision a wide range of diverse and possible solutions. Convergent and divergent thinking can be pictured by using the image of a funnel. Convergent thinking is analogous to moving from the big end to the small end of the funnel—all of the possible solutions come down to the one correct solution. Divergent thinking can be thought of as the opposite. It runs from the small end to the big end of the funnel—the single problem expands up to many possible solutions.

Divergent thinking is a key component of creativity. Creative problem solving usually involves developing a long list of possible solutions to a problem. Creativity involves making mental connections between seemingly unrelated concepts, overcoming stereotypes and commitments to past ways of doing and thinking about things, and breaking down falsely erected barriers to problem definitions and possible solutions. Divergent and creative thinking require considerable mental energy and effort. Without a desire to look harder, dig deeper, and explore further, individuals will not be creative in their thinking. Likewise, organizational cultures that do not encourage and promote creative thinking will be limited in their solutions and accomplishments.

Linus Pauling said, "The best way to have a good idea is to have a lot of ideas." That principle holds particularly true for organizations. To find a "one in a million" solution, organizations might have to generate "one million minus one" other solutions. Divergent thinking can be a source of competitive advantage. By engaging in and encouraging divergent and creative thinking, organizations can solve problems with solutions that are overlooked or never imagined of by competitors who do not foster creativity and innovation.

2.4 Normative Decision Model

When beginning a home repair project, it is helpful to have all necessary tools close at hand. It is often advisable to even have extra tools within reach should the project be more complicated than originally thought. The larger the variety of tools in a handyman's toolbox, the more likely he will be to fix the problems that he encounters.

In a way, a manager is like an organizational handyman. Managers identify and solve many types of problems (e.g., personnel, planning, scheduling, budgeting, technology, operations, facilities, policies, resources, etc.) with the best interests of their organizations in mind. Some problems are straightforward and predictable, and others are more complicated. A good manager, like a good handyman, is able to quickly determine the types of tools that he needs to fix the problems that he encounters.

Sometimes the tools that are needed to solve organizational problems are co-workers and the knowledge, insight, and creativity that they possess. People use the knowledge that they gain from past experiences to define and remedy the problems that they encounter. Knowledge can be gained from direct personal experiences or from the experiences of others. Groups are able to outperform individuals on mental tasks in large part because of the diversity of experiences that members bring to their groups. When the experiences of group members are used to solve problems instead of just those of a single manager, better solutions usually arise. The benefits of group problem solving, however, come with costs—primarily, the time spent by group members away from their normal work responsibilities.

Not all of the decisions that managers make need to be solved with the help of coworkers. Managers can make some decisions with little or no input from workers. Effective managers know when to solicit input from others and when to solve problems by themselves.

The Normative Decision Model, developed by Victor Vroom and his associates, gives explanation to the appropriate level of worker involvement in the decision-making process. Decision acceptance and decision quality drive the model. When it is important that workers buy into and accept the decision, they should be included in the decision-making process. Likewise, when it is important that exceptional and high-quality solutions be developed, more people should be included in the process. Time should also be considered when selecting the appropriate degree of worker involvement—as time available to make decisions decreases, more autocratic decision styles are appropriate.

The model also describes five decision-making styles that range on a continuum from “autocratic” to “group.” The autocratic style is one where managers make decisions independently and autonomously. The middle dimensions involve the manager collecting relevant information from others, consulting with individual coworkers, and consulting with groups of workers before making decisions. Under the “group” style, managers allow their workers to solve problems. The appropriate decision-making style is dictated by characteristics of the situation—acceptance, quality, and time. Like tools, different decision-making styles are appropriate for different types of problems and skilled managers know when and how to use each of them.

2.5 Diagnosing Performance Problems

When automobiles have performance problems, they usually end up at repair shops for help. Part of the mechanic's job is to listen to the vehicle owner's description of the things wrong with the automobile in order to figure out how to fix the problem. Likewise, when a sick patient visits a doctor for help, the doctor will ask the patient to describe the symptoms that he or she is experiencing. Doctors also usually ask additional questions to the patient to help pinpoint the source of the problem. Both mechanics and doctors seek to fully diagnose and understand their patients' problems before they develop appropriate solutions. Only when problems are clearly defined can solutions to remedy the problems be designed.

An automobile experiencing brake problems does not need a new radiator, and one experiencing problems with overheating probably does not need new brakes. Likewise, a patient experiencing fever and congestion does not need a solution remedy for an ingrown toenail. Solutions must be designed to treat the root problems and ailments.

When workers experience performance problems at work, it is often the manager who must diagnose and develop remedies to those problems. If employee performance is suffering, it is a symptom of a motivation problem, an ability problem, or a combination of the two. For employees to successfully accomplish their work, they must "want to" and be "able to" perform.

Motivation theory gives explanation for why people want to do things. Receipt of extrinsic and intrinsic rewards, goal attainment, avoidance of punishment, fulfillment of needs, and maintenance of perceptions of equity and fairness are some of the ways that employee motivation has been conceptualized and studied. Ability problems stem from inadequate or improper experience and training or a lack of organizational resources (physical, human, financial, or technological) and other types of organizational support (e.g., priorities, politics, permissions, etc.). Without motivation *and* ability, performance will not occur.

Managers must accurately determine whether performance problems arise from issues of motivation or ability. If the true reason for poor performance is an employee's restricted access to timely and necessary information, it makes no sense to try to remedy performance with the use of rewards or punishments. Likewise, when employee motivation is the problem, it would be wasteful to throw additional financial or human resources at the problem. The solution must fit the true problem.

Mechanics and doctors diagnose problems and then design solutions to remedy them. They actively listen to their customers and patients and ask probing questions to accurately pinpoint the causes of the problems. Mechanics and doctors also know their subjects extremely well. Through training, education, and apprenticeships, they develop expertise in how their subjects work and understand exactly how to repair and bring them back to health.

Managers and organizational leaders should actively communicate and interact with their people to understand and foresee performance problems. They should also invest considerable time and effort studying how organizations function and operate. Only then can performance problems be identified and solved most effectively.

2.6 Escalation of Commitment

Experienced eBay buyers respect and understand the bidding process. Bidders on eBay are instructed to enter the highest amount that they are willing to pay for an item when placing their bids. After deciding upon and entering that amount, the most rational thing for a bidder to do is to wait for the auction to end before checking to learn the outcome of the offer. One of the worst things to do is continually check on the status of the auction and get into a bidding war with other bidders.

It is very tempting to raise a maximum bid several dollars when you find out that someone else has outbid your maximum offer. If you were originally dedicated to spending no more than $40 on an item, a new maximum bid of $42 is only two dollars more. And when competing bidders raise the price to $44, it only seems logical to invest three more dollars and push the price to $45. By the time the auction ends, a bidder who was originally willing to invest no more than $40 may find that he has spent considerably more.

Escalation of commitment is the name given to the process of making decisions in the pursuit of a course of action that seem rational based on previous actions, but in reality are quite irrational. Once invested in a course of action, it many times seems wiser to throw more investment into the action than to cut losses and move on to something more profitable. The bidder who has surpassed her original and well-reasoned maximum bid amount many times rationalizes making higher bids in terms of what will be lost if she does not increase her bid, and she reasons that another slightly higher bid is justified because the auction can be won with just a few dollars more.

Organizations are susceptible to the pitfalls of escalation of commitment. They sometimes throw money and resources after unprofitable ventures because they have irrational senses of gain and loss. They will sometimes invest more into a failing course of action in the pursuit of success than if they had taken an earlier loss and moved on to another venture. Pouring more money into promoting an unprofitable product line rather than dumping it, retaining unproductive employees instead of letting them go, repairing and maintaining defective equipment rather than scrapping it and buying new equipment, spending more time and effort developing strategies to make unproductive activities profitable rather than starting over with new options, and sinking additional money into over-budget building projects are all forms of escalation of commitment.

Decision makers need to look at what the option will yield in the future rather than looking at what has been invested in the action in the past. Sometimes the best course of action is to stop, turn, and head in a new direction. If organizational decision makers are so dedicated to success at any cost, they may find that success ultimately costs them everything.

3 Electronic Commerce

3.1 Websites

Imagine the amazement that people experienced when telephones first appeared in the late 1800s. Their invention and succeeding proliferation across the world fundamentally changed the way people communicate. Companies have used the telephone to enhance the ways they conduct business. They can communicate with customers, suppliers, and vendors from great distances in real time.

In the late 1900s, another communication revolution quickly swept the world. That "invention" was the Internet, and just as the telephone was embraced by business, so, too, has been the Internet. Companies use websites to introduce and promote themselves to the world, to present and sell inventory, and to communicate with customers, suppliers, and vendors. Visitors can access company websites from almost anywhere in the world at any time of the day or night.

The similarities between the telephone and the Internet do not stop with commonalities in how they are used to communicate with others. The Internet works much like the telephone system.

Parties wanting to communicate by telephone need access to telephones connected to the phone system. To connect to the system, people usually purchase telephones and sign up for phone service with a telecommunications company. Once telephone accounts are established, customers receive telephone numbers. Phone numbers are given out to others and placed in phone directories. Vanity telephone numbers use the letters on the telephone dial to make phone addresses more memorable. The digits in a telephone number direct the telecommunications equipment to locate and “ring” the appropriate phone on the network. Finally, communication occurs when the parties on the connected telephones exchange information with each other.

In Internet terms, parties wanting to communicate with one another need to be on the web (which is a network of computers). They establish Internet accounts with companies that specialize in connecting people to the web, providing computer space for websites, and reserving domain names. Domain names, or web addresses, are analogous to vanity telephone numbers and are used to identify a particular computer on the web. Domain names should be submitted to Internet search directories.

Rather than communicating directly with people, Internet surfers use browser software on their computers to view web files on computers elsewhere on the web—one computer requests access to particular files from a second computer, and the second computer replies. Companies can present text, video, audio, and interactive content to web visitors through their websites. Editing software programs can be used to design websites and content.

It is hard to imagine that there are many organizations today that don’t regularly use and depend on telephones to help conduct business. That once new and daunting technology has become commonplace. To operate without a telephone would put a company at a serious disadvantage to its competitors. The time might soon be approaching when lacking a web presence will be a disadvantage for businesses. If the rate of adoption of web technologies continues to advance as quickly as it has over the past decade, companies without those technologies might find themselves as disadvantaged as companies today without telephones.

3.2 Globalization 3.0

In his book, “The World is Flat,” Thomas Friedman describes three eras of global trade. The first stage occurred between the time of Columbus until around 1800—Friedman named that era Globalization 1.0. The moving force behind the trade was countries and governments. Global commerce and trade were conducted by and between countries.

Globalization 2.0, as described by Friedman, lasted from 1800 until 2000. The driving forces in this era of trade were multinational companies. Falling transportation costs, brought about by the steam engine and railroad, and later falling communication costs helped drive the expansion of companies and the distribution of their products into new and international markets.

Around the turn of this century, we entered a third era of global trade and commerce. In this new era, Globalization 3.0, the driving force is not countries or multinational organizations; it is individuals. Today's information and communication technology allows individuals to collaborate and engage in global commerce and trade as never before.

Amazon.com and eBay.com are two of the most popular retail destinations on the web. Both allow individuals and small businesses to sell products to the millions of web surfers who visit and shop their sites. Most small businesses have traditionally been limited to sales in their local markets. By offering their products for sale through the web, small businesses can reach and exchange goods and services with customers in distant markets—across the country or around the world.

I have sold books and college apparel to dozens of customers across the country through eBay and its affiliated companies. I have also bought hundreds of items through eBay and Amazon over the years, including: wooden racquetball racquets, college apparel, shoes, books, DVDs, CDs, electronics, sporting goods, appliance parts, toys, and children's clothing. Almost all of the eBay exchanges and many of the Amazon purchases were conducted with individuals and small-business owners. Very few of the transactions occurred with people located in Texas, where I live. Most occurred with buyers and sellers from across the United States.

One of my favorite purchases, and one that clearly demonstrates Friedman's Globalization 3.0, was my acquisition of a new nickel-plated, pocket trumpet. The instrument sounds like a full-size trumpet, but is much smaller. Through eBay, I bought the trumpet for $92.00 (including shipping and a money-order fee) from a seller in New Delhi, India. The trumpet was delivered to my house about three weeks after the transaction was completed. By linking up with a seller in India through eBay, I unknowingly engaged in a "Globalization 3.0" business transaction. By quickly setting up an eBay account and listing his products, the seller in India was able to offer his goods to millions of potential new customers in the United States.

The transactions just described did not occur as the result of trade agreements between countries or through the reach of large-scale multinational companies. Rather, they occurred between individuals and small businesses that found each other through worldwide e-commerce websites. Is your organization missing out on today's global market?

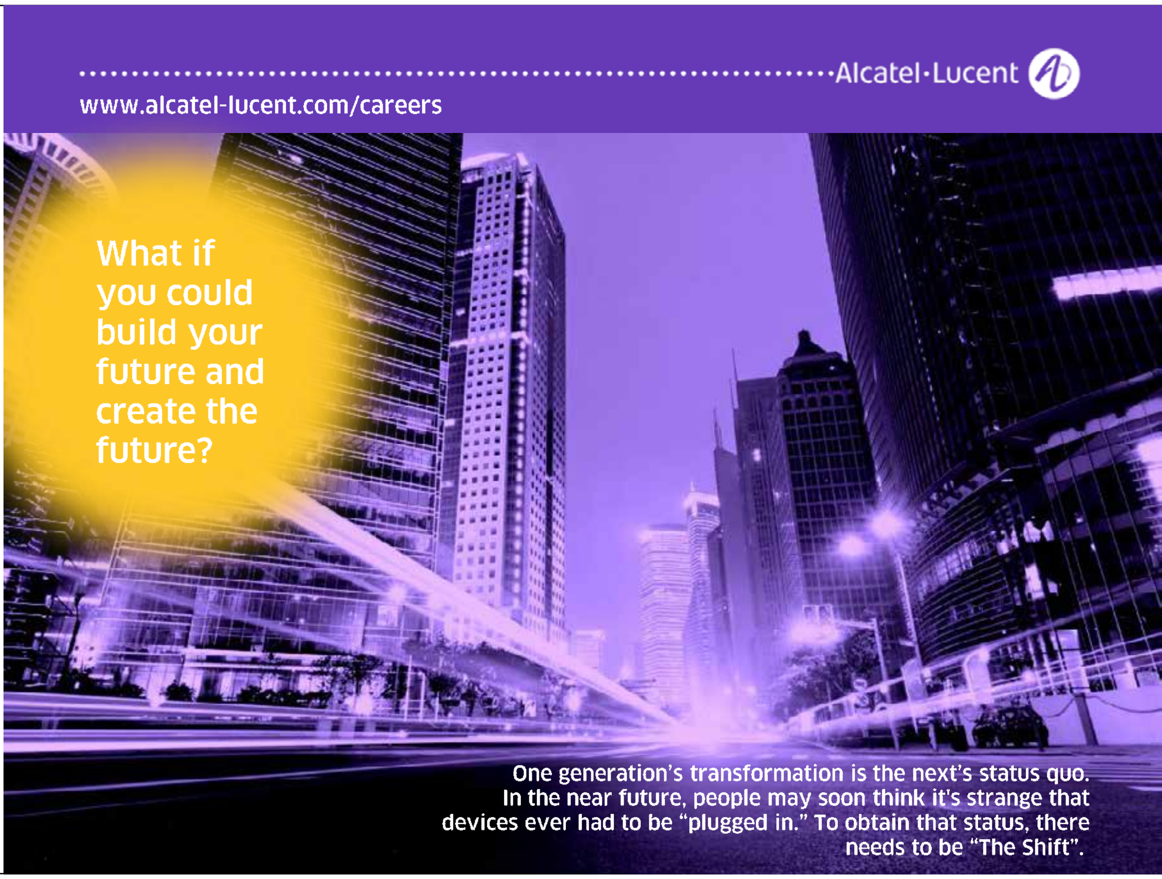
3.3 Location

Location, location, location. When choosing where to set up shop, this old adage still holds true. Because organizational survival depends on regular and profitable exchanges with consumers, it is critically important that they locate where their consumers are. Selecting a proper location, as it will be discussed here, is more complex than simply finding a storefront on a busy street.

It is critical that organizations offer their goods and services where consumers want and expect to find them. A manufacturing business can be located in a relatively remote area as long as its goods are offered in locations where its consumers shop. Things to consider when choosing a proper location for a manufacturing facility include access to raw materials and a skilled workforce and the ability to quickly and efficiently distribute completed goods to consumers.

Restaurants, retail stores, and other organizations that depend on drop-in customers need to locate in high-traffic areas, such as malls, which are also often some of the most expensive locations in which to operate a business. A benefit of a highly visible location is a reduced need to advertise the company's location to area consumers. Conversely, organizations that locate away from high-visibility areas need to spend more money on advertising to make consumers aware of their presence.

A company's facility requirements are as important as its geographic location. A specialty apparel shop requires different facilities than a factory, a tanning salon, or a veterinary office. An ideal geographic location might be undesirable if the proper facilities are not available. Building from scratch or remodeling existing structures might be needed to make a location ideal.



For companies that engage in e-commerce, location is also very important. Because much e-commerce involves customers ordering products and companies shipping products, ideal physical locations for e-commerce businesses are ones near shipping, delivery, and distribution centers. The challenge for e-commerce companies is to make consumers on the web aware of their websites and offerings. Potential customers do not regularly "drive by" and notice sites on the web as they do in a town with brick-and-mortar places of business. On the web, it is highly unlikely that a significant stream of interested customers would stumble into a stand-alone company's e-commerce website without significant effort given to marketing and advertising—as with brick-and-mortar companies that locate away from high-traffic areas.

The e-commerce equivalent of locating in a shopping mall is to locate on high-traffic websites. Amazon.com and Ebay are two of the most visited e-commerce sites on the web, and both offer businesses opportunities to establish merchant accounts and sell products to the website's shoppers. For that opportunity, merchants usually pay fees to establish and maintain their "shops" within the websites and fees on each item sold. In many cases, the fees paid by companies to establish and maintain e-commerce merchant accounts through high-traffic websites are more advantageous than incurring the costs of establishing and promoting stand-alone e-commerce websites.

Just as the old adage states, proper location is critically important for success of businesses—both traditional and e-commerce.

3.4 Catalogs

When Sears, Roebuck, & Company began using its catalog to sell products in the late 1800s, a new way of doing business sprang to life. Selling products through catalogs to customers spread around the country allows companies freedom from some limitations of traditional business.

The traditional way of selling products requires businesses to have physical stores that customers would visit and from which they would carry away their purchases. Stores had to be located near their customers. For customers, the only products available for purchase were those offered in nearby stores. Market reach and product selection were limited when sales and exchanges required direct interaction between stores and customers.

The developments in transportation that arose from the industrial revolution and the succeeding ability to quickly distribute mail and parcels to people across the country allowed businesses to greatly expand their potential markets and gave customers access to products that were not locally available. To become a catalog business, companies had to design and print their catalogs and distribute them to people, usually through the mail. They then had to ship products to customers.

The Internet revolution of the late 1900s enhanced the ability of companies to do business with customers in distant locations. Unlike printed catalogs, web-based catalogs can present real-time prices and product offerings and they require no additional costs from companies for more people to view them (the costs for 100 and 100,000 customers to view a web-based catalog and shop through a website are essentially identical). In addition, e-commerce eliminates the printing and postage expenses of catalog production and distribution, and the time spent waiting for order payments to be received and accepted has become negligible. Web technologies also allow businesses to sell products 24 hours a day and accept on-line payments without additional sales staff.

E-commerce sites can be designed and managed internally or contracted out to companies that specialize in designing and maintaining business websites. Such solutions can produce websites that are capable of on-line payments, inventory management, and integrated customer service.

For those who might want to gradually move onto the web or do so with a minimal investment, there are a variety of third-party companies that offer e-commerce packages for reasonable fees. Some e-commerce packages require little more than entering product descriptions, pictures, and prices into templates (e.g., Yahoo! Merchant Solutions) while others require a company to have an existing website (e.g., Paypal Merchant Tools).

As discovered more than a century ago, offering products to customers beyond the local market creates new sales and growth opportunities. Web technologies have made it even easier and cost effective for businesses to sell products to customers outside local markets. As more people use the Internet, companies should explore ways to offer their products to the world through the web.

4 Marketing

4.1 Marketing Mix

You have just come up with *THE* perfect business idea—a product or service that you think countless people will want and demand. It is time to get a business banking account and lease a building, right? Not yet.

Businesses exist to conduct exchanges with others. Individuals and organizations outside of the firm exchange their resources for the products and/or services of the business. Without those exchanges, businesses will be unable to cover costs and meet expenses and will eventually go out of business.

The product or service that a firm offers is critically important in creating exchanges, but equally important are the prices that the firm charges, the ways that consumers are made aware of and encouraged to trade with the firm, and where and how to get the product or service to the consumer. In marketing, those ideas are known as the marketing mix—product, price, promotion, and place.

A good product or service satisfies needs or wants. Necessity goods and services meet basic human needs (food, clothing, shelter, medical services, etc.). Luxury goods and services go beyond basic needs. An expensive dinner at a fine restaurant satisfies basic hunger needs, but might also satisfy self-esteem and ego needs. Because there is usually a premium paid for luxuries, their demand is usually affected by price changes more than the demand for necessities is affected.

There is no magic formula used to determine prices. Lower prices create more demand than higher prices, but the profits gained from each sale are also lower. A higher price might bring in greater profit on items sold, but fewer consumers will be willing and/or able to pay higher prices. The trick is to find a price that is low enough to generate demand, but high enough to cover costs and provide enough profit to make the venture worthwhile.

If no one knows that your firm exists or what you offer, you may as well not exist. Advertising and promotional activities are needed to create exchanges with consumers. It is important that consumers recognize your firm as the place to fill needs and wants. Incentives and promotions should be used to introduce, remind, encourage, and compel consumers to trade with your firm.

Exchanges with consumers need to occur in places and at times that are convenient for them. Care should be taken when choosing locations for sales, service, and supply outlets and setting times of operation. Visibility, convenience of location, and proximity to target markets should all be considered when choosing a location. For firms that distribute their offerings across a wide geographical area, locations with access to proper distribution systems should be selected.

To succeed in your venture you must offer a desirable product or service, make consumers aware of your offerings, supply consumers at the times and places they require, and charge prices that are deemed attractive, yet profitable. So before running out a setting up a business, spend the time and resources needed to thoroughly evaluate all aspects of the marketing mix.

4.2 Consumers

"A rose by any other name would smell as sweet." This line from *Romeo and Juliet* by William Shakespeare tells that the flower and its essence are the same, no matter what the flower is called. "Rose" is simply a name attached to that particular flower. In other cultures and languages, the same flower might be designated by another word, but the flower is still the same.

While certainly not as poetic, a statement similar to Shakespeare's could be said about those whom organizations serve. "A consumer by any other name is critical to an organization's success." Organizations exist to provide goods and/or services to others outside of the organization. Firms must exchange their offerings for the resources of external others so that their costs of operation are covered. Organizations require consumers to consume their offerings—if not, they will go out of business.

Consumers are entities from outside the organization who exchange their resources for the offerings of the organization. Customers, clients, members, patients, and students are all different terms used to describe people who consume the offerings of their respective organizations. Organizations depend on consumers to give them purpose and life.

The term "customer" usually refers to consumers who engage in exchanges with organizations for things. Customer exchanges are quick, and choices are made from a fairly standardized inventory of offerings. Firms with "clients" typically provide a certain specialty service and/or product which they customize to fit the specific needs and interests of the consumer. Clubs and volunteer organizations have "members" who provide the resources needed to cover costs and survive. Physicians, hospitals, and health-care organizations provide services to "patients." Without patients, those types of organizations would cease to exist. To fulfill their missions, schools, colleges, and universities need students. Without the resources brought into the organization by students, learning institutions would close down or become irrelevant.

Because all types of organizations require exchanges with external others, all types of organizations must exert attention and effort to attracting and retaining consumers. Some consumers actively seek out organizations that can fulfill their needs. Patients, for example, might eagerly seek out medical services; clients might desperately seek out firms that can meet their needs; and students might independently seek out enrollment at a particular school. In other circumstances, organizations might have to persuade customers to come and exchange with them for goods and services. In almost every case, consumers have choices as to where to trade and do business. Churches, universities, non-profit agencies, hospitals, and other "non-business" organizations likewise need to attract the attention and resources of potential members, students, volunteers, and patients to survive.

The concepts of marketing strategy apply to all types of organizations. Firms that do not offer goods and/or services demanded by consumers in places required by consumers and at prices deemed attractive to consumers will have a hard time surviving over the long run. Promotional activities must also inform consumers (no matter what you call them) of the firm's offerings and encourage them to trade with the organization.

4.3 Integrated Marketing Communication

At one time or another, everyone has probably had to scrounge through his or her refrigerator and pantry for food. When food at home is scarce, meals usually end up being a disjointed assortment of random foods. Frozen waffles, soup, cereal, apples, and macaroni and cheese might be combined to make a meal. What makes such meals strange is not the individual components; rather, it is their combination. The combination of foods comes from the items that are available when needed and not as the result of conscious and purposeful planning.

A well-balanced and nutritious meal is one that includes items from a variety of food groups. Meats, grains, dairy, fruits, and vegetables should all be represented in a healthy meal. The servings of foods from the different groups should be properly proportioned so that one category does not dominate or overwhelm the diet. Likewise, the amounts of food served to people should be appropriate to their sizes, appetites, diets, and ages. A small child requires and should receive less food than an adult.

Supplying the body with healthy food requires effort, planning, and discipline. Healthy eating is an on-going process rather than a one-time activity. As we age, the types of foods that the body requires changes. The foods that were required when we were young are not necessarily the best foods for us when we get old. People must know their bodies and continuously work to ensure that they are supplying themselves with the best food possible.

The concepts of preparing and consuming healthy meals are very similar to developing and executing well-balanced marketing plans for organizations. Marketing involves the business functions related to creating profitable exchanges with others. Developing products and services, setting prices, determining distribution channels and outlets, and promoting and selling the offerings to customers are the heart of marketing. Healthy firms devote considerable time and energy into ensuring that all of their marketing efforts are active, balanced, and contribute to the success of the firm.

When many people think about marketing, they primarily think of the promotion and personal selling aspects of marketing. Letting potential customers know that your company exists and telling them what you have to offer (and at what prices and locations) is important to creating profitable exchanges with others. Promotional and sales efforts include such things as print and broadcast media, personal selling and network marketing, advertising and publicity, and web and interactive media. A balance of those marketing elements is also needed to build a healthy marketing campaign.

Coordinating and executing planned marketing efforts across an entire firm is known as Integrated Marketing Communication (IMC). Like a well-balanced meal, the IMC elements need to be combined to maximize effectiveness. Relying on only one element might not be the healthiest alternative for a firm. The resources invested in various marketing elements should be made in relation to the age, size, and goals of the firm. The IMC process must be planned and it should be evaluated and adjusted continually.

4.4 Global Markets

"Ich bin ein Ogre" were the first words that the plastic Shrek toy said after being opened from my son's McDonald's Happy Meal at a restaurant in Vienna, Austria. What was funny about that experience is that we had an identical toy back home in Abilene that said, "I am an Ogre."

Shrek was not the only familiar animated character that we found to be multi-lingual. "Bob the Builder," as it turns out, is "Bob der Baumeister" in Germany, "Bob de Bouwer" in the Netherlands, "Bob le Bricoleur" in France, "Bob y sus Amigos" in Spain, and "Bob Aggiustatutto" in Italy.

We also encountered "Dora the Explorer" speaking German while teaching viewers how to speak English. At home Dora speaks English and teaches viewers to speak Spanish. Even Homer Simpson and the characters of Springfield were fully conversant in German.

Our favorite cartoon in Vienna was "SpongeBob Schwammkopf"—which translates into English as "SpongeBob Spongehead." Personally, I think "Squarepants" is a much more interesting and appealing name, but it would definitely lose some of its charm in translation—"SpongeBob Quadratische Hosen."

From an entertainment standpoint, it was fun to watch familiar television shows spoken in a different language. The shows were also interesting to watch from a marketing and economics perspective. The cartoons that we watched had to be produced. Stories were developed, and scripts written. Storyboards and artwork were created to properly convey the ideas and concepts of the stories. Animators brought the stories to life through many frames of artwork that tied together to make the cartoon characters move. Actors gave their voices to the characters to finish giving them life. The combination of those efforts produced the completed cartoons.

The companies that create such shows invest heavily in the writing and production of the animated shows. Producing a show in a different language does not drastically affect other production costs—it requires translation of the script and finding different actors to read and record the voices. By translating scripts, logos, and theme-song lyrics into different languages, the companies that produce those shows add millions of viewers to their audiences. Loyal fans of those shows are then very likely to buy toys, apparel, shoes, sleeping bags, notebooks, party supplies, backpacks, and other assorted merchandise featuring the show's characters. The relatively easy and inexpensive act of translating a show into different languages can expand market size and dramatically increase revenues for the production company.

Businesses of all types should strive to increase the size of their potential markets and customer bases. Without ongoing profitable exchanges with those outside the firm, companies will eventually go out of business. Adapting products and services to the needs of local markets or modifying them to appeal to potential customers in new markets are ways to increase market size, sales, and revenues. That might be accomplished by advertising and promoting products and services in different languages or moving into other countries and foreign markets.

4.5 Social Identity Theory

For diehard members of The Gator Nation (that is, the friends and followers of the University of Florida's athletic teams), April 4, 2006 was a tremendous day. It was the day *after* the University of Florida men's basketball team became the 2006 NCAA National Champions. Around the world, Gator fans received notes and messages of congratulations for their team's victory. Some Gator fans posted signs and banners announcing the victory in their office windows for people passing by to see (I was one).

With college athletics, there are typically ties between the fans and the teams that extend beyond just winning and losing. Many people root for the teams of the schools that they attended. Professional sports teams are different—they are businesses that depend on fans for revenue. Professional leagues and teams generate tremendous amounts of money from ticket and merchandise sales, licensing fees, and advertising. Diehard fans can experience emotional, psychological, and physiological reactions when watching the games of their favorite teams. Fans experience those reactions knowing that the players are being paid (in some cases, millions of dollars a year) to play for entertainment. In spite of that knowledge, fans experience many of the same feelings of victory and loss as the players who actually compete in the game.

Social Identity Theory gives some explanation for “fan” involvement. When others know that you claim an association with a group, the group’s successes and failures reflect upon you in the eyes and minds of those who know you. Individuals are able to share in the success of the groups they identify with even when they contribute nothing to performance. The Gator fans who watched the national championship game on television, for example, had zero influence on the team’s performance. When sports teams lose, fans might also perceive themselves as losers in the eyes and minds of those who know of their allegiances. Such processes can have positive and negative influences on an individual’s self-esteem.

Marketers use concepts similar to social identity theory to create demand and sales for their products. One way they do so is to the pay sports heroes to endorse and promote brands and products. Using a product that a celebrity is believed to use allows consumers to psychologically share in the fame and success of the endorser. When ordinary players put on the same brands of clothes that sports heroes wear, some of the fame, celebrity, and success of the heroes seemingly rubs off on the ordinary players. Marketers use those phenomena to sell such things as clothing, shoes, deodorant, drinks, underwear, cameras, and automobiles. When celebrities and heroes do unfavorable things or stop winning at their games, companies often drop them and look for new stars to endorse and help sell future products.

We are all known to those with whom we interact as a composite of individual and group identities. As members of business and work organizations, we should be aware of the ways that social identity theory might be used to help our organizations create favorable images with consumers. As consumers, we should be aware of the ways that businesses and organizations try to use social identity theory to solicit our business. And finally, Go Gators!

4.6 Observation Research

It seems like the major television networks broadcast an abundance of crime shows during primetime viewing hours. Many of today's crime dramas portray high-tech investigation techniques and the use of ultra-modern crime labs. Despite the portrayal of many high-tech investigative procedures, it is still common to see suspects being interrogated by detectives in questioning rooms behind one-way mirrors with lawyers and police officers looking on. Stakeouts and undercover stings are also common scenes in those shows. When called into action, plain-clothes undercover officers are often shown suddenly emerging from the background—often wearing disguises that make them appear as ordinary people and passers-by.

As portrayed on many crime shows, the one-way mirror in the interrogation room allows officers to observe the non-verbal communication, behavior, and reactions of suspects during questioning without being seen by the suspects. Likewise, undercover officers disguise themselves to blend into their backgrounds and appear as uninvolved bystanders until they are called into action. Cover is "blown" only when the situation dictates such actions. Once an officer's true identity is revealed, the behavior of the suspects and those under investigation often changes—the presence of a police officer changes the ways that criminals behave.

Observation is also a common customer and market research technique. It can be employed in formal research settings with the use of one-way mirrors and in normal organizational settings using undercover researchers. Observational research techniques allow investigators to collect information about attitudes and behaviors that may be difficult or impossible to collect using surveys and other quantitative research techniques. In some instances, the information gathered from observational research is used to develop models that can later be studied using more sophisticated quantitative methods.

One-way mirrors might be used by market-research firms to observe children playing with toys, members of focus groups discussing the merits of a certain concept or product, or participants engaging in simulations and activities. Undercover-observation research can be used to analyze the behaviors of real customers and employees in real situations. Undercover observers can track customer traffic flow through a store, analyze the things that catch shoppers' attention, and study consumers' shopping habits in great detail. Mystery shoppers and undercover observers can also analyze the behaviors and effectiveness of store employees.

Observation techniques can allow researchers to collect information from consumers with minimal disturbance of their normal behavior. Such techniques require methods of data collection and analysis that are different than other research techniques. Researchers must use their senses to capture the whole observation experience and then translate those experiences into words. They must see beyond the ordinary and capture details in their observations that are often overlooked in everyday life. After condensing and consolidating the records of raw observation data, researchers look for patterns, commonalities, and themes in the data and then draw conclusions. As with other forms of research involving human participants, great care should be taken to ensure ethical treatment of the subjects and to guarantee that they do not suffer undo harm, distress or breaches of privacy.

5 Organization Theory

5.1 Purpose and Mission

An interesting thing about organizations is their ability to outlive the people who give them life. They are not limited to the life-death cycle that is characteristic of all living organisms. The Christian Church, for example, is nearly 2,000 years old and still going strong. It is much older than the pastors, missionaries, or church members that have given it life over the past two millennia.

Long-lived organizations have the ability to continuously attract and maintain relationships with members, supporters, and customers. As time passes and former associates fall away, new supporters must be brought into organizations for them to remain intact. The mission, goals, ideals, and offerings of an organization must be transmitted to its future generations of organizational members and those who interact with the organization—supporters and customers.

At the core of all organizations is a dependence on exchange with parties outside the organization. Without regular exchanges of organizational goods and services for external money and other capital, organizations will eventually go out of business. When organizational offerings are no longer needed or wanted by those outside the firm, organizational survival will be in jeopardy. Long firm life requires the effective assessment and alignment of market wants and needs with organizational offerings—which is a process of continuous and constant change and adaptation. Healthy organizations are those that constantly engage in exploration, discovery, reflection, learning, forecasting, and repositioning.

The same processes at work on organizations that want to remain relevant and viable in the marketplace also apply to the people who give life to organizations. As organizations respond to new demands in the marketplace, they need workers who can help them meet those demands. Dramatic changes in technology, communication, information management, and transportation systems have caused businesses to change in many dramatic ways as well. Organizations need workers who possess the skills and competencies needed to lead, develop, and grow organizations in frenetic and rapidly changing environments. Workers must find ways to keep themselves valuable and able to contribute to organizational success by continually assessing and aligning their abilities and contributions with the needs of their organizations. They must constantly engage in exploration, discovery, reflection, learning, forecasting, and repositioning with respect to their career opportunities, skills, competencies, and abilities—otherwise they might find themselves "out of business."

Organizations must remain relevant and offer something of demand in the marketplace to stay in business. Likewise, people need to be and remain relevant in the marketplace. They must enter the workforce with valuable skills and abilities and they must be encouraged and supported by their organizations to gain additional training, education, and experience. Organizations are people—the interests and abilities of the two are inseparable. Being relevant in the marketplace is necessary for organizations and workers. Healthy, vibrant, and relevant organizations are made up of healthy, vibrant, and relevant individuals—they both must constantly seek ways to grow, learn, and position themselves for long-term success.

5.2 Workers and Owners

Take a trip to the Abilene, Texas, zoo and you will see two pairs of Africa's most famous predators living side by side—separated by concrete and steel, of course. The lions and hyenas of Africa are competitors for territory and food in the wild. Because of that, they are also mortal enemies. They have a learned hatred and fear of each other.

Karl Marx, in his writings on class struggle, observed that a similar struggle for resources also exists in capitalistic societies between business owners and workers. The battle between owners and workers is over which group is entitled to the surplus revenue of their firms. Surplus revenue is the money that is brought in by the firm over and above costs—in others words, profit.

Owners maintain that they are entitled to profits because they incur the risks of creating and operating the companies and that the profits are their due rewards. Workers, as owners traditionally see them, are necessary parts of the production process and as such, receive their compensation in the form of wages, salaries, and benefits. Workers, on the other hand, believe that they should receive the profits because it is their talents, skills, and abilities that make the company possible. Without workers and their contributions to the production process, there would be no output and ultimately, no companies.

As argued by Marx, the only way to end this struggle is to take away the private ownership of capital and establish a system where communal ownership allows profits to be distributed and shared by those in community. The rise and fall of the Soviet Union in the last century demonstrates that the notions of communism have severe failings and that it is not the best solution to ending the struggle between owners and workers.

Instead of taking away business ownership from individuals and making everyone workers, as communism suggests, some companies enact strategies that do the opposite. Through stock ownership and options programs, some companies offer employees ownership in their ventures as rewards for their contributions. In essence, this model makes workers into owners. It aligns the interests of the workers and the owners in the pursuit of a common goal—to increase rather than to divide profits.

Howard Schultz of Starbucks Coffee attributes much of the success of his company to the involvement, commitment, and contributions of Starbucks' people. A strategic business decision in the early 1990s allowed full- and part-time workers to participate in the company's stock-options program. By turning their workers into owners, Starbucks created a workforce of people who possess high levels of pride and dedication to their jobs and organization. The benefits of that philosophy have been tremendous for Starbucks.

It is doubtful that Karl Marx ever conceived of a situation where workers and owners worked together for their mutual best interests. It was self-interest that helped tear apart communism in the Soviet Union, and it was "enlightened" self-interest that built Starbucks into the successful company that it is today.

5.3 Bureaucracy

A road trip through a big city undergoing highway construction is a cause of frustration and stress for many people. Big cities are dependent upon their highway systems to move people in cars quickly and efficiently through the town and into surrounding areas. When roads are under construction, the normally smooth flow of traffic gets congested, backed up, and delayed. Many times, hurried drivers will try to find shortcuts around the points of congestion. Some will exit the highways before reaching the construction zones and thereby overburden streets that were not designed to handle heavy traffic. In such cases, the normal flows of traffic on the smaller streets also become severely disrupted.

It is also common to see impatient drivers avoid merging into crowded lanes in order to progress as far as possible in less-congested closing lanes. Often the worst traffic congestion occurs in the area right before a lane closes, when all drivers are forced to merge into a single lane. Once the merge is complete, traffic usually moves along at a steady, but slower than normal, rate of speed. One would think that if everyone merged when they first saw a "merge ahead" sign, that traffic could continue without stopping; drivers who feel that they are exceptions to the rule and merge at the last possible moment seem to create the traffic jams.

Max Weber described an organizational phenomenon similar to the highway construction example. Weber wrote in the heyday of the large, industrial organization. The thinking that dominated organizational theory of that time centered on efficiency and rationality—it was a time when organizations were viewed as machines. As machines, large organizations had the ability to perform repetitive processes in quick and efficient ways. Those ways were accomplished by analyzing tasks, establishing responsibilities, defining jobs, and creating workflows that quickly moved work through organizations. To accomplish work in the quickest and most efficient way, all work should be organized and performed in the same, invariable way. Exceptions to the specified work processes create jams in the system and slow down the productive capabilities of the organization. He called this principle of organization "bureaucracy."

Just as highway systems are designed to allow large numbers of vehicles to move quickly through a city, bureaucratic organizations are designed to process large amounts of work quickly and efficiently. They work best when they are free of problems and when exceptions to rules do not arise. People who drive significantly faster or slower than the flow of traffic on highways create jams on roads. People and customers who require faster, slower, or special service from an organization likewise create blockages and stoppages in organizations. When individuals feel that they are special or exceptions to the rules of operation, they harm the ability of the bureaucratic organization to work efficiently.

The bureaucratic organization is extremely rational and demands attention to rules, impersonal interactions, standardization, and authority. Although "bureaucracy" has a negative connotation in our society, the bureaucracy model is still valid for structuring and processing work in large and complex organizations.

5.4 Maslow's Need Hierarchy

If you have ever been in the middle of a home-repair job and gotten stuck because you needed help holding something, measuring or eyeballing a position, or assistance locating, retrieving, or operating a specific tool, you can probably remember feeling frustrated about not having help and feeling perplexed about how to accomplish the task alone. Lacking tools, assistance, or the understanding required to accomplish a task seems to focus a person's thoughts and energies into overcoming the obstacles hindering task accomplishment. Once the needed help is received and the holdup is overcome, the issue that caused the obstacle no longer directs one's thinking and is quickly forgotten—the person's thoughts and behavior move on to the next task.

The processes operating on individuals in their personal tasks are also relevant to organizations. Organizations exist to complete work that is inefficient, prohibitive, or impossible for individuals to complete alone. Organizations require that individuals work together in pursuit of a common goal. Understanding organizations requires understanding people and how and why they work.

Motivation theory helps explain why people do the things they do. Motivation is that which provides arousal, direction, and persistence to behavior. "Needs" theorists argue that motivation comes from a desire to fulfill unmet needs. When something is needed, the something is required, but is not present or available. The absence of the thing that is required creates tension in people and drives their behavior to fulfill the need. Once a need is met, it no longer creates tension on individuals or motivates them to satisfy the need. Feelings of hunger or thirst, for example, will drive people to satisfy those needs by eating or drinking. Once the feelings of thirst and hunger disappear, they will no longer consume people's thoughts or direct their behaviors.

Abraham Maslow's theory that he calls the "hierarchy of needs" is well-known. Maslow described five needs that guide and direct human behavior and that operate in a hierarchical manner—that is, higher-level needs arise after lower-level needs are met. From lowest to highest, Maslow named those needs: physiological, safety, belonging, esteem, and self-actualization. As described by Maslow, those needs range from matters of basic survival and safety, to feelings of inclusion, love, status, and self-respect, then to heightened levels of awareness, growth, potential, and striving. Maslow suggests that high-order needs only become motivators after lower-level needs are satisfied.

For organizations that desire their workers to think big and pursue big things, Maslow's ideas suggest that organizations must first fulfill their workers' lower-level needs. Organizations can do so by providing sufficient pay to cover survival needs, safe working conditions, insurance and retirement benefits, opportunities to form meaningful relationships with others, status symbols, and environments that make workers feel good about themselves. Maslow's theory suggests that only after lower-level needs are satisfied can self-actualization needs operate on workers. To achieve that level of motivation, organizational leaders must create organizational systems that meet lower-level needs and that encourage needs for self-actualization.

5.5 Inertia

One of my favorite things about taking science classes was when the teacher conducted experiments during class. It was always fascinating to try to figure out the purpose of the equipment and a challenge to predict the outcome before the experiment was conducted. For one experiment, the teacher appeared in class with a four-foot length of rope and a bicycle wheel. The wheel had an unusually long, rubber-covered axle that extended about five inches on each side of the wheel.

For the experiment, the teacher held onto the two ends of the axle and spun the wheel on the floor and then held it up for the class to see. The wheel spun so fast that the spokes on the wheel were nearly invisible. While it was still spinning, the teacher rested one side of the axle on a table and quickly looped the rope under the axle on that side. He then lifted the still-spinning wheel by the rope and his other supporting hand. He quickly asked the class what would happen to the wheel if he removed his hand—allowing the wheel to be supported on only one side by the rope. In the minds of most, they probably pictured the unbalanced wheel falling to the floor and rolling across the room. When the teacher removed his hand, the wheel tilted slightly to the side where his hand had been and then found balance on the rope. The spinning wheel remained upright even though it was being supported on only one side of the axle.

The result of the experiment was explained using Newton's first law of motion; which states that, "An object at rest tends to stay at rest and an object in motion tends to stay in motion with the same speed and in the same direction unless acted upon by an unbalanced force." The spinning wheel remained moving in the same direction and resisted falling from the rope. The wheel's inertia kept it upright on the rope until friction slowed it down enough to become unbalanced and fall from the rope.

Metaphorically speaking, organizations also have inertia and are subject to the same laws of behavior as moving objects. The expressions, "Let's get the ball rolling," and, "Let's keep the ball rolling," refer to starting and sustaining collective work. Inertia within organizations comes from goals, organizational polices, roles, structure, processes, cycles of events, technology, and patterns of behavior. As learned from Newton's first law, inertia is usually harder to establish than to maintain and it shows us that effecting change in organizations can also be difficult.

Organizations are, by their nature, resistant to change and require "unbalancing" forces to steer them in new directions. Those forces might be crises or emergencies, actions of charismatic and visionary leaders, organizational cultures, or needs for new strategies and methods of competition. For managers and organizational leaders who believe that "the only thing constant is change," the concepts of organizational inertia should be something they understand and appreciate.

5.6 Management by Wandering Around

The popularity of Master of Business Administration programs indicates the value of MBA degrees for success in businesses and management. Tom Peters, in his book "In Search of Excellence," identified that MBWA can also have tremendous benefits for all types of organizations and managers. MBWA is not a type of advanced business degree. Rather, it is a management concept that stands for "Management By Wandering Around."

The idea behind the MBWA philosophy is quite simple. Effective managers know what is happening in their organizations and they are perceived by their people as being in touch with the workers and the workplace. Rather than isolating themselves from workers in offices separate from the workplace, MBWA managers purposefully and consciously make time to wander through their organizations to talk with others and to discover things that might help improve the organization's functioning. The benefits of such a philosophy are widespread.

As organizational decision makers, it is critical that managers understand the strengths and weaknesses of their companies and the opportunities and threats that exist in their business environments before making important decisions. It is also important to know the effects and repercussions of decisions on the firm. A solution that seems clear-cut on paper might have disastrous consequences in practice. Being familiar with the true workings of the firm and its people could help avoid costly mistakes.

Trust and communication are two of the biggest hurdles that many managers face when trying to establish positive relationships with their workers. MBWA helps resolve those issues by breaking down barriers between managers and workers. When managers are perceived as being truly interested in the needs, ideas, and input of the workers, rather than being perceived as spies and out to interfere with the work, trust and respect can emerge. Wanderings must be regular and perceived as genuine in order for their benefits to arise.

Another benefit of MBWA is that it allows workers to identify with managers and promotes attributions of leadership. When workers see that managers are genuinely concerned about their well-being and that they are respected and appreciated by management, they usually return those feelings to the managers. Teamwork, cooperation, open communication, trust, and mutual respect can all emerge from effective MBWA practices.

MBWA is not a philosophy for low- and mid-level managers only. In fact, it may be most important for top-level managers. In large organizations, top-level managers are frequently far removed from the actual day-to-day operations of their companies. It is critically important that they truly understand the needs and desires of their people and organizations. MWBA allows open and informal communication to occur between executives and workers and helps break down the crippling effects of organizational bureaucracy. Organizations that desire leaders—as opposed to mere executives—in their top organizational positions must encourage and engage in MBWA-like interactions between their top managers and workers.

Managers should consider MBWA the same as healthy exercise, making room for it in their work schedules and practicing it regularly. Only then will the benefits of MBWA arise.

5.7.1 Management Skills: Social

One of the best Christmas presents that I ever bought for my son was one that I happened to stumble upon several days after Christmas. He was intrigued with trains and had repeatedly hinted at his wish for a toy train set for Christmas. The train set that I found and had waiting for him on Christmas morning turned out to be too small and complicated for his five-year-old fingers to operate, and we ended up returning it to the store for a refund. We took the refunded money with us to the toy section of a department store where we found a section of deeply discounted post-Christmas toys. Among the leftovers was another train set. It was much bigger and easier for a young child to operate. The engine gave off smoke and had a light on the front, the train cars were easy to connect, and the pieces of track snapped together easily.

This train set works great on the hard and level floors in our house. Sometimes when the track is set up on a carpeted floor, however, the wheels of the running train will catch on a joint between the pieces of track, and one or more cars will derail. Derailments occur quickly, and many times without warning. They throw the train from its fast and steady course into a sudden and awkward collapse. After a derailment, the train is no longer able to continue its journey without the operator taking considerable time and effort to stop the engine, fix the track, reset the cars on the track, reconnect the cars to each other, and restart the engine. Derailments are very disruptive.

Researchers at the Center for Creative Leadership in Greensboro, North Carolina conducted a study that compared twenty-one derailed executives with twenty executives who successfully advanced to the tops of their organizations. The derailed executives were intelligent, hard-working, successful in the technical aspects of their jobs, and seemed poised for great things in their organizations. However, as opposed to the successful executives, the derailed executives reached plateaus in their careers, were fired, or were forced to retire early. Something serious happened to the derailed group to throw them off their tracks to success.

According to Professor Richard Daft, the derailed managers were "insensitive to others, abrasive, cold, arrogant, untrustworthy, overly ambitious and selfish, unable to delegate or build teams, and unable to acquire appropriate staff to work for them." The unsuccessful managers, despite their intelligence, hard work, and success in their technical fields, had their careers derailed by their lack of people skills. The inability to effectively work with and develop the trust and respect of coworkers is like a bump in a track joint and can throw managers off track in their careers.

The possession of good people skills is often taken for granted, but although they are extremely important for managerial success, people skills are not always standard equipment in managers. A failure to develop people skills can derail a career—and a career is much more difficult to put back on track than a toy train.

5.7.2 Management Skills: Communication

Organizational research has identified three important classes of management skills. Technical skills, or job-specific skills, are of great importance for the success of low-level managers who have to guide and direct first-line workers on task-related issues. Conceptual skills, or the ability to see a bigger picture of the organization and how it fits into and interacts with its environment, are important for high-level managers. Middle-level managers, who work with low- and high-level managers to solve problems, need an almost equal balance of technical skills and conceptual skills.

Communication and interpersonal skills are the third set of management skills identified by researchers. These skills are highly and equally important across all levels of management. They are important because collective work and organization require people to communicate and work with one another to perform and to define goals, plans, responsibilities, and methods of work.

The ability to clearly communicate ideas and concepts to others is the foundation of social groups and societies. The ways and messages that people communicate help define their cultures. Communication allows people to transfer information stored in their minds into the minds of others. That is done through spoken and written language and through non-verbal methods. Body language, gestures, and the inflection and tone of our voices further allow us to communicate with others.

From an interpersonal perspective, the communication process involves encoding, transmitting, and decoding messages. Encoding is the process of putting a message from our mind into a form that can be sent to another person. Transmission is the process of sending messages, and decoding is the process of interpreting messages. As you read and make sense of the words in this document, you are participating in the communication process. You are decoding a message that has been encoded into written form and transmitted through electronic text.

Organizational leaders and managers communicate with others in a variety of ways. Managers can send messages to individuals and groups through face-to-face interaction, group meetings, telephone, electronic formats, and letters and memos. Selecting an appropriate channel for transmission involves a variety of factors—including time, purpose, cost, and confidentiality. It also requires that both the sender and receiver use the same channel of transmission. Selecting an inappropriate channel can harm the effectiveness of the communication.

Communication effectiveness also depends on proper encoding and decoding. When a message is encoded in a way that it cannot be accurately decoded, message transfer will be corrupted. A message encoded in a certain language will not be properly decoded by a receiver who is unfamiliar with that language. Decoding errors occur when receivers incorrectly interpret transmitted messages. A message can only be properly communicated when the encoding, transmission, and decoding parts of the communication process are correctly performed.

Effective communication is a critical and complex process. It is required at all levels within organizations—where communication is often two-way and ongoing. Encoding, transmission, and decoding accuracy must be continually assessed to ensure effective communication.

5.8 Organizational Commitment

As social beings, humans form bonds and relationships with many types of people and for many different reasons. Some relationships are based on family bonds, some are based on love and emotions, and others are formed for mutual benefit and safety. Interpersonal relationships can be long-term or short-term and can be deep or superficial. At different times and stages in life, the strength, reasons behind, and nature of relationships between people can change. The choice of whether to remain in an interpersonal relationship is largely determined by the degree of commitment to the other person and to the relationship.

The Merriam-Webster online dictionary defines commitment as "the state or an instance of being obligated or emotionally impelled." By that definition, commitment is identified as a multi-dimensional concept. Being "obligated" and being "emotionally impelled" are two different reasons for remaining in an interpersonal relationship. However, most interpersonal relationships probably involve both of those dimensions.

Humans spend much of their lives working and living in groups. And as with interpersonal relationships, there are many different reasons why people join and remain in groups (family, love and emotions, mutual benefit and safety, etc.) and the relationships that members have with their groups can be long- or short-term, can be deep or superficial, and can change over time. The concepts of commitment to a group or organization are similar in many ways to commitment to an interpersonal relationship—including the multi-dimensional nature of the concept.

Researchers John Meyer and Natalie Allen defined organizational commitment as a psychological state characterizing an employee's relationship with the organization and affecting his or her decision to remain with the organization. They identified three types of organizational commitment: affective, continuance, and normative commitment.

Affective commitment is rooted in a member's emotional attachment to an organization. It forms because the individual identifies with the goals of the organization and willingly assists the organization in achieving those goals. Continuance commitment is based in the real and perceived costs and benefits of leaving or remaining with an organization. "I am getting paid too much to leave" and "Where else will I be able to have the benefits that I have with this company?" are statements that demonstrate continuance commitment. Lost friendships and social interaction are social costs of leaving an organization—and contribute to continuance commitment. Normative commitment refers to a perceived sense of obligation or loyalty. Feeling that you "owe" the company something in return for what it has done for you or sensing that you have moral obligation to remain with the organization characterize this form of commitment. Affective, continuance, and normative commitments refer to "want to," "have to," and "ought to" orientations toward organizational membership.

Meyer and Allen suggest that all three types of commitment operate on organizational members simultaneously. An employee can be committed to an organization in affective, continuance, and normative senses at the same time—and those levels can change over time. Understanding those concepts is key to developing deep, long-term, and positive relationships with employees.

5.9 Job Satisfaction

We like our house. It has a driveway that is big enough to ride bikes and play basketball on, a fenced backyard that helps contain our dogs, enough room inside for the family to spread out, and a location that is convenient to many of the places that we visit and shop at regularly. There are things about the house that we would like to have improved, such as closet space, another bedroom, and modern bathrooms, but overall, we are quite satisfied with where we live.

The idea of feeling overall satisfied but less than satisfied with some characteristics of the house is similar to feelings of satisfaction with jobs. It is possible to be satisfied with a job in a global sense and at the same time be dissatisfied with one or more particular components of the job. A person may perceive the actual work that he performs to be meaningful and enjoyable, but cares little for the people that he works with. Likewise, an employee might be very satisfied with the opportunities for promotion within her organization, but receives far less pay than she feels is appropriate for her job and abilities.

Job satisfaction is usually regarded as being related to absenteeism, turnover, and performance to some degree. The idea that overall job satisfaction can differ from satisfaction with particular dimensions, or facets, of a job is well understood among organizational researchers. The Job Descriptive Index (JDI) is a survey instrument that measures five facets of job satisfaction: pay, promotion, supervision, the work itself, and co-workers. Overall job satisfaction cannot be computed by simply totaling the scores of the facet dimensions because they are independent dimensions.

Satisfaction with pay includes attitudes and perceptions about the amount of pay received in relation to personal expectations and comparisons with others. Perceiving that opportunities exist for promotion and advancement within an organization leads to satisfaction with promotion opportunities. The relationships that workers have with supervisors and co-workers contribute to satisfaction on those two job facets. When the jobs performed by workers are perceived as meaningful and important, workers tend to experience higher levels of satisfaction on "the work itself" facet.

Studying job satisfaction with a focus on facets provides insight into the attitudes, needs, and motives of workers. Members of the clergy, teachers, and social workers most likely receive high levels of satisfaction in their jobs from the work itself. Other people might receive the greatest levels of satisfaction from their jobs from being around and interacting with coworkers and supervisors. High pay might keep some people in their jobs even when they regard their work as less meaningful and when they receive little satisfaction from other facets of their jobs.

Sometimes it is desirable to have employees provide overall evaluations of job satisfaction—whereby they account for all pertinent aspects of their jobs in one single response. At other times, managers might need to assess employee job satisfaction more specifically with an account of the different facets of job satisfaction.

5.10 Parkinson's Law

If you are familiar with the *Lord of the Rings* trilogy, you undoubtedly remember that the ring "wants to return to its master." That is the ring's nature and, in part, what it exists to do.

Organizations also have several "natures" that drive and influence their functioning. As identified by C. Northcote Parkinson, an English political analyst, "work expands so as to fill the time available for its completion." Parkinson observed that people and groups tend to complete their work just before deadlines. If a deadline for a task is set for two weeks in the future, the task will be completed in two weeks—even though it could be completed in less time.

Time wasted correcting and approving work, passing work to and waiting for responses from others, and wasted time that arises from interpersonal conflicts and disagreements lengthens the time required to complete tasks. Wasteful processes and procedures turn uncomplicated tasks into lengthy, drawn out, and inefficient ordeals. Tasks seem to seek out the most time available for their completion.

Parkinson also notes a nasty side effect that comes from the time-expansion principle. His research showed that as tasks last longer, they seek to include more people in their completion. The busy work that accompanies lengthened organizational tasks requires hiring additional workers. And to justify hiring additional workers, more busy work is created to fill the workers' time, which in turn lengthens the time to accomplish work, which then requires more workers. It is a vicious cycle.

The hope for organizational leaders and managers is that, unlike the ring from the *Lord of the Rings*, the unproductive natures of organizations can be controlled—but only if they are recognized and understood. To battle the forces of inefficiency, wasted time, and overstaffed organizations, managers should continually assess organizational work processes to identify and correct wasteful processes and activities. Those concepts are described in quality-control circles as *kaizen*—a Japanese production principle. The goal of *kaizen* is to produce lean, efficient, and healthy organizations.

Although originally observed in the British navy, Parkinson's Law, as it has become known, applies to all types of organizations, both for-profit and not-for-profit. The profit-seeking motive of businesses encourages them to operate efficiently (i.e., to maximize output and minimize input). Businesses that do not operate efficiently might lose out to competitors who do. It is in the best interest of for-profit firms to become and remain lean.

Some non-profit organizations are probably more susceptible to wasteful and inefficient processes because they lack competitive pressures to remain lean. Churches, governments, schools and universities, and other organizations that lack a profit motive should be as concerned about creating and maintaining healthy, lean, and productive processes as their for-profit counterparts. It is up to organizational leaders to recognize the inefficient nature of organizations and to continually work to keep them lean and productive.

5.11.1 Stress: Stressors

Have you ever felt stressed out? If so, the feeling probably happened amid tremendous uncertainty and involved something important. People can get stressed out while worrying about being late to appointments, changing jobs, moving to a new city, or experiencing other life-changing events. At its core, stress is a perceptual process that occurs as a reaction to uncertainty about important events. What is stressful to one person might not be stressful to another person—one who does not view the event/circumstances as uncertain or important.

Stress is associated with a wide variety of psychological and physiological reactions. Depression, anxiety, and feelings of helplessness and a lack of control can result from excessive stress. Chronic stress can also lead to coronary disease, high blood pressure, ulcers, and fatigue. Each year, stress-related illnesses cost businesses hundreds of millions of dollars in lost productivity. It is important that managers and organizational leaders understand the causes of stress so that they might help their workers manage stress and control harmful reactions to stress.

In addition to the stress that comes about from major life changes, organizational researchers have identified four types of stress producers, or stressors. They are: time stress, encounter stress, anticipatory stress and situational stress.

Time stress arises when people perceive that they have too much to do and too little time to do it. The uncertainty that comes with not knowing whether the task will be completed in the allocated time brings about stress. Encounter stress is an interpersonal stress and arises when individuals disagree with others on issues, expectations, or ways of doing things. Being in the presence of someone with whom you have had an important interpersonal conflict can bring about stressful reactions.

Anticipatory stress arises when something unpleasant or unnerving looms in the near future. The uncertainty of not knowing the outcome of the dreaded event creates stress for the person. Situational stress arises when characteristics of the situation and environment overwhelm a person. The old “Calgon, take me away!” commercial is an excellent example of situational stress. The woman in the commercial must simultaneously attend to a crying baby, a ringing telephone, a barking dog, someone at the door, and a boiling pot on the stove. Complexity, rapid change, and information overload contribute to situational stress.

Planning and preparation, time management, reassignment of work, and delegation can help alleviate many job-specific stressors. However, it is unrealistic to think that managers can eliminate all stress from the work lives of their workers. In fact, stress can be motivating to a certain extent. Anxiety about upcoming events can encourage workers to focus on and begin working toward a goal. After a certain limit, however, stress can become distracting and harmful to workers and their performance.

When it cannot be eliminated, it is important that people resiliently cope with stress. Staying healthy through exercise and proper diet, forming supportive mentor and social relationships, developing mental states where difficulties are viewed as challenges and small wins are noted, and maintaining a balanced lifestyle are all ways to help build physical, social, and psychological resiliency to stress and its effects.

5.11.2 Stress: Resiliency

One of the most stressful times of my life was suffering through my comprehensive exams and dissertation in graduate school. I had invested years of my life and passed up other productive opportunities to earn a graduate degree. The successful completion of graduate school required that I successfully complete the comprehensive exam and dissertation, two tasks that I found stressful because they involved uncertainty and importance.

Ongoing and long-term stress can be harmful to individuals. High blood pressure, cardio-vascular problems, fatigue, and compromised immune systems are some physical reactions to continued stress. Feelings of helplessness and being out of control, anxiety, depression, and worry are psychological reactions to stress. If not properly managed and controlled, stress can have detrimental effects on people.

To help cope with the stress that came from the final two obstacles of my formal higher education, I would play racquetball several times a week with a group of friends. I also regularly played in softball and basketball leagues with friends from church. When engaged in those activities, the nervousness and anxiety of graduate school disappeared—they were out of my mind. Participating in activities with groups of friends who were not consumed with the same types of worry and anxiety that I was experiencing helped keep things in perspective for me. My friends also provided me with encouragement and support through my trials.

Staying physically active, keeping my problems in perspective, and having a group of supportive friends helped me develop resiliency. Resiliency, as defined in the dictionary, refers to "the capability of a strained body to recover its size and shape after deformation caused especially by stress." Resilient people bend rather than break while under stress and recover once the stress is removed.

There are three types of resiliency—physical, psychological, and social. Physical resiliency comes from developing and maintaining a strong and healthy body. Eating well, engaging in regular and vigorous exercise, and getting plenty of rest are ways to enhance your body's ability to handle and bounce back from stress. Psychological resiliency comes from developing a hardy personality, accepting a love of challenge, recognizing small wins, and maintaining a balanced lifestyle—that is, allowing time for many types of activities and interests. Finding mentors, supportive friends, and others who have been through similar experiences helps develop social resiliency. A combination of all three types of resiliency should be nurtured and maintained.

The American Institute of Stress reports that the estimated cost of stress to U.S. industry—owing to accidents, absenteeism, employee turnover, diminished productivity, workers' compensation awards, tort and Federal Employers' Liability Act (FELA) judgments, and direct medical, legal, and insurance costs—is $300 billion annually. By developing programs to help workers build resiliency, businesses and organizations can save untold amounts of money on stress-related expenses and simultaneously develop healthier and more productive workforces. It may be costly to firms to create and maintain employee health and wellness programs, but not doing so could be even more costly.

5.12.1 Conflict: Person-based versus Problem-based

One of the things that make organizational study so interesting is the diversity of organizations. Missions, goals, strategies, sizes, and methods of operation are just a few of the dimensions on which organizations differ. Unfortunately, the diversity of organizations also sometimes makes their study frustrating and difficult. What can be shown true for one type of organization might be completely opposite from what works best in another.

Sometimes even the concepts that we study seem riddled with paradoxes. Conflict in organizations, for example, is one of those concepts. Conflict arises from differing viewpoints about expectations, beliefs, and processes. It tends to emerge when people work together setting goals, determining courses of action, or resolving problems.

The traditional view of conflict in organizations has been that conflict is dysfunctional and should be minimized or eliminated. Because conflict tends to distract the minds and energies of workers from the task at hand, it was thought to be something that organizations should avoid. However, research support for that viewpoint was mixed. In some cases heightened organizational conflict was associated with lower levels of organizational performance, but in other cases the opposite held true.

Upon further investigation, the apparent paradox was resolved when it was determined that there are two types of conflict—one associated with negative outcomes and the other with positive outcomes. Those two types were identified as person-based and problem-based conflict.

Person-based conflict is harmful, emotional, and has little or nothing to do with work or the task at hand. It manifests itself through conflicts with and personal attacks on others and results in restricted communication, hostility, fearfulness and distrust of others, and an unwillingness to work together cooperatively. An organization full of person-based conflict will find its people hesitant to offer new suggestions or ideas or to take initiative to make new and better things happen. Ultimately, communication, initiative, creativity, and teamwork can be squelched by rampant person-based conflict.

Problem-based conflict is directed at solving organizational problems. It involves examining problems from several and perhaps differing viewpoints and requires people to rationally analyze, critique, and weigh the merits of suggested alternatives. This type of conflict is focused on solving organizational problems without fear of personal attack. Workers also understand that critiques and rejection of their ideas are not personal rejections of them as people, but important steps in the creative, problem-solving process. To reap the benefits of problem-based conflict, organizations must build cultures that value trust, respect, risk-taking, diverse ideas, initiative, ownership, and teamwork.

The traditional view that all organizational conflict should be eliminated seems unrealistic and undesirable. Organizational conflict should be managed. Problem-based conflict should be encouraged and person-based conflict controlled as much as possible. Perhaps the greatest responsibility of organizational leaders is creating an atmosphere, or culture, that promotes positive conflict.

5.12.2 Conflict: Competition versus Collaboration

After 16 years of playing racquetball, I earned my instructor's certification in 1998. I taught physical education classes at my schools and offered clinics to people interested in learning how to play the game or improve their racquetball skills. Teaching beginners to play racquetball is a rewarding experience, but it is also frustrating. The nature of racquetball, like many other sports, demands that players compete directly against each other. At the end of each game, one player (or team of players) winds up winning and the other losing. High-level racquetball players almost always win against beginning and developing players. In fact, it takes many years of practice and experience to significantly improve one's abilities to compete at top levels of play. For those who have not developed those skills, repeatedly losing to a superior player can be frustrating and demoralizing.

In recent years I have also ventured back into the martial arts after a long break and earned an instructor's rank. A nice thing about teaching martial arts is that students can train, learn, and practice with others of superior skills without feeling a sense of defeat. Students develop their abilities at their own rates and without a need to compare their abilities against those of others (those who want to can compete in tournaments). After leaving class, all students can feel that they have excelled and improved without feeling defeated. The abilities, confidence, and performance of everyone in the class can rise without anyone feeling like a loser or sensing that they must outperform a classmate.

Racquetball and similar sports are win-lose activities. For one player or team to experience victory, another must experience defeat. Even when all competitors or teams are exceptionally talented, the zero-sum natures of most athletic competitions require all but the ultimate victor to lose. Martial arts practitioners can experience feelings of victory and accomplishment without making others feel like losers. By training and working together in a collaborative manner, they can all encourage each other to personal success and victory.

Managers and organizational leaders should be aware of how work is viewed and rewarded by their workers. When workers in an organization exhibit exceptional performance, creativity, effort, or initiative, it is important that other workers do not perceive a zero-sum competition for rewards and recognition. Racquetball players try to find and exploit the weaknesses of their opponents to gain victory over them. Likewise, threatened co-workers might feel obliged to "attack" high performers by inhibiting or setting up obstacles that keep them from performing at their maximum. Such behavior and attitudes are destructive to organizations. When co-workers are viewed as competitors rather than collaborators, teamwork, trust, respect, open communication, and overall organizational performance can suffer.

Creating cultures and work systems that encourage workers to collaborate and work together on organizational tasks in a "win-win" fashion is a healthier alternative for organizations. From a management standpoint, reward and evaluation systems need to exist that promote desirable behavior. From a leadership perspective, cultures and climates of trust, growth, mutual support, unity, and teamwork must be developed and maintained.

5.13 Global

In my graduate International Human Resource Management class at the International University in Vienna in a recent past summer, I had 15 students from 12 different countries. The students came from China, India, Spain, and several countries of the former Soviet Union. They sought out graduate business education at IU Vienna because of its American style of education and its international emphasis.

I taught from books that addressed the course topics from international perspectives. The readings sparked fascinating discussions among students about how the concepts applied to their particular countries and cultures. I also showed a collection of videos on the management philosophies of Frito-Lay, Starbucks, Southwest Airlines, and IDEO. All four videos provided clear examples of contemporary American management theory in action. The videos showed organizations that valued the input and participation of workers, emphasized employee empowerment and involvement, and encouraged workers to question current ways of doing things and to offer suggestions for ways to improve operations. The CEO of IDEO says that he intentionally hires people "who do not listen" to their bosses.

The management practices and philosophies portrayed in the instructional videos, as I discovered, were extremely foreign to most of the students in my class. Many students found it amazing that lower-level workers could offer input to their higher-level managers. To question higher-ranking workers or to be involved in the decisions of the firm was seemingly forbidden in the organizations with which they were familiar back home. In many of the students' national cultures, there was an emphasis on command, hierarchy, and authority.

Geert Hofstede, in his research on the influence of national culture on management theory and practice, gives an explanation for the reactions of the students in my class. Hofstede identified four dimensions on which national cultures differ. The first, individualism versus collectivism, refers to whether people prefer to act as individuals or as members of groups. The second, masculinity versus femininity, refers to whether assertiveness, performance, success, and competition are preferred over quality of life, warm personal relationships, service, care for the weak, and solidarity. Uncertainty avoidance is a dimension that refers to the degree to which people in a country prefer structured over unstructured situations. Power distance, the last dimension, is the one that explains the students' bewildered reactions to the management videos. Power distance refers to the degree of inequality that people in a culture regard as normal. It ranges from relatively equal to relatively unequal. American culture is on the "relatively equal" side of the continuum.

Many of the students in my summer class came from countries with national cultures high on power distance—that is, high inequality. In those cultures, managers and workers are not viewed as equals. It would be inappropriate for lower-level workers to question or offer recommendations to higher-level workers. In today's global economy, it is important to understand and appreciate differences in national cultures and their influences on organizational performance. Things commonplace and natural in one culture might be viewed as wrong in other cultures.

5.14 Business Start-Up Options

Most people seeking to buy a house probably look at a variety of houses before choosing one. With each house visited in the search process, potential buyers evaluate the condition of the house and assess how much work will be required to make it ready to live in. Some houses might require maintenance, redecorating, or remodeling while others might be ready to move into, requiring only minimal work for the buyer. The amount of work required to make a new house livable for the buyer depends on the needs, wants, and interests of the buyer and the characteristics of the house.

Similar conditions hold true for starting a business. Some businesses are neat, clean, and easy to start while others require considerable work and preparation to make them ready to function. Businesses exist to exchange goods and services for resources with those outside the organization. Anything that is wanted or needed by people in a society can be the source of a business venture. There are several options available to people wanting to start and operate their own business—each with different degrees of work required to get it up and running.

One option is to start your own business from scratch. The advantages of this method include being able to build and shape the venture from its inception with total freedom and control. But building from nothing is also the biggest challenge of this method. Without a stream of customers or proven method or model of success, entrepreneurs starting from scratch face tremendous uncertainty and risk. The amount of work required to build a business from scratch can be considerable.

Another option is to buy an existing business or buy into a business system. Purchasing an existing business could be an advantage because it might have a record of successful operation and a favorable reputation with customers, suppliers, and people in the community. It is also possible to inherit a poor business reputation from previous owners.

Franchising and business opportunities are two other methods of buying into proven business systems. Such businesses sometimes come with complete, turn-key conditions, and new owners of the business need to do little more than open their doors for business. Having proven sales and marketing systems and providing new business owners with all of the things needed to start and maintain the business make such an options very attractive to many people.

Before choosing to start a business, prospective entrepreneurs should thoroughly investigate their options and research the costs and investments associated with various alternatives. Many sources of information exist for people who need help assessing business ideas and opportunities. Aspiring entrepreneurs can find books, websites, and college courses dedicated to entrepreneurship and small business.

6 Personal Finance

6.1 Compound Interest

People interested in getting good deals on home and automobile loans may have missed the boat. Recent increases in interest rates have made it more expensive to borrow money. Higher interest rates, however, are not bad for everyone. For those wishing to save money, increases in interest rates are beneficial. This article is intended to be an introduction to savings and compound interest for those who might be unfamiliar with these concepts.

Financial consultants advise people to begin saving money for retirement as early as possible. Many consultants tell their clients that by regularly saving small amounts of money they will possess much larger sums many years down the road. The reason for the increase is known as compound interest. Stated simply, compound interest is interest that is earned on the amount of money saved, plus the money that is earned in future periods on the interest earned. For example, if one were to invest $1,000 at a 10 percent annual interest rate, the investment would grow to $1,100 ($1,000 of initial investment plus $100 in earned interest) at the end of the first year. At the end of the second year, the account will return another $100 (10 percent of the $1,000 initial investment) *plus* an additional $10 (10 percent of the $100 in interest earned in the first year) for a total savings-account value of $1,210. The more times this process can repeat itself, the better. The longer the investment has to build interest, the more it will be worth.

When a certificate of deposit (CD) or savings account is advertised as paying a 5 percent annual return, it will most likely yield the investor something more than a straight 5 percent return. The 5 percent interest rate is stated as an annual rate, but banks often pay interest to account holders more than once a year. If interest is paid to account holders once a month, rather than once a year, the principles of compounding interest come into play. Each month, the bank will pay one-twelfth of the annual interest rate in interest to the account holder on the investment PLUS on the earned interest from previous periods. This results in actually earning more than the stated annual interest rate over the year—the actual return is known as the annual percentage yield (APY) or effective annual return. For an annual interest rate of 5 percent, the APY, when interest is calculated monthly, is approximately 5.12 percent.

Understanding the principles of compound interest not only helps individuals understand how to accumulate wealth through savings and investment over time, but also sends warnings to consumers when borrowing money. Just as the amounts of money returned to savers is typically greater than the stated annual interest rates, so too are the amounts of interest paid back to lenders when borrowing money through loans and credit.

6.2 Debt Financing

Many shoppers use credit cards to pay for their purchases. There are several reasons why consumers use credit cards rather than cash, checks, or debit cards. Some use them for the convenience that comes from being able to make one payment to the credit card company rather than many individual payments to merchants. Others wish to take advantage of rebates and bonuses that they earn by using their credit cards. Some wish to defer the payments for the purchases until the credit card bill comes due, and others use their cards because they do not have cash on hand and feel that borrowing the money through their cards is their best option.

The ability to purchase on credit makes it easier for consumers to buy the goods and services they desire. The well-publicized downside to making purchases on credit cards is that credit cards build debt. Carrying too much debt prevents consumers from being able to save and invest money for use in the future or to take advantage of productive opportunities that come along.

In some cases, acquiring debt to fund purchases is a desirable thing to do. When buying a rental property, for example, it is often cost-prohibitive for buyers to fund the entire purchase with cash. Rather, buyers pay a small portion of the sales price in cash and borrow the remaining funds from a lender. The rent charged to tenants is intended to cover the costs of the loan payment plus other expenses.

When goods and services are bought with debt financing, different sets of concepts arise. Most things bought with credit cards do not provide a profitable payoff like a rental property. Consumers must understand when to carry debt and when to pay it off. Financial theory suggests that excess money should be used to fund the activities with the highest returns—or pay off debts with the largest costs.

If given a choice between an investment that returns 5 percent and one with equal risk that returns 15 percent, the alternative that returns 15 percent should be chosen. The same principle holds true when evaluating whether to use money for investing or paying off debt. Many credit card companies charge customers 18 percent (annually) or more on outstanding balances. Paying off a debt with 18 percent interest should be thought of as an investment that yields an 18 percent return with no risk. When excess cash can be invested to earn more than the rate paid on debt, the investment should be chosen over debt reduction. In reality, however, very few investments provide greater rates of return (with no risk) than credit card rates. Carrying a balance on a high-interest credit card makes little financial sense when the money to pay off the balance is sitting in low-return investment accounts.

It's a good idea to spend some time evaluating ways to make your money work best for you.

7 Quantitative Methods

7.1 Modeling

If you were to learn that one of your coworkers had begun "modeling" for your organization, you might be shocked. The fact is that organizations that support and practice modeling can operate more efficiently than those that do not and in the process, save precious organizational resources. The modeling described here is not the type that involves hairspray, nice clothes, and looking good in front of a camera. Rather, it is the type of modeling that management science practitioners use to solve complex organizational problems.

For example, suppose that your company produces three types of products. Each product yields different amounts of profit on each item sold. Additionally, each product incurs different production costs and requires different combinations of human and manufacturing inputs. Also, assume that there are different limits on the quantities of each of the three products that can be produced due to different budget, raw materials, labor, and/or production-capacity constraints. An important question ultimately arises: How many of each of the three types of products should the company produce to maximize profit?

Managers who regularly encounter the problem posed by that question have a set of tools and techniques at their disposal to solve it and similar problems. The field of management science is the area of business that works with and develops solutions to such problems. Also known as quantitative business analysis or decision systems, these tools and techniques can be used to solve a wide variety of complex organizational problems. The term "modeling" refers to developing accurate representations of organizational problems and decisions, using mathematical expressions and controls.

Variations of the linear programming method used to solve the "product blend" problem described above can also be used to assign workers (with different abilities, credentials, and costs) to work shifts with differing personnel and staffing requirements, or to minimize shipping costs for products transported from factories and warehouses to distribution outlets, or to determine the lowest-cost combinations of raw ingredients that meet minimum or maximum ingredient requirements. Other quantitative modeling techniques can be used to develop forecasting and "what if" scenarios for a variety of complex and important business decisions.

These tools are used when problems are complex, when solutions are not readily apparent, when there is sufficient time to create and run the models, and when the solutions can provide significant payoffs to organizations. The management science field is replete with examples of large-scale organizations saving millions of dollars in costs as a result of employing and implementing management science techniques and solutions.

Once for use only by people with advanced mathematical skills and those with access to supercomputers, many of these modeling techniques can now be run on personal computers using Microsoft Excel. Business owners and managers should investigate how these techniques could help make their operations more efficient and profitable. The benefits they might reap could far outweigh the costs of learning, mastering, and using these techniques.

7.2 Statistics

When some people think about statistics, they cringe. Reasons for such a reaction probably vary widely. Some people may have phobias that have followed them into their adult lives from their mathematics and quantitative courses in high school or college. Some may be intimidated by the complex sounding language of the field. Others may avoid ever approaching the topic because of a belief that the concepts are too difficult to learn, that conclusions can be manipulated to meet the will of the investigator, or that the techniques are not really useful. In the view of some, "statistic" and "sadistic" are words that can be used interchangeably.

In reality, none of those are valid reasons to avoid statistics. While statistics involve the use and manipulation of numbers, the emphasis for practitioners is not on mathematics, but on interpretation and analysis of validity. Computers can perform complex mathematical computations quickly and accurately. It is now most important for users of statistics to understand how to apply statistical tools and techniques and to interpret results. Mastering those concepts can help managers in their jobs.

Managers are problem solvers. When confronted with exceptions to established work processes, managers step in to resolve the exceptions with their organization's best interests in mind. If there were no organizational problems, the manager's job would be that of a machine operator. The manager would simply designate a level of performance, adjust the appropriate controls on the "machine," turn on the machine for a determined time, and then turn off the machine at the end of the day. Periodically the manager would have to perform maintenance or repair and occasionally upgrade the equipment with a better model. There are very few organizations that operate like machines. Most managers deal with work-process problems, individual problems, group problems, organizational problems, and problems that arise from sources outside the organization. A manager's job is complex—skills, competencies, and problem-solving tools are needed to be successful.

Statistics provide a decision-making tool. They provide a way to draw information from data—which is then used by managers and decision-makers to solve organizational problems. There are two basic types of statistics—descriptive and inferential. Descriptive statistics describe the data (the number of data points, the middle of the data range, the dispersion of numbers, etc.). Inferential statistics is more complex than descriptive statistics because it involves inferring measures drawn from a sample to a population. A host of errors and threats to validity can creep into inferential statistics. Conclusions are drawn using the notions of sampling theory and probability.

With a little time and effort, almost anyone can learn the fundamental tools and techniques of statistics. In many ways, learning statistics is like learning a language—a language that uses numbers, logic, and scientific analysis. The conclusions drawn from properly conducted statistical analyses provide sources of information for managers that cannot be gained solely from experience, intuition, or professional judgment.

7.3 Probability and Decision Making

People generally probably understand that if you flip a coin many times, you should see about the same number of heads as tails. The reason for that result has to do with odds and probability.

When flipping a coin, the only two outcomes are "heads" and "tails." The odds of getting a head on a particular toss are one out of two. Likewise, the odds of getting a tail on any particular toss are also one out of two. The expression "one out of two" means that the outcome of interest occurs once in two potential outcomes and each of the potential outcomes is equally likely to occur.

Statisticians use the notions of probability to help forecast and predict the likelihood of certain events occurring or not occurring. They also use those concepts to refute or not refute certain claims or statements. For example, if you believed that a certain coin was unbalanced, meaning that it yielded either more heads than tails or vice versa, you could run an experiment to test your hypothesis. You could toss the coin in a similar manner 1,000 times and record the numbers of heads and tails that you observed during the experiment. If you believed that the coin yielded more heads than tails, you would want to observe the number of heads that appeared during your experiment.

In 1,000 tosses of a balanced coin, you should expect to see 500 heads and 500 tails. What if, after tossing your coin 1,000 times, you observed 501 heads and 499 tails? You would probably not conclude that the coin is unbalanced. On the other hand, if you observed 999 heads and one tail you probably would conclude that the coin is unbalanced in favor of heads.

At what point do you move from concluding that the coin is not unbalanced to concluding that it is unbalanced? If 501 heads are not enough evidence to conclude that the coin is unbalanced, but 999 heads are, where is the point where the conclusion changes? Are 600 heads enough proof? 700 heads? 800 heads? 900 heads?

Before beginning the experiment, you must decide upon the number of heads that will be the dividing point between concluding that the coin is unbalanced and balanced. How is that point selected? The field of statistics gives us answers to that question.

Statisticians use the notions of probability, error, hypothesis testing, and sampling theory to help determine the points where conclusions switch from one alternative to another. Techniques that use those concepts can be of tremendous value to managers and organizational leaders.

Is there more demand for the new product than for the old one? Does one machine produce fewer defects than another? Do men and women receive equal compensation in this company? Does the new advertising campaign create more awareness among consumers?

With proper instruction, managers and decision makers can learn to apply statistical thinking and problem-solving techniques to a wide range of organizational issues.

7.4 Levels of Data

Since problem solving is one of the major elements of a manager's job, having access to timely and accurate business information is critically important. Information can come from formal and informal organizational communication and from sales, financial, economic, and industry data. Using surveys, managers might also find it beneficial to collect and analyze information about the attitudes of workers and consumers.

When properly constructed and analyzed, surveys can provide managers with valuable information. There is a science behind good survey construction. Error and threats to validity can creep into the survey process at many different points. Improperly worded or confusing questions, selection of a non-representative sample, data entry errors, and measurement errors can all affect the validity, or accuracy, of the survey results. One common problem encountered by novice survey writers is the over-use of questions using nominal-level data.

Nominal data, or named data, are numbers that represent different categories or groups of data. Gender, which is a commonly asked survey question, is an example of nominal-level data. The numbers entered into the data set for gender are simply codes for male and female. It is common to code variables, such as gender, using zeros and ones, or ones and twos. However, since the numbers are merely codes for the categories, any numbers could be used—such as 1,000 for males and 3.14 for females. Asking respondents to "check all that apply" and "identify your favorite choice" usually results in nominal data.

Nominal data can also be created from higher-level data by breaking a variable into groups. Annual income, for example, is frequently asked in pay ranges on surveys. It is also common to ask respondents to indicate the number of visits or number of purchases made over a specified amount of time using artificially developed groups. Less than five, five to ten, or more than ten are examples of ways to break numbers into groups. However, those same variables could also be divided in a multitude of other ways. Being nominal data, codes have to be assigned to the categories and entered into the data set.

Once coded and recorded in the data set, the options for describing and analyzing nominal data are fairly limited. For example, it does not make sense to calculate averages of the coded numbers for nominal data variables. Averages and other higher-level descriptive statistics only make sense for variables that are real numbers—such as the number of products sold, employee pay, amount of inventory, advertising expenditures, etc. The appropriate statistical analyses for nominal data are ones that count and report the numbers of observations in each group. Researchers can statistically analyze differences in the counts or proportions of observations in each group.

When combined with variables that are real numbers, nominal data can be used in more sophisticated statistical analyses—for example, is there a difference in sales made by male salespeople and sales made by female salespeople? Good and useful information comes from good surveys. Decision makers should invest time and attention learning proper survey construction techniques.

7.5 Regression Analysis

Imagine the advantages of being able to see into the future and accurately predict things that will happen. Students would be able to know exactly what to study and learn for assignments and exams, parents would know how to help their children avoid harmful situations, investors could pick rewarding opportunities and avoid costly ones, and emergency workers could head off hazardous and harmful situations before they arise. The ability to accurately see the future could help people make decisions in the present that lead to things they want in the future.

Organizations and businesses of all types could also benefit from knowledge of the future. The ability to forecast demand and supply, prices and profit margins, raw material and operational costs, customer flow and employee staffing needs could all help organizational decision makers choose the courses of action needed to best benefit their organizations. Unfortunately, the ability to know the future is not something that human beings possess.

The management science field has tools and techniques that can be used to solve many types of management and organizational problems—such as inventory management, production and process control, product mixing and blending, transportation assignment and scheduling, maximization and minimization, and employee scheduling. There are also forecasting techniques that decision makers can use to make educated guesses about their future. Linear regression is one of the most popular and well known of those techniques.

Regression analysis is grounded in the concepts of correlation. Correlation is a measure of relationship between variables. Variables can be positively or negatively related or not related. A positive relationship means that as one variable increases in value, its associated value does as well. For example, a higher number of sales calls placed should result in a higher number of sales made. A negative relationship means that as one variable increases, the other variable decreases. As the number of days missed from work increases for a worker, the performance for that person should decrease. A zero correlation, or no correlation, indicates that two variables are not related—such as the number of soft drinks consumed at work and the number of maintenance calls made for copy machine repairs.

When a relationship exists between two variables, it is possible to predict one with the other. The stronger the relationship between the variables, the better the predictive power. For example, when fuel efficiency of a vehicle is known, it is easy to forecast fuel consumption when distance is known. When a known relationship is not as strong, such as the effects of an advertising campaign on the sales of an item, the ability to predict the outcome is not as certain. Regression analysis measures the relationships between variables and builds a mathematical model to describe those relationships—which can be used to predict an outcome variable with one or more predictor variables. With education and training in regression techniques, which can be run in Microsoft Excel, managers can forecast the future for their organizations.

7.6 Spreadsheets

The 2004 film *Napoleon Dynamite* swept the country and created a cult-like following. The movie's main character, Napoleon Dynamite, is a high-school super-nerd who, in one scene, becomes distraught when he learns that his friend Pedro has a date for the high-school dance and he does not. In despair, Napoleon tells Pedro that he has little hope of finding a girl because he does not "have any good skills." When Pedro asks him what he means by that, he replies: "You know, like nunchuku skills, bow hunting skills, computer hacking skills. Girls only want boyfriends who have great skills." Possessing great skills, in Napoleon's mind, would make him attractive to others.

Skills are also important for prospective and current employees to possess. Communication, problem-solving, leadership, and teamwork skills can help make employees attractive to organizations. Technology and computer skills are becoming more and more important in today's workplace—in fact, word processing, e-mail, and Internet-browsing skills are necessities in many positions and occupations.

One extremely powerful, yet often overlooked and underutilized, software program is the spreadsheet program. Microsoft Excel is probably the most widely used and available spreadsheet program available today. Although its ability to integrate with other Microsoft programs, such as PowerPoint and Word, makes Excel useful to know, its true power comes from its ability to automate intricate and sometimes complex quantitative relationships among many variables. Spreadsheets can be used to perform mathematical calculations like ordinary calculators; however, when spreadsheets are constructed using equations instead of raw data, they can be much more powerful and useful than a simple calculator. By relating variables in a spreadsheet to each other through formulas, functions, and equations, spreadsheet programs can be used to easily run "what if" and probabilistic scenarios—which are very useful for forecasting and decision making.

Using Excel, I can easily determine the grades that my students need to earn on their final assignments for various final grades in the course. By creating spreadsheet programs that link all of the variables together through equations, I am able to analyze how a change in a grade on any assignment during the semester affects the final grades. I can also easily tell students the exact grades that they need on a final paper to earn any certain grade in the course. Once the formulas are written in a spreadsheet, they can easily be copied to other cells in the spreadsheet. The additional work to calculate "what if" grade scenarios for dozens or hundreds of students is not much more than for a single student. Entering the raw grades for the students is the most time consuming part of the process.

A library of built-in mathematical, statistical, and financial formulas, allows spreadsheet users to perform a wide range of sophisticated and complex calculations. When automated with functions and formulas, spreadsheets can provide managers with the information needed to make well-informed and insightful decisions. Workers who possess spreadsheet skills could be invaluable to their organizations. And who knows, they might even help with finding girlfriends and boyfriends.

8 Strategy

8.1 SWOT

Watch any pre-game commentary during football season and you will see and hear sports broadcasters discuss the keys to victory for each team. The comparable strengths and weaknesses of each team are analyzed, and the game plans for victory are described. As the games play out, each team is evaluated on how well it executed its game plan and how well it reacted and adapted to the play of its opponents.

The development of a game plan comes from a process of analysis, goal setting, introspection, comparison, evaluation, and forecasting. Before each game, coaches take stock of their teams' talent and make note of injuries and player health. They also learn about the health and abilities of the upcoming opponent. Coaches look over game films, of their team and the opponent's, to discover strengths that might be used and weaknesses that might be exploited. Once a proper assessment has been made about their team's abilities and how those abilities match up against the abilities of the opponent, then a coaching staff can develop a feasible game plan for victory.

The processes for developing winning game plans for sports teams are similar to developing winning strategies for success in the business world. Strategies are linked to goals. Goals for sports teams are usually pretty clear—to win the game or competition. Goals in business organizations can sometimes be less defined, conflicting, contradictory, or confused. When identifiable goals do exist, it is necessary to develop a strategy to attain those goals. "Strategy" describes the methods, actions, and procedures needed to reach the goals.

Once goals have been defined and agreed upon, managers should engage in deep introspection. The strengths and weaknesses of the organization should be studied. Strengths are those characteristics or abilities that the organization possesses that can give it a competitive advantage in the marketplace. They might include experience, production efficiency, exclusive information, market share, customer service, or distribution methods. The absence of those same characteristics might be weaknesses for a company. Weaknesses are those things that could be exploited by competitors or that might hinder goal attainment.

In addition to introspection, managers must also look outside the organization to identify possible opportunities and threats. Opportunities are things that exist in the organization's environment that could benefit the company. Threats are those things that might harm the company. Changing consumer demand, demographics, legislation, environmental factors, technology, competition, and economic factors might all be viewed as opportunities or threats, depending on their effect on the company. Opportunities and threats could exist as short-term or long-term and could have immediate or future influences on the organization. Managers must be able to see current opportunities and threats and be able to forecast and predict future influences.

Only after strengths, weaknesses, opportunities, and threats are identified and analyzed, should organizational leaders begin developing strategies for success in the marketplace. Just as coaches spend a great amount of time and effort developing game plans for success, so, too, should organizational managers and leaders.

8.2 Luxury versus Necessity

When you are hungry, need food, and decide to go to a restauran, where do you go? When it's time to buy a new car, which model do you buy? When you need a new shirt to wear to work, where do you shop and which brand do you buy?

With all three of those questions, you have choices. You might choose healthy fast food, an economical and low-cost automobile, and a shirt on sale at a nearby discount retailer. However, you might also choose to dine at a high-priced restaurant, purchase a luxury automobile, and buy a fashionable and popular-brand shirt from an upper-end clothing store. Regardless of whether you choose the options from the first or second set of alternatives, you end up with a full stomach, an automobile, and something new to wear to work. There are important similarities and differences between the two purchase decisions.

All three of the items described could be considered "necessary" things in our culture. Food, transportation, and clothing are needed for people to survive and to provide for themselves. The second list of alternatives yields something more than the alternatives in the first list. All three items on the second list will likely cost more than the corresponding items on the first list. Consumers who purchase the things on the second list pay for the benefits of the basic items plus something more. In some cases, the premium paid might be for higher quality. In other cases, the premium paid for higher-priced goods and services provides consumers with satisfaction of personal needs.

Organizations that choose to cater to luxury (that is, above and beyond the needed) markets must justify and reinforce to consumers the reasons that the extra expense for their goods and services are worth the extra money. In the minds of consumers, the gap between necessity and luxury offerings must be filled with value. Organizations persuade consumers that their offerings are worth the extra price through brand development and marketing and by offering features that cannot be found with other offerings.

Exceptional quality, workmanship, materials, and warranties/guarantees might fill in the luxury gap for manufactured goods. Outstanding customer service, personalized assistance and attention, and service after the sale can create additional perceptions of value for retail and service organizations. Additional benefits, features, and offerings can also create value in the minds of consumers as well as a host of other organizational characteristics and features—which can function as unique selling propositions.

Regardless of their chosen value-adding characteristics, organizations must inform, emphasize, and continually reinforce the characteristics in the minds of consumers. Advertising messages, sales techniques and promotions, and corporate culture must all give support to the value-adding characteristics. Customers seek opportunities to satisfy personal needs, sometimes consciously and sometimes unconsciously. To encourage consumers to engage in profitable exchanges, firms must create value in the minds of consumers. They must make every exchange seem like a deal that cannot be passed up—if not, consumers might pass them up and go to their competitors.

8.3.1 Unique Selling Proposition: Differentiation

I have heard it said that good preachers can find sermons in almost anything they encounter. I think it is also possible to find lessons in management and leadership in many things as well.

The Incredibles, a movie made for kids and adults, provides one such example. The movie tells the story of a family of superheroes who become locked into battle with a nemesis who makes himself powerful by inventing machines and weapons. Buddy, the nemesis, reveals that his ultimate plan is to sell his inventions so that everyone can be superheroes. "And when everyone's super," Buddy cautions, "no one will be."

I recently received a recruiting brochure in the mail from a nearby, peer university. The brochure showed pictures of attractive and happy-looking college students smiling and having fun at scenic campus locations and events. It had images of professors and students interacting in classroom settings, pictures from athletic events, and images of students engaging in worship and Bible study. The text described the institution as being warm, caring, and academically challenging. Prospective students were encouraged to choose this school because of its small class sizes, interaction with caring and committed faculty members who take personal interest in their students, relevant and interesting academic programs, and its faith-based education. The brochure touted the things that made the institution "super."

The institution did not come across as super or extraordinary. I felt like I had seen the brochure countless times before from a countless number of schools. Prospective students who received the brochures probably felt the same way. The brochure described important, relevant, and interesting characteristics of the institution, but they were not super. The school actually seemed ordinary. Many competing schools can claim those same characteristics.

To be super, institutions and their offerings have to be different from others. They need to be unique. The concept of choosing one or more important characteristics to compete with other organizations for consumers is known as the unique selling proposition (USP). The USP is the thing or "angle" that firms use to differentiate themselves from their competitors in the minds of consumers. The things that make the institution unique must be things that consumers find relevant and desirable. A good USP is one that competitors cannot imitate or replicate and when exploited over the long run can create monopoly-like advantages for organizations and become forms of sustainable competitive advantage.

To attract the attention and interest of prospective consumers, organizations must develop and offer unique features, products, services, programs, and experiences that make them different from their competitors. To be unique, organizations, their offerings, and the messages that they broadcast into the marketplace must be unlike others. Simply stating important and worthwhile characteristics does not make an institution unique in the minds of consumers, especially when their competitors tout the same things. Having the same super characteristics as everyone else makes no one super. Might there be a sermon in that?

8.3.2 Unique Selling Proposition: Monopolistic Competition

Companies without customers are doomed to failure. Organizations exist to engage in ongoing and profitable exchanges with external others. Without profitable exchanges, costs will exceed revenues, and the venture will yield negative returns. Eventually, those individuals who are responsible for running the firm will choose to invest their time, talents, and resources in other opportunities that provide greater returns. Without ongoing and profitable exchanges, businesses will go out of business.

How do firms attract customers and supporters? They offer products and services that satisfy customer needs, sell their offerings to customers at prices that maximize profit (that is, low enough to attract customers and high enough to provide a healthy return on investment), and provide their offerings in the places expected and required by customers. They also must make customers aware of their offerings and promote in them a desire to seek out and make exchanges with the firm.

When products or services are highly demanded by customers, firms with monopolies on the offerings reap big rewards—because they have more control over supply and prices than firms in competitive situations. In competitive markets, where many similar or substitutable alternatives exist for consumers, firms must differentiate their offerings on one or more important and relevant consumer dimensions and distinguish themselves as *the* place to shop.

In marketing, the concept of choosing and using one or more important consumer dimensions to compete with others for customers is known as the *unique selling proposition* (USP). The USP is the thing or "angle" that firms use to differentiate themselves from their competitors in the minds of the consumers. Banks, for example, try to attract customers by offering free accounts, convenient locations, competitive interest rates, or family-friendly service. Grocery stores create exchanges by emphasizing low prices, local ownership, superior customer service, or exceptional selection. Colleges and universities try to attract students with promises of student-faculty ratios, low tuition, scholarship assistance, flexible class times and locations, and personal interaction between students and faculty.

The effective development and use of USPs can create competitive advantages for companies. When a firm's USP is truly "unique," it can create monopoly-like advantages for the firm. Economists use the term "monopolistic competition" to describe this idea. It refers to a firm in a competitive market that offers its goods or services in a way unlike any of its competitors. When competitors cannot easily copy a firm's USP, it can become a form of *sustainable competitive advantage* for the company.

A USP that is not unique will not lead to competitive advantages for firms. When everyone offers low prices and outstanding customer service, no one is unique. Firms that identify other relevant and important things that are needed and wanted by customers will attract customers to their offerings—perhaps in monopoly-like ways. To do that, firms must be in tune with consumer needs and wants, be aware of competitors' strategies, create organizational systems that meet consumer needs, make consumers aware of their offerings, and offer their products and services at prices and in places desired by consumers.

9 Appendix

9.1 Original Titles and Dates of Publication in Abilene Reporter-News Newspaper

1. Change

1.1 New technologies bring global need for new skills, September 22, 2007, 2D

1.2 Instant intercontinental communication is free, October 7, 2007, 2D.

1.3 Creative destruction means opportunity, December 16, 2007, 2D.

1.4 When planning improvement, remember geometry, March 2, 2008, 3D.

2. Decision Making

2.1 Decision-making means legal, ethical choices, April 20, 2008, 2E.

2.2 It's more technical than you think, December 22, 2006, 2D.

2.3 Finding that 'one in a million' solution, March 2, 2007, 7E.

2.4 Decisions about making decisions, April 13, 2008, 2D.

2.5 Symptoms should lead to solutions, November 18, 2007, 2D.

2.6 eBayers, beware the tempting 'escalation of commitment' trap, March 23, 2008, 2C.

3. Electronic Commerce

3.1 Web presence vital to business success, March 24, 2006, 9C.

3.2 Don't miss out on global markets, October 21, 2007, 2D.

3.3 Businesses must be where customers are, September 14, 2006, 2D.

3.4 Catalog evolving from print to Web, May 5, 2006, 9C.

4. Marketing

4.1 There is more to setting up a shop than a good product, March 10, 2006, 6C.

4.2 A consumer by any other name…, February 16, 2007, 2D.

4.3 Integrated Marketing Plans, May 6, 2007, 2D.

4.4 Look into expanding into broader markets, September 16, 2007, 2D.

4.5 Marketers capitalize on 'fan' loyalty, June 30, 2006, 2D.

4.6 Observation as a marketing research tool, May 25, 2008, 2D.

5. Organization Theory

5.1 Being relevant in the marketplace, April 7, 2006, 9C.

5.2 Owners, workers can join as allies, March 23, 2007, 2D.

5.3 The method to avoid 'traffic jams' at work, August 25, 2006, 2D.

5.4 Solve problem, go on to other task, September 29, 2006, 2E.

5.5 Inertia can be good or bad for a business, December 9, 2007, 2D.

5.6 Walking around to manage effectively, April 27, 2007, 2D.

5.7.1 Lack of social skills can derail career, May 4, 2009, 2D.

5.7.2 Communication one of three key components of management skills, July 7, 2006, 2D.

5.8 Commitment is a multiple-layered variable at work, February, 3, 2008, 6D.

5.9 Measuring job satisfaction, February 10, 2008, 2D.

5.10 The battle of inefficiency at work, May 12, 2006, 2D.

5.11.1 Managers must help employees' stress, August 18, 2006, 2D.

5.11.2 Fight stress by building resiliency, January 28, 2008, 2D.

5.12.1 Promoting positive conflict in business, March 3, 2006, 2D.

5.12.2 'Win-win' situation means nobody is loser, September 30, 2007, 2D.

5.13 Cultural differences affect management styles, November 11, 2007, 2D.

5.14 Some businesses require more start-up time and effort than others, July 28, 2006, 7D.

6. Personal Finance

6.1 There really is a reason to start saving early, September 8, 2006, 2D.

6.2 Pay attention to debt financing, December 29, 2006, 2D.

7. Quantitative Methods

7.1 'Modeling' for the organization can be good, September 22, 2D.
7.2 Learning statistics like learning a language, May 26, 2006, 2D.
7.3 Finding the right balance in management decisions, February 23, 2007, 2D.
7.4 Good information comes from good surveys, May 18, 2008, 2D.
7.5 Regression analysis the way of the future, January 13, 2008, 2D.
7.6 Yes, Napoleon, you have to have skills, November 25, 2007, 2D.

8. Strategy

8.1 Business success requires a game plan, June 16, 2006, 9C.
8.2 Filling the gap between luxury, necessity, February 9, 2007, 7C.
8.3.1 If everyone was incredible…, February 24, 2008, 2D.
8.3.2 Making customers into supporters, February 2, 2007, 7C.