Course Learning Outcomes for Unit IV

Upon completion of this unit, students should be able to:

3. Compare and contrast the principal challenges managers face in today’s increasingly competitive global environment.
   3.1 Evaluate and discuss what customer’s need and why it is important for managers to be responsive to their perceived needs.
   3.2 Discuss superior efficiency and the techniques used to increase efficiency.

5. Compare and contrast how individual behavior exists within the contest of the business environment.
   5.1 Discuss the factors that influence a manager’s choice of organization structure and how the culture affects individual behaviors within the organization.
   5.2 Describe the types of organizational structures managers can design, and explain why they choose one structure over another.

8. Evaluate and discuss the influence and opportunities of team/workgroups in the workforce.
   8.1 Analyze and discuss why managers coordinate jobs, functions, and divisions using the hierarchy of authority and integrating mechanisms.

Unit Lesson

In Unit IV, we will study and discuss two important aspects of management that can make the difference between a successful organization and one that fails to meet expectations. We will start by learning about a value chain and how we manage it. Then, we will review the actions a manager takes in order to establish the organization’s structure and culture. Both of these topics work together to establish how the organization will function and meet our customer’s needs.

Jones and George (2014) define value chain as “the coordinated series or sequence of functional activities necessary to transform inputs such as new product concepts, raw materials, component parts, or professional skills into the finished goods or services customers value and want to buy” (p. 267). Armed with this definition, we can see that this is not a simple matter. It is easy to build an item or provide a service, but how does the manager know the organization is providing goods or services their customers value and are willing to purchase? Therefore, the organization needs a system that provides a mechanism to transform the inputs into an output the customer will be willing to purchase. This system is called value chain management. This system differs from supply chain management in that according to Jones and George (2014) the value chain management is “the development of a set of functional-level strategies that support a company’s business-level strategy and strengthen its competitive advantage” (p. 267).
Simply said, value chain management helps to increase the organization’s responsiveness to its customers. However, the manager must understand that responsiveness to its customers can be expensive, and since no two customers are 100% alike, the organization cannot afford to attempt to be everything to everyone. Think back about Henry Ford and the story about his customer service strategy. Ford is attributed with stating, “Any customer can have a car painted any color that he wants so long as it is black” (Sefl, 2013). Ford’s strategy would probably not work today, since customers like to have choices. However, considering the time and economic environment, Ford’s strategy to build an automobile that was affordable for the masses was well received. The lesson learned here is that managers must establish strategies that meet the time and environment in which the organization and its customers reside. The system must incorporate sufficient responsiveness to the customers without placing a financial burden on the company.

As already stated, understanding the customer’s perceived wants including cost, quality, and product can be a daunting task, but many companies have turned to information technology (IT) to help them. Here, they use a customer relationship management (CRM) system to track products and sales. Jones and George (2014) defines a CRM as “a technique that uses IT to develop an ongoing relationship with customers to maximize the value an organization can deliver to them over time” (p. 271). CRMs help the companies by interconnecting three major business components, which are:

1. sales and selling,
2. after-sales service and support, and
3. marketing (Jones & George, 2014, p. 271).

By linking these three components together, the companies are able to track customers and maintain a relationship with them. This knowledge is invaluable to the manager and the organization’s need to be responsive to the customer during each stage of the life cycle of the product or service.

We mentioned quality a couple times in our discussion already. One of the ideas we need to keep in mind is that quality is not free, but the lack of quality can be devastating if the targeted customer demands a specific level of quality. Likewise, quality will not only differ between segments of customers but also quality will differ from one product and service line to another. For example, think about the number of hotels that exist today. We have hotel rooms that rent for a few thousand dollars per night to a low of less than $50 per night. What is the difference, and how can there be such a wide disparity between the prices of hotel rooms? The answer is the cliental that will frequent the hotel and the amount of service and quality they expect. The same is true of passenger airline carriers. Take Eva Air for example: A round trip ticket from Los Angeles, California to Ho Chi Minh City, Vietnam can range from $1000 to $6000 or more depending upon the seat (cabin), the customer desires, and the services the customer expects.

With this in mind, each company must decide what their customers want and the quality they expect. Today, we hear the term total quality management (TQM) used quite often. Jones and George (2014) define TQM as “A management technique that focuses on improving the quality of an organization’s products and services” (p. 274). TQM focuses the entire organization on quality, not just the quality department, and it stresses quality throughout the entire value chain. To this end, there are various programs that the managers can use to help ensure a desired level of quality. The following are some of these programs:
1. Just-in-time (JIT) inventory is a system in which “parts or supplies arrive at an organization when they are needed, not before” and not afterwards (Jones & George, 2014, p. 275).

2. Six Sigma is “A technique used to improve quality by systematically improving how value chain activates are performed and then using statistical methods to measure the improvement” (Jones & George, 2014, p. 276).

You may be asking, “Okay, but how does the manager incorporate these functions within the organization and ensure they are working?” This is an excellent question and one that keeps managers awake at night. The manager must first design the organizational structure to match the efficiency and quality that is needed for the product or service to meet the customer’s desires. As discussed earlier, no two customers are the same and neither are two companies. Each company has its own structure, policies, procedures, and culture. The structure must be one that meets the image of the product or service and one that will allow the organizational culture to grow and reflect the image of the product or service.

Take a computer for example: A customer can go into a Best Buy store to purchase a laptop computer, and the customer will receive a customer experience of entering into a retail store that sells many products without a wow factor. The same customer can then go into an Apple Store that also sells computers and other electronic devices, but the customer will receive a totally different experience. Some customers will like the wow factor of the Apple Store, while others simply will not. Each company must establish its own image and match the organizational structure and culture to that image. However, one idea to keep in mind is that no matter how good the structure and culture is, if the customers are not happy, then it is the wrong structure and culture.

The structure of the organization may be tall, flat, top-down, bottom-up, matrix, or divisionally established; however, the key to the organization and its culture is its people. The hiring of the right people is a good start, but the manager must set up the organization in such a way that the employees enjoy coming to work and enjoy their jobs. Providing incentives help increase the employees’ satisfaction with an organization, but far too often, the manager forgets that the reason the employee is there is for the job. If the employee is bored or over-skilled/under-skilled for a job, then the employee will become dissatisfied with the company. Managers need to understand that every employee is an advertisement for the company. If the employee is satisfied with the job and the company, then the employee provides good advertisements; however, the reverse is also true. Therefore, the manager must try to find the right mix of job enlargement and/or job enrichment to satisfy the employees. Once again, we are reminded that not all employees are the same, so some level of understanding of the employee’s needs and abilities is required.

Jones and George (2014) define job enlargement as “increasing the number of different tasks in a given job by changing the division of labor” (p. 300) and job enrichment as “increasing the degree of responsibility a worker has over a job” (p. 301). These are important and powerful tools the manager can use to help enrich the employee’s work experience and help create a culture of trust and excitement. The more satisfied the employees are, the less likely they are to be negative, and this will be a positive influence on the customer. Think back about a time when you were in a store or company and felt tension or negative vibes, as a customer, what were your feelings about the company and its product or service?

Some companies find it beneficial to organize itself along product, geographical, or market lines. Each of these divisional structures brings benefits and sometimes negatives. The manager must be able to decide how to establish the chain of command and the amount of authority that goes along with each of these. For example, if a company establishes along geographical lines, then the division
responsible for a specific region will become very knowledgeable about the customers within that area and also about the bottom line for the operations within its own region. The corporate managers must ensure there are specific guidelines in place to help the regional manager know what decisions they are allow to make and what corporate policies and procedures they must follow. Also, reducing the chain of command so the lower level or regional managers has the needed access to the upper or corporate level managers will also provide a line of communication that will help ensure the corporate and regional managers are working together and not as separate entities.

References


Suggested Reading

View the Chapter 9 and 10 PowerPoint Presentations that accompany the course textbook. Follow the steps below to access the presentations:

- Go to [http://www.mhhe.com/jonesgeorge8e](http://www.mhhe.com/jonesgeorge8e)
- Select “Student Edition”
- Select the chapter
- Select “PowerPoint Presentation”

Learning Activities (Non-Graded)

Activity 1: Supplemental Quizzes

Before completing your graded assignments, consider completing the Chapter Quizzes for Chapters 9 and 10 of your course textbook:

- Go to [http://www.mhhe.com/jonesgeorge8e](http://www.mhhe.com/jonesgeorge8e)
- Select “Student Edition”
- Select the chapter
- Select “Chapter Quiz”

Activity 2: Managerial Ethical Behavior in the News

Unit IV introduces the concepts of value chain management and management of organizational structure and culture. Establishing an organizational structure and culture that values the customer and looks for ways to improve the value chain efficiency is one of the most significant tasks a manager must undertake. In order to better understand these concepts, consider conducting an Internet search for current articles events related to strategy implementation. Once finished, reflect upon the results.

Below are a couple of items that you may want to consider during your search:

Activity 3: Non-Graded Discussion Questions

Before completing your graded assessment, consider reviewing and answering the following discussion questions. Potential answers are also provided for your consideration.

1. Discuss the necessity of satisfying customer demands. List some of the general product attributes or qualities that most customers prefer.

   ANSWER: All organizations produce outputs—goods or services—that are consumed by customers, who, in buying these products, provide the monetary resources most organizations need to survive. Because customers are vital to organizational survival, managers must correctly identify their customers and pursue strategies that result in products that best meet their needs. Customers prefer a lower price to a higher price, high-quality products to low-quality products, quick service to slow service, products with many features to products with few features and products that are customized to their unique needs.

2. Discuss the advantages and disadvantages of decentralizing authority.

   ANSWER: Advantages: It gives lower-level managers and non-managerial employees the right to make important decisions about how to use organizational resources. It allows an organization and its employees to behave in a flexible way even as the organization grows and becomes taller. This is why managers are so interested in empowering employees, creating self-managed work teams, establishing cross-functional teams, and even moving to a product team structure. These design innovations help keep the organizational architecture flexible and responsive to complex task and general environments, complex technologies, and complex strategies.

   Disadvantages: If divisions, functions, or teams are given too much decision-making authority, they may begin to pursue their own goals at the expense of organizational goals. Too much decentralization can cause lack of communication among functions or divisions; this prevents the synergies of cooperation from ever materializing, and organizational performance suffers.

Non-graded Learning Activities are provided to aid students in their course of study. You do not have to submit them. If you have questions, contact your instructor for further guidance and information.