Chapter 7: ‘Constraints on Managers’
Learning Objectives

After completing this chapter, students will be able to:

- Contrast the actions of managers according to the omnipotent and symbolic views.
- Describe the constraints and challenges facing managers in today’s external environment.
- Develop your skill at scanning the environment so you can anticipate and interpret changes taking place.
- Discuss the characteristics and importance of organisational culture.
- Know how to read and assess an organisation’s culture.
- Describe current issues in organisational culture.
The Manager: Omnipotent or Symbolic?

- **Omnipotent view:** managers are directly responsible for an organisation’s success or failure
- **Symbolic view:** much of an organisation’s success or failure is due to external forces outside managers’ control
Managerial Constraints

- In reality, managers are neither all-powerful nor helpless. But their decisions and actions are constrained.
- **External constraints** come from the organisation’s environment and **internal constraints** come from the organisation’s culture.
The External Environment

Those factors and forces outside the organisation that affect its performance

- Economic
- Demographic
- Political / Legal
- Sociocultural
- Technological
- Global
The Economic Environment

• Managers need to be aware of the economic context so they can make the best decisions for their organisations.
The Global Economy and the Economic Context

• The lingering global economic challenges began with the turmoil in the U.S. housing market.
Economic Inequality and the Economic Context

• Polls show that in many countries, people believe that the gap between the rich and poor is problematic.
The Demographic Environment

• **Age** is a particularly important demographic since the workplace often has different age groups all working together
  - Baby Boomers (born between 1946 and 1964)
  - Gen Y (Millennials - born between 1978 and 1994)
  - Post-Millennials
Gen Y

• Gen Y is an important demographic at Google or Facebook, where most employees are under 40.
How the “External” Environment Affects Managers

- **Jobs and Employment**: the impact of external factors on jobs and employment is one of the most powerful constraints managers face
Assessing “Environmental Uncertainty”

- **Environmental uncertainty**: the degree of change and complexity in an organisation’s environment
  - Change: stable to dynamic
  - Complexity: simple to complex
### Environmental Uncertainty Matrix

<table>
<thead>
<tr>
<th>Degree of Complexity</th>
<th>Stable</th>
<th>Dynamic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simple</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cell 1</td>
<td>Stable and predictable environment</td>
<td>Dynamic and unpredictable environment</td>
</tr>
<tr>
<td></td>
<td>Few components in environment</td>
<td>Few components in environment</td>
</tr>
<tr>
<td></td>
<td>Components are somewhat similar and remain basically the same</td>
<td>Components are somewhat similar but are continually changing</td>
</tr>
<tr>
<td></td>
<td>Minimal need for sophisticated knowledge of components</td>
<td>Minimal need for sophisticated knowledge of components</td>
</tr>
<tr>
<td>Complex</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cell 3</td>
<td>Stable and predictable environment</td>
<td>Dynamic and unpredictable environment</td>
</tr>
<tr>
<td></td>
<td>Many components in environment</td>
<td>Many components in environment</td>
</tr>
<tr>
<td></td>
<td>Components are not similar to one another and remain basically the same</td>
<td>Components are not similar to one another and are continually changing</td>
</tr>
<tr>
<td></td>
<td>High need for sophisticated knowledge of components</td>
<td>High need for sophisticated knowledge of components</td>
</tr>
</tbody>
</table>
Organisational Stakeholders
Benefits of “Good” Stakeholder Relationships

- Improved predictability of environmental changes
- Increased successful innovations
- Increased trust among stakeholders
- Greater organisational flexibility to reduce the impact of change
Organisational Culture

• Just as each individual has a unique personality, an organisation, too, has a personality.
What is “Organisational Culture”? 

- **Organisational culture**: the shared values, principles, traditions, and ways of doing things that influence the way organisational members act and that distinguish the organisation from other organisations.
Dimensions of Organisational Culture

- **Attention to Detail**: Degree to which employees are expected to exhibit precision, analysis, and attention to detail.
- **Innovation and Risk Taking**: Degree to which employees are encouraged to be innovative and to take risks.
- **Outcome Orientation**: Degree to which managers focus on results or outcomes rather than on how these outcomes are achieved.
- **Stability**: Degree to which organizational decisions and actions emphasize maintaining the status quo.
- **Aggressiveness**: Degree to which employees are aggressive and competitive rather than cooperative.
- **Team Orientation**: Degree to which work is organized around teams rather than individuals.
Contrasting Organisational Culture

• At Tesla Motors, the focus is product innovation (innovation and risk taking).
• In contrast, China Airlines has made its employees a central part of its culture.
Contrasting Organisational Culture

- Risk-taking and change discouraged
- Creativity discouraged
- Close managerial supervision
- Work designed around individual employees

- Risk-taking and change rewarded
- Creativity and innovation rewarded
- Management trusts employees
- Work designed around teams
Strong Cultures

- **Strong cultures**: organisational cultures in which the key values are intensely held and widely shared
# Strong vs. Weak Cultures

<table>
<thead>
<tr>
<th>Strong Cultures</th>
<th>Weak Cultures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Values widely shared</td>
<td>Values limited to a few people – usually top management</td>
</tr>
<tr>
<td>Culture conveys consistent messages about what’s important</td>
<td>Culture sends contradictory messages about what’s important</td>
</tr>
<tr>
<td>Most employees can tell stories about company history or heroes</td>
<td>Employees have little knowledge of company history or heroes</td>
</tr>
<tr>
<td>Employees strongly identify with culture</td>
<td>Employees have little identification with culture</td>
</tr>
<tr>
<td>Strong connection between shared values and behaviors</td>
<td>Little connection between shared values and behaviors</td>
</tr>
</tbody>
</table>
“Where culture comes from” and “How it continues”

• The original source of the culture usually reflects the vision of the founders.
• Once the culture is in place, certain organisational practices help maintain it.
• The actions of top managers also have a major impact on the organisation’s culture.
How an organisation’s culture is established and maintained

- Philosophy of Organization’s Founders
- Selection Criteria
- Top Management
- Socialization
- Organization’s Culture
How employees learn culture

• Stories
• Rituals
• Material Artifacts and Symbols
• Language
How culture affects managers

• Because an organisation’s culture constrains what they can and cannot do and how they manage, it is particularly relevant to managers.
Types of managerial decisions affected by culture

**Planning**
- The degree of risk that plans should contain
- Whether plans should be developed by individuals or teams
- The degree of environmental scanning in which management will engage

**Organizing**
- How much autonomy should be designed into employees’ jobs
- Whether tasks should be done by individuals or in teams
- The degree to which department managers interact with each other

**Leading**
- The degree to which managers are concerned with increasing employee job satisfaction
- What leadership styles are appropriate
- Whether all disagreements—even constructive ones—should be eliminated

**Controlling**
- Whether to impose external controls or to allow employees to control their own actions
- What criteria should be emphasized in employee performance evaluations
- What repercussions will occur from exceeding one’s budget
Creating an “Innovative Culture”

- Challenge and involvement
- Freedom
- Trust and openness
- Idea time
- Playfulness / humour
- Conflict resolution
- Debates
- Risk taking
Creating a "Customer Responsive Culture"

<table>
<thead>
<tr>
<th>Characteristics of Customer Responsive Culture</th>
<th>Suggestions for Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of employee</td>
<td>Hire people with personalities and attitudes consistent with customer service: friendly, attentive, enthusiastic, patient, good listening skills</td>
</tr>
<tr>
<td>Type of job environment</td>
<td>Design jobs so employees have as much control as possible to satisfy customers, without rigid rules and procedures</td>
</tr>
<tr>
<td>Empowerment</td>
<td>Give service-contact employees the discretion to make day-to-day decisions on job-related activities</td>
</tr>
<tr>
<td>Role clarity</td>
<td>Reduce uncertainty about what service-contact employees can and cannot do by continual training on product knowledge, listening, and other behavioral skills</td>
</tr>
<tr>
<td>Consistent desire to satisfy and delight customers</td>
<td>Clarify organization’s commitment to do whatever it takes, even if it’s outside an employee’s normal job requirements</td>
</tr>
</tbody>
</table>
Creating a “Sustainability Culture”

• For many companies, sustainability is developed into the organisation’s overall culture.
Review Learning Objective 7.1

Contrast the actions of managers according to the omnipotent and symbolic views:

• Omnipotent view: Managers are directly responsible for the organisation’s success or failure.
• Symbolic view: Much of the organisation’s success or failure is due to external forces outside of the manager’s control.
• The two constraints on managers' discretion are organisational culture (internal) and the environment (external).
Review Learning Objective 7.2

Describe the constraints and challenges facing managers in today’s external environment:

- The external environment includes those factors and forces outside the organisation that affect its performance.
- The main components of the external environment are economic, demographic, political/legal, sociocultural, technological, and global.
- These components can constrain and challenge managers because they have an impact on jobs, environmental uncertainty, and stakeholder relationships.
Review Learning Objective 7.3

Discuss the characteristics and importance of organisational culture:

• The seven dimensions of culture are: attention to detail, outcome orientation, people orientation, team orientation, aggressiveness, stability, innovation, and risk taking.
• The stronger the culture, the greater the impact on the way managers plan, organise, lead, and control.
• The original source of the organisational culture reflects the founder’s vision.
• Culture is transmitted through stories, rituals, material symbols, and language.
Review Learning Objective 7.4

Describe current issues in organizational culture:

• The characteristics of an innovative culture are challenge and involvement, freedom, trust and openness, idea time, playfulness / humour, conflict resolution, debates, and risk taking.

• A customer responsive culture has five characteristics: outgoing and friendly employees; jobs with few rigid rules, procedures, and regulations; empowerment; clear roles and expectations; and employees who are conscientious in their desire to please the customer.

• Companies that achieve business goals and increase long-term shareholder value by integrating economic, environmental, and social opportunities into business strategies may develop sustainability into the organisation’s overall culture.