Course Pack

MBA Short Course

Leadership & Organizational Behavior

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Disclaimer

Most of the exercises of this book have been developed by Dr. Davide Secchi, Department of HR & OB, The Business School, Bournemouth University (UK). They are intended to support activities of the class *Leadership & Organizational Behavior* (LOB) for students of the MBA School of ZheJiang, GongShang University. Although something new comes out every semester, most of what is included here has been developed in the past six years, when working with MBA students at the University of Wisconsin (USA), University of Caen (France), and Bournemouth University (UK).

Exercises included in this *Course Pack* (or *compendium*) have been created to class activities and can be used to review concepts, theories, approaches that are associated with LOB. The *compendium* is not supposed to substitute reading materials, nor to be used alone, i.e., separated from other structured and formal educational tools such as front lectures, additional readings, seminars, etc. Some of the materials may be useful and work well as homework although this is not the original intent they have been developed. Please be aware that not all that is included in this *compendium* will necessarily be covered during the semester. Additional material may also come from your professor during class activities.

The publication of new exercises in this *Course Pack* may also come out from student initiative, i.e. from those who do wish to earn additional (bonus) points, valid towards the final grade of your class. If you plan to submit one or more exercises, please contact Dr. Secchi. Once accepted, the name of the proponent will be reported on a footnote, in the page where the exercise appears. Comments, suggestions, and proofreading are extremely welcomed; please send your comments, advice, and/or suggestions to dsecchi@bournemouth.ac.uk.

The views expressed in this *compendium* reflect the opinions of the author only, not necessarily those of the Business School, or those of other faculty members at the Department of HR & OB at Bournemouth University.

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Part I. Exercises

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Exercise 1. What is Leadership?

Instructions: Please fill in the following spaces, after receiving further instructions from your lecturer.

A. If I say 'leadership'… what comes to your mind? This is an association exercise; please fill in the spaces with keywords that relate to the word leadership:

1. _____

2. _____

3. _____

4. _____

5. _____

B. A short definition for leadership (your definition)

_____

_____

_____

_____

_____

C. …and a second definition (wait, read, think, and write then!) - complete this at a second time

_____

_____

_____

_____

_____

Exercise 2. Leading Change

Instructions: Answer the following questions. Think about your personal experiences, and tell us what you think about change. Why and if it is positive or not, and how did you manage it when you were involved in something like that.

What is change for you?

_____

_____

_____

When did you have to change?

_____

_____

Was it an internally- or externally-driven change?

_____

_____

_____

What happened? Did you really change?

_____

_____

_____

How did you change?

_____

_____

_____

Exercise 3. VCM Assessment

Instructions: VCM stays for Vision, Commitment and Monitor: what is your style? The test that follows was originally submitted to managers, and/or worker students. It has been modified from the textbook (Clawson, 2006: 314ff) to better suit students' needs. The test aims at measuring your leadership through a general assessment on capabilities. More than an actual measurement of your leading capabilities the questionnaire must be taken as a first and approximate hint on what kind of leader you are.

Section I – General Information

1. Choose a situation in which you work(ed) together with other people. Any teamwork is all right: voluntary, hour-paid, family, weekly or monthly wage based, project-based, student teamwork, etc. Write what your choice is: _____

2. Please describe your duties shortly:

_____

_____

_____

3. Is (was) this a subordinate job?   YES ☐   NO ☐

If you answered YES, then go to question 4; otherwise, go to 5.

4. Is (was) your boss part of your group, or she/he operat(ed) at a different level in the organization? _____

5. How many people is (was) the group composed of: _____

Section II – Management Style Items

Please answer the questions according to what you actually *do, and not to what you* should *do or should have done in a given situation.*

Directions: For the following 30 items, read each item and rate it in terms of how much you agree that the item **describes you**. On the scale: SA = Strongly Agree, MA = Moderately Agree, LA = Slightly Agree, LD = Slightly Disagree, MA = Moderately Disagree, SD = Strongly Disagree.

	Items	Agree			Disagree		
		SA	MA	LA	LD	MD	SD
1	Managing group/organization progress toward a vision represents a major portion of what I do in my job	☐	☐	☐	☐	☐	☐
2	I am methodical in the way I carry out my job responsibilities	☐	☐	☐	☐	☐	☐
3	Most of my work-related activity is in thinking about the future of the organization (or of what the group will do next)	☐	☐	☐	☐	☐	☐
4	I am a real 'take charge' type of person	☐	☐	☐	☐	☐	☐
5	Garnering commitment in people toward meeting some organizational goal represents a major portion of what I do in my job	☐	☐	☐	☐	☐	☐
6	I am very decisive. When I must make a decision, I stick to it	☐	☐	☐	☐	☐	☐
7	Whenever I must present information to a group, I typically speak without notes or outlines	☐	☐	☐	☐	☐	☐
8	I focus my professional energies on envisioning the future of the organization (or group)	☐	☐	☐	☐	☐	☐
9	Whenever I must present information to a group, I write out the speech, then read it to the group	☐	☐	☐	☐	☐	☐
10	I am self-confident	☐	☐	☐	☐	☐	☐
11	I focus my professional energies on getting people in my organization (group) to build their commitments to our organization and its goals	☐	☐	☐	☐	☐	☐
12	I learn best by diving in and seeing whether something works or doesn't work	☐	☐	☐	☐	☐	☐
13	Most of my work-related activity is watching and managing indicators of organizational activity	☐	☐	☐	☐	☐	☐

	Items	Agree			Disagree		
		SA	MA	LA	LD	MD	SD
14	I spend most of my working hours considering views of what my organization (group) can become	☐	☐	☐	☐	☐	☐
15	Most of my work-related activity is in pulling people together for the purpose of attaining the goal	☐	☐	☐	☐	☐	☐
16	I think that the most important aspect of my job is preparing for future needs (of the organization)	☐	☐	☐	☐	☐	☐
17	I manage my time efficiently when I work	☐	☐	☐	☐	☐	☐
18	I think that the most important aspect of my job is persuading people to accept my vision (for our organization)	☐	☐	☐	☐	☐	☐
19	I make an effort to participate in group activities	☐	☐	☐	☐	☐	☐
20	I focus my energies on managing and monitoring my organization's (or group's) progress toward a goal	☐	☐	☐	☐	☐	☐
21	Thinking about what my organization might look like in the future represents a major portion of what I do in my job	☐	☐	☐	☐	☐	☐
22	I am a predictable person. I think that people know what to expect from me	☐	☐	☐	☐	☐	☐
23	At work I try to foster close personal relationships with coworkers	☐	☐	☐	☐	☐	☐
24	While working I spend most of my time in managing organization (or group) progress toward a vision	☐	☐	☐	☐	☐	☐
25	Solving problems in unstructured situations is an important part of what I do	☐	☐	☐	☐	☐	☐
26	I would rather do something myself than delegate responsibility to someone else	☐	☐	☐	☐	☐	☐
27	I learn on my own first, then apply what I have learned	☐	☐	☐	☐	☐	☐
28	When I work, I spend most of my time convincing others n my organization to carry out a plan	☐	☐	☐	☐	☐	☐
29	Whenever I must present information to a group, I speak while using an outline as a reference	☐	☐	☐	☐	☐	☐
30	I think that the most important aspect of my job is looking at how the organization (or group) is performing and determining what it needs to do stick to the company plan	☐	☐	☐	☐	☐	☐

Exercise 4. The 6 Factors

Instructions: Consider the the following six "variables that make a leader." Pick up as many as apply to the case and discuss with your neighboring classmates. Then write how they describe _____'s talk. End this worksheet with an overall description of what you think of this person as a leaders.

1. Clarifying Your Center

_____

_____

_____

_____

_____

_____

2. Understanding What Is Possible

_____

_____

_____

_____

_____

_____

3. Clarifying What Others Can Contribute

_____

_____

_____

_____

_____

_____

_____

4. Supporting Others

_____

_____

_____

_____

_____

_____

_____

5. Being Relentless

_____

_____

_____

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6. Measuring And Celebrating Progress

_____

_____

_____

_____

_____

_____

_____

General impressions on _____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

Exercise 5. Sources of Power

Instructions: Leadership is based on power and this could be defined in many different ways. The table below lists eight skills or characteristics that may be helpful when defining managerial power. There are five sources of managerial power: (1) legitimate, (2) coercive, (3) expert, (4) reward, and (5) referent. Match the eight with one or more of the sources for each of the following leader (header column). Explain what drives your choice in the lines below. You may work in a group of two to four classmates.

To get an idea of leadership style of the five characters cited in the table, you may want to watch the following:

Anita Roddick [http://www.youtube.com/watch?v=vbyvLMav_go]

Andres Segovia [http://www.youtube.com/watch?v=CNjNXuGQaAE]

Alex [*Clockwork Orange*, Chapter 12, A Real Leader]

Another leader #1_____

Another leader #2_____

Another leader #3_____

Please write the name of the leader you are analyzing in the column below:

Power related to:	_____	_____	_____	_____	_____
Authority					
Technical ability					
Concerns for followers					
Position					
Recompense					

Power related to:	_____	_____	_____	_____	_____
Punishment					
Knowledge					
Respect					

Choice #1_____: How can you define power with the characteristics listed in the table? Explain the reason for your choice:

_____

_____

_____

_____

Choice #2_____: How can you define power with the characteristics listed in the table? Explain the reason for your choice:

_____

_____

_____

_____

Choice #3_____: How can you define power with the characteristics listed in the table? Explain the reason for your choice:

_____

_____

_____

_____

Exercise 6. Leadership

Instructions: Each of the following sections refer to a video (most of them are available on YouTube; see Exercise 13 for those hyperlinks that are not listed below) that you should watch before attempting to give your answers below. Questions are the same for each video; this makes comparisons easier. The section is repeated seven times to provide enough alternatives to students and professors/instructors. Three videos are usually enough to describe how leadership styles differ one from the other. This exercise is about leadership as something directed towards other people. In particular, the influence of the leader to other people is what you want to analyze here. Work in groups.

VIDEO I.
Excerpt from A Clockwork Orange, Stanley Kubrick, 1971.

1. Find words to describe what you see

_____   _____

_____   _____

_____   _____

_____   _____

2. What behavior, sentences and/or words impressed you most while watching this video?

_____

_____

_____

_____

3. Give a definition of this type of leadership. And, most important, is this leadership?

_____

_____

_____

_____

4. Why people follow this person?

_____

_____

_____

_____

5. Do you think people should follow this leader? Would you follow him? Explain the reasons why.

_____

_____

_____

_____

VIDEO II.

Anita Roddick, founder of The Body Shop

1. Find words to describe what you see

_____   _____

_____   _____

_____   _____

_____   _____

2. What behavior, sentences and/or words impressed you most while watching this video?

_____

_____

_____

_____

3. Give a definition of this type of leadership. And, most important, is this leadership?

_____

_____

_____

_____

4. Why people follow this person?

_____

_____

_____

_____

5. Do you think people should follow this leader? Would you follow him? Explain the reasons why.

_____

_____

_____

_____

VIDEO III.

Andres Segovia, Master Class

1. Find words to describe what you see

_____   _____

_____   _____

_____   _____

_____   _____

2. What behavior, sentences and/or words impressed you most while watching this video?

_____

_____

_____

_____

3. Give a definition of this type of leadership. And, most important, is this leadership?

_____

_____

_____

_____

4. Why people follow this person?

_____

_____

_____

_____

5. Do you think people should follow this leader? Would you follow him? Explain the reasons why.

_____

_____

_____

_____

Exercise 7. Motivation

Instructions: The goal of this exercise is to let you get an initial understanding of what motivation is. Why people behave the way they do? What drives human behavior? My suggestion is to look at you first, and to understand the others then. Answer the following questions, discussing with members of your group (when possible: a few questions are personal).

1. If I say "motivation," what comes up in your mind? Write down here words related to the word "motivation."

_____   _____

_____   _____

_____   _____

_____   _____

_____   _____

2. Now define motivation:

_____

_____

_____

3. Who is responsible for people's motivation?

_____

_____

_____

4. In your decision to apply to the MBA program, what are you motivated from? Please explain using the lines below.

_____

_____

_____

5. What boosts or diminishes your motivation as an MBA student? Make a list of words.

Boost	Diminish
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

6. What boosts or diminishes your motivation to study hard in a class? Make a list of words.

Boost	Diminish
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Exercise 8. Teams & Group Dynamics

Instructions: You have now been working with two or three other students in this class to complete your assignment. Please answer the following questions. Before answering, take the time to discuss with your classmates. Words in **bold** are technical terms so make sure you check the definitions; these are provided below for your convenience.

Tables and figures reproduced below are similar to those found in Jones and George (2009), *Contemporary Management.* MacGraw-Hill. Chapter 15.

Questions

1. Group/team member names

_____

2. What do you form? A **group*** or a **team**†? Why?

_____

_____

_____

3. What **type** of group or team is this?

　　a. **Formal**‡ or **informal**§? _____

　　　_____

　　b. Have a look at the following types of groups, then select the one that seems more appropriate to describe your case.

Type	Description
Executives team	A group of the highest command roles in the chart of an organization (e.g., CEO, CFO, ...)

---

* Two or more people who interact with each other to accomplish certain goals or meet certain needs.
† A group whose members work intensely with each other to achieve a specific, common goal or objective. All teams are groups but not all groups are teams.
‡ A group that managers establish to achieve organization goals.
§ A group that managers or non-managerial employees form to help achieve their own goals or to meet their own needs.

Type	Description
Friendship group	A group of people that meet informally with or without a specific goal and that enjoy each other's company
Interest group	A group of people that seek to achieve a goal and pursue that goal without formal roles being set
Command groups	Employees that work in a given department or unit
Task force or "ad hoc" committee	A committee of employees from different departments and roles that gather together to solve a specific problem
Committee	Group of people that has institutional goals and that meets regularly
Virtual team	People that make prevalent use of information technology (e.g., video conference, conference calls, etc.) to meet, discuss, and make decisions
Self-managed team	A team that sets up their own goals, manages, and controls processes and outcomes that relate to their activities.
R&D team	This is a team of people that have skills, experience, and knowledge on how to define and develop new products, processes, ideas, services, etc. for the company

_____

_____

_____

_____

4. How do you expect that **size**, **tasks**, and **roles** affect this group/team?

_____

_____

_____

_____

_____

5. Please select what **task interdependence**[**] is working in this group/team.

a. **Pooled**[††]: _____

Group per-formance
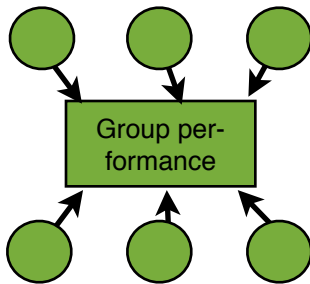
b. **Sequential**[‡‡]:

Pooled task interdependence

_____

_____

_____

c. **Reciprocal**:[8] _____

_____

_____

_____

_____

_____
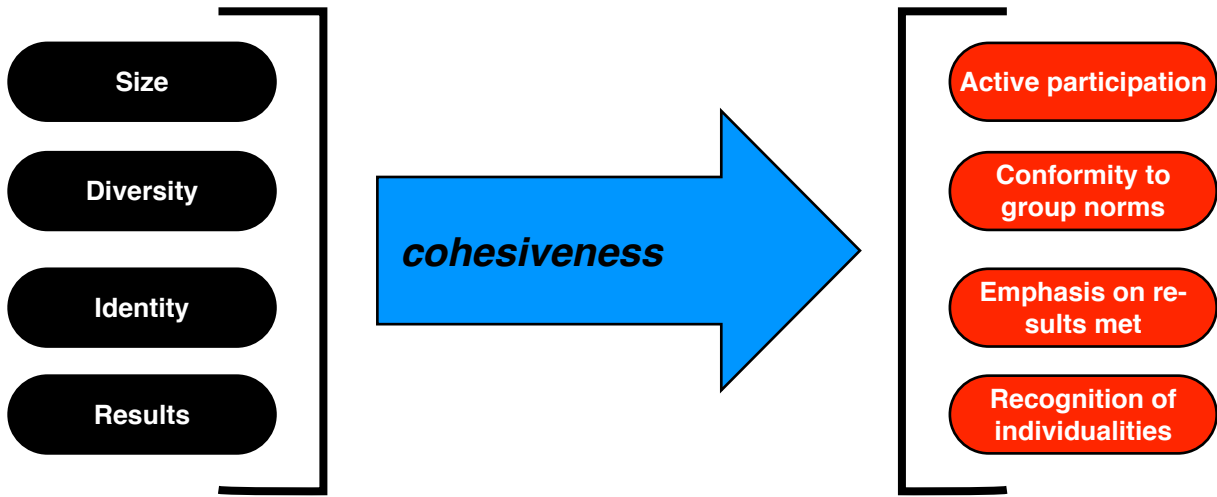
_____
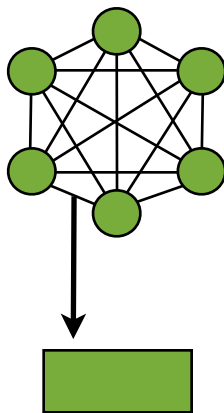
Reciprocal task interdependence

_____
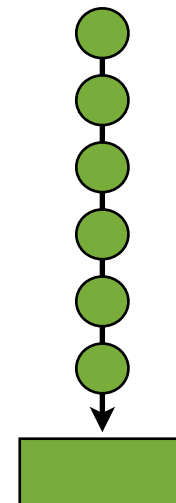
Sequential task interdependence

_____

_____

[**] *Task interdependence* shows how the work of one member impacts another. As interdependence rises, members must work more closely together.
[††] Members make separate, independent contributions to group such that group performance is the sum of each member's contributions.
[‡‡] Members perform tasks in a sequential order making it difficult to determine individual performance since one member depends on another.

6. Please look at the following figure and explain how **size**, **roles**, and **tasks** are interrelated in the team/group under analysis

Size		Active participation
Diversity	**cohesiveness**	Conformity to group norms
Identity		Emphasis on results met
Results		Recognition of individualities

_____

_____

_____

7. How do you explain **conformity** and **deviance** [§§] in your group/team?

Level of group performance

High

Low

Low conformity/ high deviance   Moderate conformity/ moderate deviance   High conformity/ high deviance

Balance of conformity/deviance in a group

_____
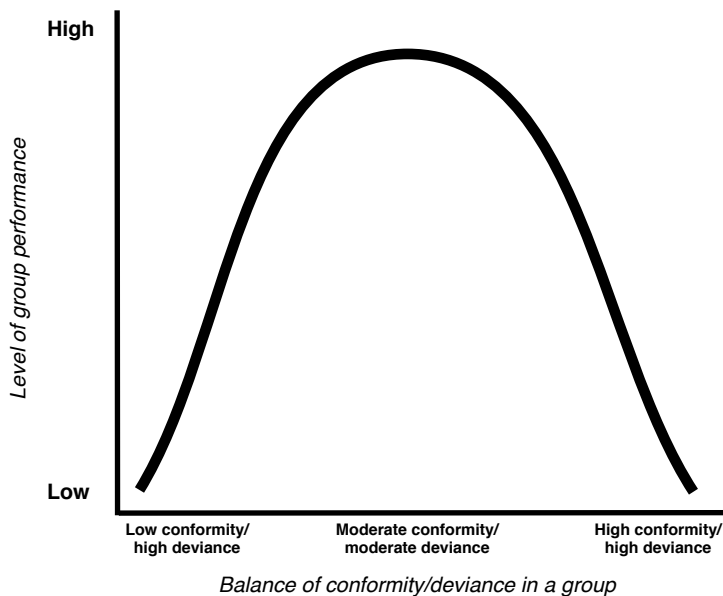
[§§] Members conform to norms to obtain rewards, imitate respected members, and because they feel the behavior is right. When a member deviates, other members will try to make them conform, expel the member, or change the group norms to accommodate them. Conformity and deviance must be balanced for high performance from the group. Deviance allows for new ideas in the group.

Exercise 8bis. Teams & Group Dynamics

Instructions:* Watch an episode of your favorite TV show (or movie), e.g., Lost, House, CSI, Ocean's 11, 12, 13, The Lord of the Ring, etc. As far as the show/movie involves groups and teams it works all right for this assignment. Then have a look at the following questions and try to see if you are able to answer them. If you think you can answer them easily, then go online and just do it!

Questions are available online at:
http://www.zoomerang.com/Survey/?p=WEB229XV8NQLMX

Please notice that many TV shows are viewable for free at abc.com or hulu.com

Questions
1. Name, email, TV show or movie title, episode

2. What do these people form? A **group** or a **team**?

3. Why is that a team or a group?

4. What **type** of group or team is this?

5. How do you expect that **size**, **tasks**, and **roles** affect this group or team?

6. Please select what **task interdependence** is working in this group/team.

7. Please explain how **size**, **roles**, and **tasks** are interrelated in the team/group under analysis

8. How do you explain **conformity** and **deviance** in this group/team?

Words in **bold** are technical terms therefore it is highly unlikely that your answers make sense if you do not read materials on teams and groups.

Enjoy your show!

_____

* This exercise is the "homework version" of No 8. Read materials on Teams and Groups!

Exercise 9. Control & Change

Instructions: Read the article on Google's management style and try to answer the questions below using some of the most popular models of control and change (all figures are taken from Jones and George, 2009).

Chaos by design

The inside story of disorder, disarray, and uncertainty at Google. And why it's all part of the plan. (They hope.)
[available online at:
http://money.cnn.com/magazines/fortune/fortune_archive/2006/10/02/8387489/index.htm]

Adam Lashinsky , Fortune senior writer
October 2 2006: 10:46 AM EDT

(Fortune Magazine) -- Spend just a few minutes on Google's sprawling campus in Mountain View, Calif., and you'll feel it right away: This is a company thriving on the edge of chaos. Google (Charts), age 8, is pulling in $10 billion a year in revenue and is worth about $125 billion, but the vibe is far more freshman mixer than profit-seeking firm whose every utterance is scrutinized for deeper meaning. The 1.3-million-square-foot headquarters is a mélange of two-story buildings full of festive cafeterias (yes, they're all free), crammed conference rooms, and hallway bull sessions, all of it surrounded by sandy volleyball courts, youngsters whizzing by on motorized scooters, and -- there's no better way to put this -- an anything-goes spirit. It's a place where failure coexists with triumph, and ideas bubble up from lightly supervised engineers, none of whom worry too much about their projects ever making money.

An edgy management style

Take the case of Sheryl Sandberg, a 37-year-old vice president whose fiefdom includes the company's automated advertising system. Sandberg recently committed an error that cost Google several million dollars -- "Bad decision, moved too quickly, no controls in place, wasted some money," is all she'll say about it -- and when she realized the magnitude of her mistake, she walked across the street to inform Larry Page, Google's co-founder and unofficial thought leader. "God, I feel really bad about this," Sandberg told Page, who accepted her apology. But as she turned to leave, Page said something that surprised her. "I'm so glad you made this mistake," he said. "Because I want to run a company where we are moving too quickly and doing too much, not being too cautious and doing too little. If we don't have any of these mistakes, we're just not taking enough risk."

When a million-dollar mistake earns a pat on the back, it's obvious this isn't your normal corporation. To figure the place out, I've repeatedly been told the person to see is Shona Brown, the 40-year-old ex-McKinsey consultant who is Google's senior vice president for business operations. That's what it says on her business card, anyway, but she might as well be Google's chief chaos officer. She literally wrote the book on the subject, a 1998 bestseller called "Competing on the Edge: Strategy as Structured Chaos." And fittingly, on the day I'm to see her at the Googleplex, my press escort and I get hopelessly lost. Finding anyone here requires precise navigation and the ability to read color-coded maps. We get so badly turned around -- entering the wrong building's lobby, backtracking through shrubbery to another -- that we arrive 17 minutes late. Even real estate at Google is chaotic.

Brown has made a career of arguing that anarchy isn't such a bad thing -- which is why Page, co-founder Sergey Brin, and CEO Eric Schmidt hired her in 2003. A business theoretician in a company dominated by engineers, she considers Google the "ultimate petri dish" for her research, though her job is anything but theoretical. In addition to overseeing human resources (called "people operations"), Brown runs a SWAT team of 25 strategic consultants who are loaned out internally on ten or so projects at a time -- restructuring a regional sales force here, guesstimating a market size there.

The company's goal, says Brown, is to determine precisely the amount of management it needs -- and then use a little bit less. It's an almost laughably Goldilocksian approach that Brown also advocates in her book, co-written with a Stanford business professor. The way to succeed in "fast-paced, ambiguous situations," she tells me, is to avoid creating too much structure, but not to add too little either. In other words, just make it not too hot and not too cold, and you're done. "If I ever come into the office and I feel comfortable, if I don't feel a little nervous about some crazy stuff going on, then we've taken it too far," she says.

A "Googley" approach to business

Crazy definitely trumps comfy at Google. You have to keep your wits about you on campus just to avoid smashing into one of Google's 8,000-plus employees. Meetings typically start on the hour, and young Googlers tend to hover outside scarce conference rooms beforehand. They doodle on hallway whiteboards, contributing inside jokes, such as sinister new ways to expand the company's online advertising program. ("AdSense for Eyelids," reads one.) Celebrity sightings are ho-hum. A couple of years ago I was having lunch at Google's sunny outdoor courtyard when Page and Brin sat down at my table with their guest, comedian Chris Tucker. George Soros lectured at Google the day I met Brown. Google advisor Al Gore shows up often.

Nurturing such an off-the-wall culture is a luxury only a company that's performing stupendously well can afford, and Google is certainly doing that. Two years after going public, its stock is up more than fourfold, and it's so profitable that despite helter-skelter spending on everything from mammoth data centers to worldwide sales and engineering offices, Google is generating more than $800 million in cash each quarter. In the process, Google is thrashing the competition -- in market share, deals won, buzz -- notably Yahoo (Charts) and Microsoft (Charts). It's also cozying up to a growing list of heavyweights you'd think would be warier, including News Corp (Charts)., Viacom (Charts), and ad-agency giant WPP (Charts).

If Google's engine is running fast, then naturally it's also running hot. That sheds light on all kinds of blunders -- many of them dwarfing Sandberg's -- which Google likes to explain away as its Googley approach to business. (Googley being a cloying description these people actually say out loud. Frequently.) The company is figuring things out as it goes, and not quite as effectively as you'd expect from its stellar financial results. Its new products haven't made nearly the splash that its original search engine did. Critics have mocked its self-righteous "Don't be evil" motto when, for example, Google decided to scan copyrighted books for its book search index. Even Google's rocket-ship stock price has been grounded. After a run from $85 in August 2004 to $475 last January, it has puttered around $400 for most of the year. Says Benjamin Schachter, an analyst with UBS:

"Investors are saying, 'Enough of what you're going to do. What does it do to the numbers?' "

What concerns investors is whether Google can come up with a second act. There's nothing to suggest that its growth engine -- ad-supported search -- is in trouble. But it's clear from Google's tentative lurches into new forms of advertising and its spaghetti method of product development (toss against wall, see if sticks) that the company is searching for ways to grow beyond that well-run core. It's the reason, for example, that Google requires all engineers to spend 20% of their time pursuing their own ideas. Successful second acts are exceedingly rare in the technology business -- or in any business, for that matter. Microsoft followed Windows with Office. Intel jettisoned its memory-chip line to rule microprocessors. Even Apple, which executed one of the most remarkable rebirths ever with the iPod, had to go through a painful decade to get there.

What emerges from months of interviews with employees ranging from fresh-out-of-college hires to the CEO is that Google firmly believes it has a framework for figuring out the future. It should come as no surprise that the plan is as irreverent, self-confident, and presumptuous as the company itself. Google's executives don't articulate it this way, but the framework can be found in the title of Shona Brown's book: structured chaos. Indeed, along with Googleyness, chaos is among the most important aspects of Google's self-image. Understanding how Google thinks about chaos -- like Page's teachable moment after Sandberg's million-dollar mistake -- is critical to divining where the company goes next. "Are lots of questions hanging out there in the market?" asks Sandberg. "Sure. Because we don't always have an answer. We're willing to tolerate that ambiguity and chaos because that's where the room is for innovation." Good strategy -- if it actually works.

In "Competing on the Edge", Brown describes a sizzling Silicon Valley software company from the 1990s that was confronting the joys and hardships of hypergrowth. She identifies it only with a pseudonym, Galaxy, and it bears a striking resemblance to Brown's current employer, which didn't exist yet. "Galaxy was populated by smart, hip twenty- and thirtysomethings who were chosen for their brains and their attitude," she wrote. "Tour Galaxy and you'll be struck by the college-like atmosphere. Landing a job at Galaxy is hard. The screening process is intense. Once hired, the Galaxy philosophy is to let people 'do their own thing.' " But Galaxy had one glaring weakness: "The firm was living off one set of unusually successful products, whereas the rest of the businesses were much more modest performers."

Finding a follow-up act

What vexed Galaxy is precisely Google's challenge today. For all its new products -- depending on how you count, Google has released at least 83 full-fledged and test-stage products -- none has altered the Web landscape the way Google.com did. Additions like the photo site Picasa, Google Finance, and Google Blog Search belie Google's ardent claim that it doesn't do me-too products. Often new services lack a stunningly obvious feature. Users of Google's new online spreadsheet program, for instance, initially couldn't print their documents. The calendar product doesn't allow for synchronization with Microsoft Outlook, a necessity for corporate users.

Other major initiatives like Gmail, instant-messaging, and online mapping, while nifty, haven't come close to dislodging the market leaders. Much-hyped projects like the comparison-shopping site Froogle (nearly four years in beta and counting) and Google's video-sharing site have been far less popular than the competition. One of Google's biggest misses is its social-networking site, Orkut, which is a hit only in Brazil and -- as Marissa Mayer, Google's 31-year-old vice president of search products and user experience, says with an impressively straight face -- is "very strong in Iran." Sometimes promising new products are buried so deep within Google's sites that users can't find them. "You can only keep so many things in your head," acknowledges CEO Schmidt. "Even if you're the No. 1 Google supporter, you cannot remember all the products we have."

This presents a conundrum: Impose order, and Google becomes just like everybody else; let chaos rule, and run the risk that Google's flailing about hurts its pristine brand and reputation for brilliance. Clarifying its intentions would be a start. "We need to do a better job of communicating which products we expect to be killer apps and which are experiments," Brin told a gathering of journalists in May. There's been progress. In June, Google released its online payment tool, Checkout, as a full-fledged product. Mayer, who has the final word (except for Page) on what appears on Google's home page, has established a war room to piece together a plan for better integrating Google's many products.

It's going to be a battle, though, simply because Googlers are adding features by the bushel -- and more are coming. Niniane Wang, a young engineer who worked on Gmail, is now assigned to a confidential project believed to involve social networking. Louis Monier, a Digital Equipment veteran who launched its AltaVista search engine, recently left eBay to join Google in a top-secret capacity. Katie Jacobs Stanton runs Google Finance, Google Blog Search, and two other projects. This summer she temporarily moved with her husband and three children to Bangalore to get closer to the engineers who built the finance site. Since Google Finance doesn't run ads or any other revenue-generating features, I ask Stanton how long the site can ignore making money. Her response: "Theoretically, forever."

In fact, Google is making money slyly, if slowly, on some of the very products that seem like mere whiz-bang. Consider Google Earth, the ubiquitous cable-news prop and workplace time waster that lets users view incredibly detailed geographic photos from around the world. It started as a satellite-imaging software company called Keyhole. "Sergey [Brin] was playing around with it and got enamored with Keyhole," says John Hanke, Keyhole's original CEO (and now a Google employee) before Google bought it in 2004. "At a staff meeting, he put Keyhole up on one of the projectors and started showing people their houses and flying around." The startup, whose images were confined to the U.S., had been bringing in modest revenue from real estate companies, but that's not what interested Brin. "When we got to Google, one of the first questions Sergey asked was, 'Why can't you look at the whole world at once?' " says Hanke. Two years later the company is integrating ads into Google Earth. Search for "pizza" while hovering above your neighborhood, and you'll get the idea.

Neat toys are about more than creating Web pages on which Google can slap ads. Google Earth has been downloaded more than 100 million times, and embedded in each download is a request from Google to place a toolbar, a Web gadget that includes a search box, permanently on a user's Web browser. That seemingly innocuous query is a gold mine for Google, because the ever present box increases the likelihood users will search on Google. The more people search on Google, the greater the chances someone will click on an advertiser's ads. "We know the lifetime value of a toolbar user," says Mayer, who offers the example to counter the notion that Google isn't trying to profit from its fancy doodads. "So we know how much value we're getting back out of somebody who downloads Google Earth and then subsequently downloads the toolbar."

Strategic Partnering

This virtuous cycle of more users conducting more searches benefiting more advertisers is precisely what makes Google so irresistible to business partners -- even those who feel threatened by it. Martin Sorrell, the chief executive of ad agency holding company WPP, has been outspoken in his fear that Google could obviate companies like his. (Automated ad auctions entail less overhead than armies of schmoozing ad executives, goes the argument.) He titled a section of his latest annual report "Google: Friend or Foe?" In an interview, he suggests the short answer: "The bigger and more successful you get, the more people want to bring you down." But it's not that simple. WPP, Sorrell notes, is Google's third-largest customer, measured by the amount of advertising it purchases on Google for its clients. Sorrell says Google wants to improve its access to WPP's clients, and he's inclined to allow that -- provided there's something in it for WPP. "We represent 20% of media revenue worldwide, and we're definitely not 20% of Google's revenue," he says. "We'll see how we can work together."

Working with Google and grumbling about it is quite in fashion. Viacom's MTV recently signed a deal for Google to distribute its videos to the Web publishers in Google's AdSense network, which lets the publishers run ads supplied by Google's advertisers. Comcast, which has been Google's ideological opponent in an acrimonious legislative battle over government regulation of Net access, is particularly pleased with the revenue it gets from having Google power the

search results on its Comcast.net home page for broadband users. In both cases, the older companies profit from Google's superior Internet advertising network. Indeed, after initially scaring "old" media, Google has become the go-to partner for juicing Internet revenues.

Chumminess with the establishment is in the air in mid-August when I meet with Schmidt, two days after Google's announcement of a landmark deal to provide search over numerous News Corp. properties, notably MySpace. (Google guarantees News Corp. $900 million over 3½ years in exchange for an unspecified share of ad revenue.) In our 90-minute interview, I remind Schmidt that at a lunch for journalists in March, he repeatedly mentioned MySpace almost wistfully, seeing how Google had been a bust in social networking.

"We didn't know what to do about it," he says. "Now we know." He explains that Google's new social-networking effort has at least two prongs. The well-known part is the MySpace deal; the other is Google's technology to improve search on social-networking sites, which so far only MySpace has agreed to use. Schmidt's explanation is a bald attempt to declare victory after an obvious defeat, since MySpace trounced Google's Orkut (not including, of course, those triumphs in Brazil and Iran).

The MySpace deal reveals the Google leadership triumvirate's visceral style. The transaction might never have happened, says Schmidt, if Brin hadn't flown to meet with News Corp. executives in Pebble Beach, Calif., where Rupert Murdoch was hosting an A-list bull session on global issues. (Schmidt was vacationing in Europe; Page was in India.) "We sent Sergey because he's very intuitive," says Schmidt. "He goes down there and sort of hangs with them for a while and comes back and says, 'You know, I'm really sure we should do this.' And it's not a numbers argument. It's a feeling of commitment."

Winning MySpace kept the Web's gem of the moment out of the hands of Microsoft and Yahoo, which both privately claim that Google overpaid by several hundred million dollars. Whether that's true won't be known for years. Tim Armstrong, Google's New York-based head of North American sales and the company's point man in the MySpace negotiations, pooh-poohs the notion that Google got taken. "What people aren't seeing is our ability to model deals," he says. "I would guess that Google was not offering to write the biggest check for this partnership." In any event, the deal created a fan in News Corp., which has steadfastly refused to place any of its Fox shows on Google's video site and yet is positively giddy about its budding advertising relationship. "I actually don't view them as overwhelmingly competitive with us," says Peter Chernin, News Corp.'s president and chief operating officer. "They are trying to sell advertising, and so are we. But at their core I view them as a technology company, and we are an entertainment company. It's a happy and convenient marriage."

Mapping the future

It's great for Google that Murdoch & Co. love it so, but that doesn't change the impression that Google is winging it -- after all, the deal only came together after Brin descended from the clouds to peer into News Corp.'s soul. When I ask Schmidt whether his company actually has a plan, he does what engineers tend to do in situations like this: He gets up and starts drawing on a whiteboard.

A billionaire at 51, Schmidt cuts the typical Silicon Valley figure of somebody's successful, but otherwise average, dad. His khakis-and-oxford uniform is standard, as are his wire-frame glasses and Supercuts-inspired hairdo. Schmidt's doodling, which he's also done recently for the Google board of directors, tells the story of where he sees Google's money coming from for years to come. He draws a series of connected clouds representing the history of the computing industry, from mainframes to minicomputers to PCs to today's mobile devices. The gist of the illustration is that there's practically no money left to be made in computers, not in hardware or software. The money, instead, is all in Web applications, a trend Schmidt had been predicting since his days as chief technology officer at Sun a decade ago. Users won't always be traveling to the Web on the PC, which is why he scribbles lines for cellphones, cable set-top boxes, Treos, BlackBerrys, and so on. Schmidt's most compelling point -- and the most visible glimmer of a method to Google's madness -- is the power behind the not-so-secret data centers Google is building, particularly a 30-acre facility in Oregon whose existence he references without provocation. "That massive investment should translate into the ability to build applications that are impossible for our competitors to offer, just because we can handle the scale," says Schmidt. (Microsoft, Yahoo, and IBM, each of which is spending heavily on similar big iron, would beg to differ.) He's talking about processing-power-sucking Google applications like Gmail and Google Earth -- and unannounced products on the drawing board.
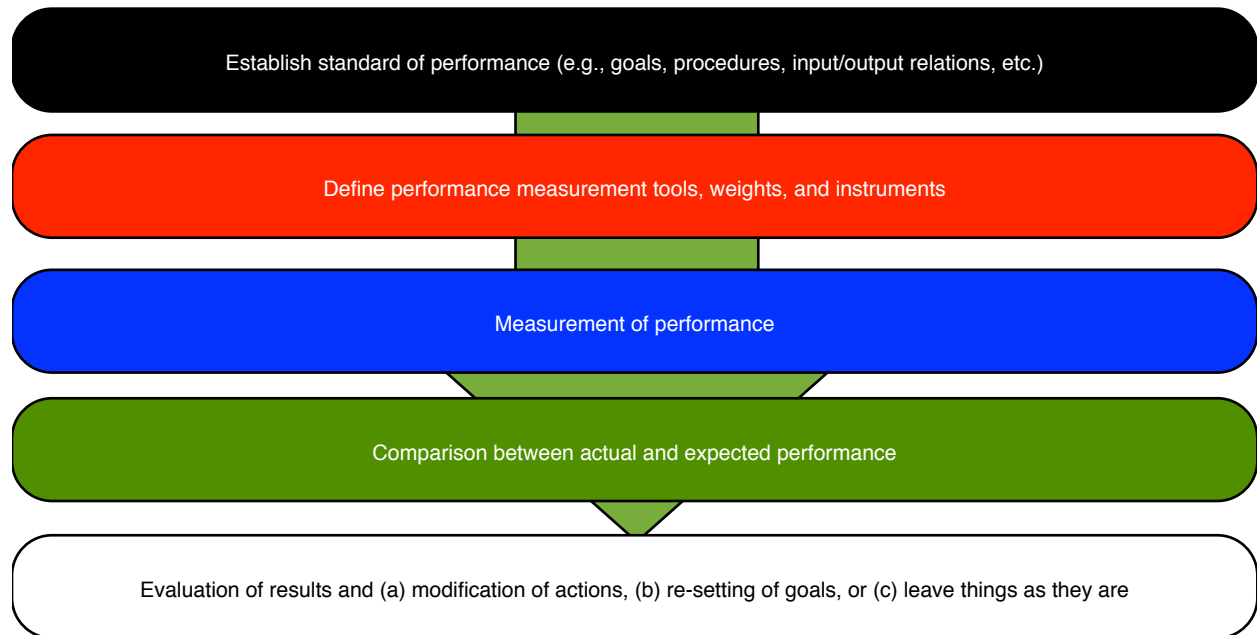
Google has also begun to show how it plans to use that power for advertising services that go beyond search. Brokering video ads for MTV is new terrain, as are the graphical display ads Google plans to sell for MySpace. The company is engaged in an 18-month-old experiment to auction text and graphical ads for newspapers and magazines. It's also in the process of integrating its biggest acquisition to date, a radio-advertising company called dMarc Broadcasting, which Google bought in January for $102 million in cash plus a potential performance-based payout of more than $1 billion. dMarc automates the process for delivering radio ads to about 10% of the country's 10,000 stations. By merging dMarc into Google's AdWords, Google's online system for auctioning search terms, it will offer its advertisers -- who so far hawk their wares in 75 words or less of written text -- the ability to deploy radio ads as well.

It's a bold push. "We see very clear ways to improve advertising for all users," says Armstrong, the sales chief. It's the "all" in his aspirations that frightens anyone in Google's path. Or used to, anyway, before people started noticing that not everything Google does rocks the world. Nick Grouf, CEO of Spot Runner, a well-funded Los Angeles startup that does even more for television advertisers than dMarc does for radio, sees an Achilles' heel. "It's their incredible focus that got them this far," says Grouf. "But all these new initiatives suggest a dilution of that focus."

With so many moving parts, it's natural to wonder if Google is truly a company for the ages -- or whether it's the next Galaxy, that fast-moving, arrogant, one-hit wonder in Shona Brown's book. To believe that Google will find its second act, you have to accept the hubris and the chaos, and that the brainiacs who got lucky once will do so again. Google desperately wants to believe its nonlinear approach is all part of the plan. But as the company's big thinkers are the first to admit, most of the questions about Google aren't answerable. Try as they may, no one can truly control chaos.

From the October 2, 2006 issue

a. Consider this figure from your textbook. How does it relate to what you just read? What steps does Google follow? Why?

Establish standard of performance (e.g., goals, procedures, input/output relations, etc.)

Define performance measurement tools, weights, and instruments

Measurement of performance

Comparison between actual and expected performance

Evaluation of results and (a) modification of actions, (b) re-setting of goals, or (c) leave things as they are

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b. Look at the figure below: does this help more to describe what control system operates at Google?

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Type of control	Mechanisms
Output control	Financial measures of performance Organizational/team/departmental goals Operating budgets
Behavior control	Direct supervision Management by objectives Rules and standard operating procedures
Organizational culture/clan control	Values Norms Habits Roles expectations Socialization/informal rules

c. What about change? Does the following model fit into Google? Please explain.

Access the need for change	Decide on the change to make	Implement the change	Evaluate the change
• Recognition of the problem • Identification of the sources of the problem	• Define what are so-called "ideal states" for the organization (or team, or department) • Make a distinction between what are viable alternatives and should be discarded • Try to define what has potentials to prevent change to happen	• Define the strategy that you want to follow to implement the change (i.e., participative, top-down, partial introduction, limited to one department) • Define the time framework that you would like to follow • Establish a se of checks to the change progress when you are implementing it • Actual introduction and change management	• Compare performance pre- and post-change • Evaluation process (see figure under point a.)

Exercise 10. Team Formation

Instructions

1. <u>Form a team</u>. Look for people having skills, competences, and willingness to help you in achieving your mission.

2. <u>Accomplish your mission</u>. Your mission is:

To open and successfully run a brewpub (i.e., produce and sell beer in the restaurant) in Bournemouth.

3. <u>Present</u> your team to the class (i.e., what you want to do, and how to do it).

Guidelines
1. Form the team.

Look around, and go find someone interested in joining your team. When you go find somebody, you would need someone that fits one or more of the following roles:
   a. **Company worker**: work, and the organization's goals come first (high commitment to the cause, hard worker, and precise... hopefully!)
   b. **Plant** (creative): introverted but clever individual with deep knowledge in the field (hard worker, creative, and experienced in the field).
   c. **Resource investigator** (creative): networker, always checks out things (hard worker, creative, sympathy, precise).
   d. **Monitor-evaluator** (decision): decision-maker, serious-minded, and checking assumptions (committed to the cause, inquiring mind, precise, and organizer).

You cannot have more than **four team members** (not including yourself) in your team; hurry and select the best ones before they go with the other team! Now, find out who can contribute to your cause. Start the interview process! You can classify team members using the table below:

Names	Commitment to the cause	Hard worker	Experience in the field	Creative	Enthusiasm	Sympathy	Supportive	Precise	Inquiring mind	Organizer

Here you can define each one's role:

Names	Company Worker	Chairperson (leader)	Shaper (leader)	Plant (creative)	Resource inv. (cr.)	Monitor (decision)

2. Accomplish your mission.

While you discuss the mission and set everything up with your team, please make sure you strictly follow and apply these **rules**:
- a. make sure you share your mission with everyone
- b. do not be assertive and try to see how people can contribute
- c. always show positive feedback and encourage people to have their say
- d. let your strategy to the final goal (open the brewpub) be shaped by the comments from team members
- e. always try to engage people in the plan using values, expectations and, most importantly, the vision
- f. motivate people using shared values and commitment to the common cause
- g. never use money or other perks as a motivational tool when you ask people to perform a job or a task

Find out how to do what is in your mission. Here are a few questions you may want to answer with your team. Discuss each of the following questions with members of your team.

Why do you want to start this business? Why is it so important to you?

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Are you sure you have enough demand for this business to start-up?

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Where will your business be located (i.e., which part of town) and why?

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Do you have enough money to do that? How will you raise the money?

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Will you find resources from the government's start-up fund, EU, or else? Will team members contribute?

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Who is going to do what? How will you split responsibilities?
IMPORTANT: refer to rule b., c., and e. – responsibilities are assigned using collegiality

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When do you plan to start?

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3. Present the ideas to the class

Additional comments - notes for your speech to the class
If you would like to use some slides for your presentation (no more than 10 min), then go on myBU and click on the link to get access to google docs.

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Exercise 10bis. Team Formation

Instructions

1. <u>Form a team</u>. Look for people having skills, competences, and willingness to help you in achieving your mission.

2. <u>Accomplish your mission</u>. Your mission is:

To start-up a company that imports Italian and French products in Bournemouth.

3. <u>Present</u> your team to the class (i.e., what you want to do, and how to do it).

Guidelines
1. Form the team.

Look around, and go find someone interested in joining your team. When you go find somebody, you would need someone that fits one or more of the following roles:

a. **Company worker**: work, and the organization's goals come first (high commitment to the cause, hard worker, and precise... hopefully!)
b. **Plant** (creative): introverted but clever individual with deep knowledge in the field (hard worker, creative, and experienced in the field).
c. **Resource investigator** (creative): networker, always checks out things (hard worker, creative, sympathy, precise).
d. **Monitor-evaluator** (decision): decision-maker, serious-minded, and checking assumptions (committed to the cause, inquiring mind, precise, and organizer).

You cannot have more than **four team members** (not including yourself) in your team; hurry and select the best ones before they go with the other team! Now, find out who can contribute to your cause. Start the interview process! You can classify team members using the table below:

Names	Commitment to the cause	Hard worker	Experience in the field	Creative	Enthusiasm	Sympathy	Supportive	Precise	Inquiring mind	Organizer

Here you can define each one's role:

Names	Company Worker	Chairperson (leader)	Shaper (leader)	Plant (creative)	Resource inv. (cr.)	Monitor (decision)

2. Accomplish your mission.

While you discuss the mission and set everything up with your team, please make sure you strictly follow and apply these **rules**:
   a. make sure you share your mission with everyone
   b. always be assertive
   c. listen to the people but make decisions on your own (i.e., make sure they share their thoughts but do not let them influence you too much; you are the leader, you know what needs to be done)
   d. try to have your strategy to the final goal (start the business) influence other people's thinking
   e. always try to engage people in the plan using money and other monetary-related incentives
   f. only do something for people when they commit to do something for you (or for the mission)

Find out how to do what is in your mission. Here are a few questions you may want to answer with your team. Discuss each of the following questions with members of your team.

Why do you want to start this business? Why is it so important to you?

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Are you sure you have enough demand for this business to start-up?

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Where will your business be located (i.e., which part of town) and why?

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Do you have enough money to do that? How will you raise the money?

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Will you find resources from the government's start-up fund, EU, or else? Will team members contribute?

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Who is going to do what? How will you split responsibilities?
IMPORTANT: refer to rule b., c., and e. – responsibilities are assigned by you

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When do you plan to start?

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3. Present the ideas to the class

Additional comments - notes for your speech to the class
If you would like to use some slides for your presentation (no more than 10 min), then go on myBU and click on the link to get access to google docs.

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Exercise 11. Team Formation

Instructions: You will be contacted by an entrepreneurs that is trying to build a team. He/she is asking your help to help him/her fulfill the dream. Listen to both, then make a choice. No team can have more than five members (including the recruiter); hence, you better hurry up and find the one team that suits your expectations and needs. The employer/recruiter will ask you some questions and you will answer honestly. Also, you are allowed to ask any question you want.

* * * * *

Once your experience with the team is **over**, please make an evaluation of your leader, based on the following scale. Describe what you think on the scale: TA = Totally Agree, A = Agree, SA = Somewhat Agree, Null = neither agree nor disagree, SD = Somewhat Disagree, D = Disagree, TD = Totally Disagree.

Items	Disagree				Agree		
	TD	D	SD	Null	SA	A	TA
1 He/she has a dominant personality	☐	☐	☐	☐	☐	☐	☐
2 I could feel a strong desire to influence	☐	☐	☐	☐	☐	☐	☐
3 He/she behaved like a role model for me	☐	☐	☐	☐	☐	☐	☐
4 He/she showed competence	☐	☐	☐	☐	☐	☐	☐
5 Goals were articulated clearly	☐	☐	☐	☐	☐	☐	☐
6 I felt he/she had high expectations	☐	☐	☐	☐	☐	☐	☐
7 He/she showed self-confidence	☐	☐	☐	☐	☐	☐	☐
8 He/she has strong moral values	☐	☐	☐	☐	☐	☐	☐
9 I trusted him/her	☐	☐	☐	☐	☐	☐	☐
10 I think we had similar goals	☐	☐	☐	☐	☐	☐	☐
11 I was happy to follow him/her	☐	☐	☐	☐	☐	☐	☐
12 There was no need to challenge his/her point of view	☐	☐	☐	☐	☐	☐	☐
13 My confidence got boosted	☐	☐	☐	☐	☐	☐	☐
14 I felt emotionally involved	☐	☐	☐	☐	☐	☐	☐

Items	Disagree				Agree		
	TD	D	SD	Null	SA	A	TA
15 There was empathy when we discussed the project	☐	☐	☐	☐	☐	☐	☐
16 I had the impression he/she just wanted me to do what he/she was saying	☐	☐	☐	☐	☐	☐	☐
17 I don't think the leader regarded my opinion highly enough	☐	☐	☐	☐	☐	☐	☐
18 I felt rewarded	☐	☐	☐	☐	☐	☐	☐

Source: based on Avolio, B. J., Bass, M. B., & Jung, D. I. 1990. Re-examining the components of transformational and transactional leadership using the Multifactor Leadership, *Journal of Occupational & Organizational Psychology*, 72(4): 441-462; items available from a list of characteristics for charismatic leadership from Northouse, P. G. 2010. *Leadership: Theory and Practice* (5th ed.). Thousand Oaks, CA: Sage.

Exercise 12. 3M

Instructions: Read the paper '3M Corporation' and complete the following sections. The objective of this assignment is to analyze if and how human resource policies at 3M are effective, and if they serve the company's mission. In other words, you need to focus on strategic thinking.

Work in groups

Section I – *Identification of core competencies*
What makes 3M different from competitors?

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What is 3M's mission, as it emerges from the paper?

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Please define what makes the company's unique using keywords (core competencies):

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Section II *– Strategic thinking*
This section refers to Exhibit 1. Read, think, discuss, and answer the following questions.

0. What is creativity? Please discuss this with your classmates and write an explanation.

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1. Do you think that, on a general basis, HR policies described in Exhibit 1 support high levels of creativity and innovation? Please explain.

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2. What kind of individuals do you think they look for when they hire new personnel? Please write down some key qualities, qualifications, and competences that 3M new hires should have:

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3. In relation to the policy, what should you:

Section III *– What if…*

That day you went to work wondering why this 'disgrace' happened to you. None of the employees working under your supervision have presented any project in the past nine months, nor did you. You know very well how business policies are, and you also know that, as a manager, employees could work to a project without your consent and without you knowing anything about their projects. But, you also know that nobody is using the 15% option. At 3M, the environment is supposed to be creative, to foster innovation, to take the lead in innovative products, to prevent competitors' imitations, etc. You are in charge of a business unit that does not seem to be so active.

Moreover, the business unit revenues coming from products introduced within the last four years will be below the 30% limit by mid-2011. Action is needed! Luckily, you are not alone: You share the management of this business unit with other people (classmates in your group).

What needs to be done? How will you find the way to the common goal?

How do you think 'strategically'?

What should your plan look like? How will you put the plan into practice?

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Part II. Case Studies

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Case Study I. ReNu®. Too Much Cleansing!

Do you use contact lenses? Do you use them often? If your answer is "yes," then there is a significant possibility that you know ReNu®, a solution for cleaning, disinfecting, and storing your contact lenses by Bausch & Lomb (B&L).

Bausch & Lomb: The Company
Founded in 1853, it has its headquarter in Rochester (NY), the company employs about 13,000 people and sells its products in more than 100 countries worldwide. The areas of operation are (a) contact lenses and related products, (b) pharmaceuticals, and (c) cataract and eye surgery.[***] The company's total sales for the year 2005 had been $2,354 million, profits registered $19.2 million; the revenue growth rate in the years 2003-2005 averaged 7.0%. Their Research & Development (R&D) expenses totaled $177.5 million (7.5% of revenues) and the operating income was stable at 12% in year 2005. The "lens care" segment of their business counts for about 18% of their revenues.[†††] Their stocks are traded in the New York Stock Exchange.
Bausch & Lomb puts emphasis in their 39-page *Code of Business Conduct and Ethics*, the purpose being "stay true to a vision." With a one-word/multiple-meaning statement, the "vision" is that of the founders: To improve the way people see. The Code states that the company "must maintain an ethical culture," and they implement it with a commitment to ethical principles and with rules for sound decision making.[‡‡‡]

ReNu® with MoistureLoc
The solution, one of the blockbusters selling for the company serves many purposes at the same time: it (a) cleans contact lenses and (b) removes proteins and other deposits that remain after use. The product "accounted for $45 million of sales" in 2004.[§§§] The family of ReNu® products are sold worldwide to an estimated 20 million customers.[****]

Some Troubling Results
It was February 20th, 2006 when the Health Ministry of Singapore made a press release stating

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[***] Information retrieved online at http://www.bausch.com/en_US/corporate/ir/general/profile.aspx, March 28, 2011 11:09 AM.
[†††] Bausch & Lomb 2011. Historical GAAP Statements of Income. Retrieved online at http://www.bausch.com/en_US/downloads/corporate/ir/general/RESTATED_financials.pdf, March 28, 2011 11:09 AM. See also Feder, B. J. 2006. Lens Cleaner Is Recalled Worldwide. *New York Times*, May 16, Section C, p. 1.
[‡‡‡] Bausch & Lomb 2008. Stay True to a Vision. Code of Business Conduct and Ethics. Rochester, NY: B&L.
[§§§] IHT, 2006. Bausch chief backs safety of its ReNu lens cleaner. *International Herald Tribune*, April 13.
[****] Information retrieved online at http://www.bausch.co.za/Consumer/ContactLensesCare/SoftLensCare/tabid/103/Default.aspx?PageContentMode=1, March 28, 2011 2:49 PM.

that out of 18 cases of serious eye infection, 100% used B&L's multi-purpose solution.[††††] The following day, the Ministry suggested that contact lens users stop using B&L's ReNu® "because of a 'very strong association' between the solution and a recent spate of fungal corneal infections."[‡‡‡‡] The number of people affected at that time in Singapore was 39, of which 34 said they used the solution. According to the Malaysian *New Strait Times*[§§§§] similar cases were found in Hong Kong.

Far from being isolated to the Asian market, the problem spread over the ocean and similar cases were found in the United States. The eye infection was found in 109 contact lens users over a 10-month period ending April 2006. The U.S. Centers for Disease Control and Prevention revealed that the infection is *fusarium keratitis*, a corneal infection that, in some cases, may result in serious corneal injuries and blindness if a transplant is not performed.[*****]

The Food & Drug Administration (FDA) decided to inspect B&L's manufacturing facility, located in Greensville, S.C.[†††††] The inspection was supposed to determine the fate of the case. According to Ron Zarrella, the company's CEO, the solution was safe. On April 12, he claimed, "tests had shown the lens cleanser ReNu with MoistureLoc was effective in killing the Fusarium keratitis fungus that causes the infection on the cornea." Moreover, he also stated that ReNu® is "as safe and effective as anything on the market" and that "there's no indication there is a formula problem here."[‡‡‡‡‡]

Market analysts warned of dangers "that there is permanent damage to the brand"[§§§§§] and the share price started plummeting as soon as the news of the infection was released in the U.S.[******] In the meantime, major drugstore chains in the U.S., including CVS, Walgreens, and Jewel-Osco, started to wonder whether to take actions to protect their customers instead of awaiting the company's decision.

Questions

7. What are the alternatives that the company faces? And what are the consequences related to each alternative? Try to answer as if you were manager of the company
8. How many dimensions/types of social responsibility could be related to the case?
9. On the basis of your answer to question 2, what is the strategy that you think managers should embrace to deal with the situation?

[††††] Khalik, S. 2006. Spike in cases of blinding eye infection has experts baffled. *The Straits Times*, February 21, 2006.
[‡‡‡‡] Khalik, S. 2006. Stop using Bausch & Lomb lens solution, MOH advises. *The Straits Times*, February 22, 2006.
[§§§§] Bausch & Lomb will not offer refunds, *New Strait Times*, March 17, 2006.
[*****] *Biotech Business Week*, January 29, 2007, Medical study results announced by Centers for Disease Control and Prevention, U.S., p. 1817.
[†††††] Walsh, J. & Moore, D. 2006. Firm will not recall lens cleaner. *Philadelphia Inquirer*, April 13, p. C01.
[‡‡‡‡‡] IHT, 2006 *ibid.*
[§§§§§] Walsh, J. & Moore, D. 2006. *Ibid.*
[******] Walsh, J. & Moore, D. 2006. *Ibid.*

Case Study II. Mattel Products Recall
Or…Apologies?!?! Yes, indeed

Instructions: Watch Bob Eckert's video [available at http://www.youtube.com/watch?v=xH9O 8JlvOe4] and read the newspaper articles reproduced below. To make your mind on what happened, discuss the issues with your neighbors and answer the questions at your best.

Mattel plays diplomat in China
The firm apologizes for recalls of products made in the country. Experts say the move is meant to preserve relations
Abigail Goldman. *Los Angeles Times*. Los Angeles, Calif.: Sep 22, 2007. pg. C.1

[available online at:
http://articles.latimes.com/2007/sep/22/business/fi-mattel22]

The Chinese call it guanxi, and it refers to the relationships that are so crucial to doing business in their country.

To many observers, it helps explain why a high-ranking Mattel Inc. executive appeared with Chinese government officials Friday to publicly apologize for having to recall more than 19 million toys because of lead paint and dangerous magnets.

The toys had been made in China. So why was Mattel eating crow?

"It's the whole concept of guanxi -- cooperation -- and face saving," said Mark Allenbaugh, a lawyer who consults with companies doing business in China. "Mattel has developed relationships over the years, with the factories and with government officials. That can all disappear very quickly if Mattel went the other route and blamed the Chinese manufacturers as being the bad guys here."

Few companies would know better than Mattel about the importance of guanxi.

The El Segundo toy maker imports 65% of its products from China and, unlike most others in its industry, owns the factories there that produce many of its goods.

Because so much of its business is based in China, it's especially important for Mattel to be on good terms with the Chinese government, noted Allenbaugh, who also owns an Irvine manufacturing company that imports products from China.

"The Chinese government can make it very, very difficult and expensive for a company like Mattel to continue to do business in China," he said.

But as news of the meeting circulated Friday, Mattel had the difficult task of trying to quell a brewing storm -- a week before Chief Executive Robert Eckert makes a trip to China to personally inspect the company's new manufacturing safeguards.

"China should be apologizing as well to consumers around the world for exporting shoddy products and dangerous food," said Sen. Charles E. Schumer (D-N.Y.) in a quickly issued statement.

Placed on the defensive, Mattel said the meeting between Chinese officials and Thomas Debrowski, Mattel's executive vice president for worldwide operations, had been "mischaracterized."

A spokeswoman said after the meeting that the company's appearance in Beijing was no different from similar testimonials before the U.S. Congress and European Union officials.

"Since Mattel toys are sold the world over, Mattel apologized to the Chinese today just as it has wherever its toys are sold," Mattel said in a statement.

Throughout a series of recalls this year of Chinese-made products, which began last winter with tainted pet food ingredients, Chinese officials have complained that their factories have gotten undue criticism. Consumers failed to consider foreign companies' lack of oversight, Chinese officials said, or the billions of safe products Chinese factories produce.

"Mattel would do this because they want to keep good relations with China," said Susan Aronson, a professor at the George Washington University School of Business and an expert in global corporate social responsibility. "Apologizing for a corporate mistake is not common in the United States, but it's common in other countries, particularly in Asia."

For its part, Mattel has said repeatedly that its biggest recall had nothing to do with China or shoddy production.

That recall of more than 17 million doll accessories and cars -- coming just after one lead-paint recall of Chinese-made products and in tandem with another -- was because of high-powered magnets that could break loose and pose a serious danger if swallowed.

The problem, Mattel's Eckert said again and again, was in design, not manufacturing.

The company also has said from the beginning that out of an abundance of caution, it was recalling all products with even the slightest chance of cross-contamination from lead paint.

But according to the official New China News Agency, Debrowski on Friday "admitted" both points.

Further underscoring the issue, the news agency story also said an investigation showed that 87% of the 21 million recalled toys had design flaws, and 13% contained excessive lead.

"Expanding the recall without disclosing the exact proportion of the recalled toys among all its imports isn't proper," Li Changjiang, head of the General Administration of Quality Supervision, Inspection and Quarantine, told the news service.

Indeed -- perhaps in deference to guanxi -- Mattel's statement in China highlighted both the scope of the recall and the source of the magnet problem.

"The magnet-related recalls were due to emerging issues concerning design, and this has nothing to do with whether the toys were manufactured in China," Debrowski told Chinese officials. "Mattel does not hold Chinese manufacturers responsible for the design in relation to the recalled magnet toys."

The careful wording differences are a kind of wordplay Chinese officials employ when the country's interests are at stake, said Drew Thompson, director of China studies for the Nixon Center in Washington.

Thompson compared it to the linguistic battles over Taiwan. The U.S. says, "We do not support Taiwan independence," and the Chinese say, "We oppose Taiwan independence," he said.

But after meetings between the two countries on the topic, Chinese officials have said that they are pleased that the U.S. opposes Taiwanese independence.

Given Mattel's significant investment in China -- making it difficult to quickly shift production elsewhere -- Mattel may have had little choice but to participate in China's effort to shape the news.

"They had to give a mea culpa to the Chinese government in order to move forward so they can get back to business," Thompson said. "The Chinese government feels they have been mistreated and haven't gotten a fair shake from the international media in this situation, and this meeting was an attempt to get a more balanced and accurate perspective circulated."

Still, Thompson said, the short-term public relations victory could backfire.

"I'm not sure they considered the potential impact this is going to have on future foreign direct investment," Thompson said. "This incident makes China look like they're bullying a company that has made significant investments in the Chinese economy."

"It has struck a nerve here in the States in a way that I don't think the Chinese government has appreciated."

The Guardian. London (UK)

Playtime's over as toys are sent home
The recall by Mattel of millions of toys due to dangerous magnets and lead paint, and the suicide of a Chinese factory owner, have shone a light on an industry with a dirty secret

Eric Clark. Aug 18, 2007. pg. 27

[available online at:
http://www.guardian.co.uk/world/2007/aug/18/china.mainsection]

With the latest recall of millions of unsafe toys by the world's biggest toy company, Mattel, a stark truth has come home to roost for the pounds 30bn global toy industry: you cannot have dirt cheap production thousands of miles away from home in China without incurring huge risk.

It is a truth that could cost the industry dearly, not just in immediate costs - possibly as much as $100m (pounds 50m) for Mattel - but in the extra steps it must now take to protect its products in future and in the hammering to its reputation. The upside is that the recall, combined with the suicide of one factory owner whose export licence was revoked, will hopefully alert western consumers to the conditions endured by the millions of young migrant girls who actually make 80% of the world's toys. Their treatment, often abysmal, is part and parcel of the same system that has resulted in the unsafe toys.

The recall of 18.6m toys worldwide, 436,000 of them for containing impermissible levels of toxic lead paint, is damaging in itself. But it was the company's second in as many weeks - the first involved nearly 1m playthings from its Fisher-Price range. These were only the latest in a series of scares: RC2 Corp recalled 1.5m Chinese-made Thomas and Friends wooden railway toys because of possible lead paint dangers. Hasbro, the world's second largest toy company, had to call back 1m Easy Bake Ovens that caused burns; in one case a child had part of a finger amputated.

America's Consumer Product Safety Commission issued a recall for 3.8m "Magnetix" sets consisting of tiny magnets. Swallowed, the magnets bonded in the stomach: children were seriously injured and one 20-month-old boy died when they locked on his small intestine, causing a blockage. In the European Union, toys are the most defective Chinese import. In both the US and Europe insiders predict further toy recalls.

A few smaller toy companies have quickly relabelled their products proclaiming the (rare) fact they are made in the US or Europe. Isaac Larian, the man behind the multi-billion-dollar Bratz dolls, has even talked of starting up some production in the United States.

This is all marginal. The world toy industry basically is large American companies, mostly public with a constant eye on Wall Street, which design and market the toys, and the 8,000 Chinese factories which manufacture for them.

To visit the Pearl River Delta, north of Hong Kong, is to enter the toymaking centre of the world. Choking smog stings eyes and throats. Behind guarded gates, factory compounds stretch mile after dusty, depressing mile. On identical concrete boxes, only the washing hanging at chicken wire-covered windows shows these are dormitories.

The workers, mostly young women, shuffle from building to building. They could be on their way to school - if they did not appear so exhausted from working most of their waking hours. They have travelled in by bus from rural areas up to three days journey away - part of the biggest movement of people in human history. Shifts can last 15 hours a day or more, seven days a week - unlawful, but not uncommon in the peak toymaking season. Inside the fetid dormitories, their only living space, and often packed illegally with as many as 22 to a room, they collapse into curtained-off bunks. At lunch breaks, thousands of them in uniform, ID cards dangling on ribbons, pour onto the streets.

Moving production to China has advantages for toy companies far beyond cheap and plentiful labour. It saves investment in plant and equipment; they can increase manufacturing capacity fast without having plant lying idle at quiet periods and push a key part of a high-risk business over to the suppliers. There is another somewhat perverse attraction: the communist regime ensures order and stability, while China's tight control on the exchange value of its currency and organised labour force subsidises manufacturing costs. Occasionally, the industry threatens to move production to even cheaper countries, but it is a hollow threat - China has an unique ability to give the industry what it needs. The country has the right infrastructure - customs officers at Shenzhen alone handle 300 containers of imported raw materials for toys and another 40 containers of ready-made toys for export every day. Plastic moulds, parts and components are supplied by the textile, electrical and metal industries.

Factories may make products for competing brands. Because churn out the product, their share of the total toy cake is infinitesimal. Of the $9.99 retail price of a Chinese-made Barbie doll, according to an investigation in 2000, only 35 cents went to the producers in China.

The toy industry is as hard as they come. With total sales barely growing, children forsaking toys ever younger (KGOY - kids getting older younger), and competition from new "toys" such as iPods and mobile phones, the industry competes with increasingly aggressive marketing and vicious cost slashing.

Relentless economising breeds poor conditions and corner cutting. Many executives seem oblivious to the glaring incompatibility of what they demand from their suppliers - the lowest prices and production in large volume at very short notice and, at the same time, working conditions and practices that will not offend the west. It is these pressures that make the Chinese workers' and suppliers' lives stressful and even intolerable, as the suicide of factory owner Zhang Shuhong shows.

The squeeze has been getting tighter. One estimate is that in a recent three-year period, prices demanded by international toy companies ordering from China dropped by 30%. Factory managers complain of demands for faster turnarounds without extra pay, with the threat that if they don't comply, there are always other factories.

The industry does send in teams to monitor conditions, but in a country that is nominally communist but in reality a heartland of unrestrained capitalism, such checks too often don't work. Just as auditing of factories has developed, so too has anti-auditing - factories have become more proficient at hiding the truth.

Then there is sub-contracting. A factory may take an order, then lay some - or even all of it - off to another plant. That factory may sub-contract further. In the latest Mattel case, the main supplier for Sarge cars sub-contracted to a company which used an unauthorised supplier it blames for the toxic paint. Often companies end up having no idea who actually made their product.

Many toy companies worry about sweatshop conditions only during periods of bad publicity. They persuade themselves that consumers quickly forget and carry on buying. Safety, they are finding, is a different proposition: no parent can live with the prospect (however remote) of his or her small child dying in agony from a swallowed magnet, suffering brain damage because of lead paint, losing a finger due to a faulty oven.

What can be done? There's the apology/we will do better approach. Mattel this week took out full-page ads in US newspapers. Chief executive Robert Eckert went onto the internet to apologise to parents, making a point of his own four children and insisting that "absolutely nothing is more important than the safety and wellbeing of our children". (At the same time, the company was vigorously assuring Wall Street that new quality controls would not adversely affect holiday sales and, by inference, the share price.)

Whether there is a tipping-point at which bad publicity resulting from safety fears makes it worth the companies' while to ensure minimum standards, keeping closer tabs on their suppliers and easing the relentless pressure on costs, is moot. Evidence from other industries, from food to clothes, is rarely encouraging.

What is clear is that making an example of individuals,

as happened in this case, absolves the system of which the toy industry is a part, shifting all blame to the factory and punishing the people who should not be punished - the workers. In China, it's better to have a rotten job than no job at all. But western consumers must begin to face reality. We cannot demand ultra-cheap toys and still enjoy clear consciences and guaranteed safety. To think we can is as naive as believing in Father Christmas.

Seattle Times. Seattle, Wash.

Toymaker's suicide sharpens focus on China quality woes

Mark Magnier, Abigail Goldman: Aug 14, 2007. pg. A.8

[available online at: http://seattletimes.nwsource.com/html/nationworld/2003835303_chinatoy14.html]

BEIJING -- The suicide of a Chinese executive implicated in a massive recall of Mattel toys has intensified the spotlight on China's quality-control problems and the strong role "guanxi," or connections, play in business dealings here.

Cheung Shu-hung, a co-owner of the Lee Der Industrial in southern China, came under severe pressure in August after El Segundo, Calif.-based Mattel voluntarily recalled nearly 1 million plastic preschool toys made by Lee Der and containing paint with excessive levels of lead.

State media reported Monday that Cheung greeted workers over the weekend, chatted with them, then went to the warehouse and hanged himself.

According to the Southern Metropolitan Daily newspaper, Cheung, reportedly in his 50s and unmarried, was sold the defective paint by his best friend.

Officials at the Lee Der factory in Foshan in southern China and its headquarters in Hong Kong could not be reached for comment.

The toys manufactured by Lee Der between April 19 and July 6 and sold in the U.S. under Mattel's Fisher-Price brand included such well-recognized favorites as Big Bird, Elmo and the Dora and Diego characters.

Mattel is set to announce the recall of another toy involving a different Chinese supplier as early as today, according to three people close to the matter who spoke on condition of anonymity because of the sensitivity of the situation.

Details of the latest recall were not immediately available, but one of the three people said the toy is being recalled because its paint may contain excessive amounts of lead.

Mattel's quality problems are the latest in a parade of scandals involving Chinese-made toys, tires, seafood, pet food, medicine, toothpaste, vitamins and food additives, among others. Mattel, the world's largest toy maker, said last week the recall will reduce its second-quarter pretax operating income by $30 million, or 47 percent.

China's General Administration for Quality Supervision, Inspection and Quarantine, one of the nation's safety agencies that often fight over turf, placed a temporary export ban on Lee Der's products late last week.

The Consumer Products Safety Commission said it is investigating the Mattel recall -- standard procedure following a company's report about a potential problem. The agency will examine whether Mattel reported its concerns as soon as it should have. Companies are required to alert the CPSC within 24 hours of learning of a possible hazard.

Mattel said it was alerted to the problem in early July, after a European retailer's product tests detected lead. The company said it halted production on July 6 or 7 at Lee Der and began conducting its own tests. Mattel said it alerted the CPSC on July 26.

On Friday, the toy maker was served with a class-action suit for violating consumer-protection laws.

Last week, Mattel identified Lee Der as the sole source of its lead-paint problem. Adding to the pressure on Cheung, Mattel invited competitors to sever their relationship with the Chinese supplier.

Reports of his death spread quickly through China's toy industry.

"I'm surprised to hear about his suicide," said Xu Quanning, secretary of the Shanghai Toy Association. "Then again, $30 million is a huge financial hit. He must have known about the lead paint. It's almost impossible the company chief wouldn't know."

It's important that Mattel not be let off the hot seat too easily, however, some said.

"It's cheaper for American companies to produce overseas in low-cost countries," said Zheng Yusheng, Shanghai-based associate dean of the Cheung Kong Graduate School of Business and a specialist in supply-chain management. "But brand companies like Mattel get high profits. With the profit also comes the responsibility to check the quality. If toys have lead in them, it's easily found."

Information from The Associated Press is included in this report.

1. Do you think Mattel's standard practices were fair before the case emerged? Why?

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2. How do you define what happened as far as national boundaries are concerned? Is this a U.S. only, Chinese only, or is it a global case? Why?

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3. Why apologies to American customers came first? Is apologizing a sound business strategy?

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4. Are apologies to Chinese people due or not? Do you think this is a 'public relations' or marketing move?

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5. Do you think Mattel overlooked the fact that business works differently in China? Please explain what they overlooked (if anything).

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Case Study III. Cheap and Effective Workforce

Instructions: This is the case of Primark that was found to use sweatshops by an undercover BBC reporter. Surprisingly enough, we are not in an exotic Asian country but in the UK, right in the heart of Old Europe! Are we repeating history? Aren't we supposed to learn from the past? Watch the video and read the article, then address the points below.
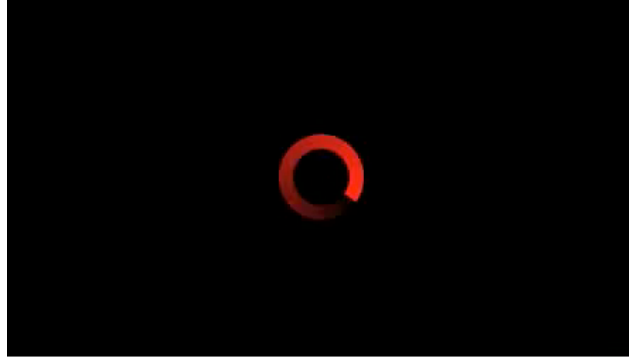
BBC: Undercover filming of workers at the TNS factory

19:41 GMT, Monday, 12 January 2009

Primark linked to UK sweatshops

Factory workers making clothes destined for fashion chain Primark work up to 12 hours a day for £3.50 an hour, an undercover BBC investigation has found.

by Navdip Dhariwal, BBC News

[video and article available online; click here!]

Supplier TNS Knitwear was also found to be employing illegal workers in poor conditions at its Manchester factory.
TNS has denied all the claims. Primark says it is "extremely concerned" and is carrying out its own investigation.
Primark is best known for its cheap fashion clothing and bucked the trend on Britain's high street last year to make a £233m profit.
On its website, it claims to deliver fast fashion without breaking its ethical code or exploiting its workers, but the BBC has uncovered evidence that shows some of its manufacturers are doing so.
In a statement, the company said: "The apparent practices shown in today's BBC News broadcasts are a matter of great concern."
Primark said its ethical business practices were of great importance and "it works hard to ensure its many suppliers conform to the highest standards".

Under pressure
TNS Knitwear Ltd, based in a former Victorian mill in Manchester, supplies clothing to several high street fashion chains.
It is one of Primark's biggest UK suppliers of knitwear, handling hundreds of thousands of garments for the company a year.

A BBC reporter, who is a non-UK national, applied for a job with the company and was not asked about her right to work. She was taken on by the boss, Zahid Sarwar, without even being asked her name, and given a job packing Primark knitwear.
While working, she discovered an intense work culture where employees admitted to being under pressure to meet orders, two-thirds of them for Primark.
Many in her section were putting in 12-hour days, seven days a week, for just over half the minimum wage.
By law, workers should be paid £5.73 an hour and Primark's own code of conduct promises workers a living wage.
But Zahid Sarwar, the co-owner of TNS Knitwear, is filmed on a secret camera telling our reporter she would get £3.50 an hour.
Our reporter also found there was no heating in that area, and staff worked in their coats in bitterly cold temperatures.
An unrepaired toilet meant workers of both sexes were sharing one set of toilets.
One Afghan man, working alongside our reporter, said he was an asylum seeker and had been working illegally in the country for three years.
He said: "The management asked me if my status should be declared - I said 'No'.
Our reporter asked: "Ok, so your asylum case is under progress?"
He replied: "Yes, I haven't got asylum yet."
Our reporter also spoke to two other factory workers who admitted breaking the law. One man from Pakistan said his visa expired eight years ago.
Employers who take on illegal workers can face fines of up to £10,000 per person under the Immigration, Asylum and Nationality Act.
Our reporter was also told others working legally were cheating the benefits system by claiming sickness benefits while

working at TNS Knitwear.

At the end of a week's work, our undercover reporter received her wages cash in hand, without any paperwork.

In a statement, TNS Knitwear insisted all the allegations were untrue and said some were fabricated.

Sewing labels

TNS Knitwear delivers 20,000 garments a week to Primark, but it farms out some work to smaller Manchester factories, where the BBC found conditions were even worse.

Primark said its suppliers did not have the right to subcontract work. But our reporter got a job at Fashion Waves sewing labels onto Primark clothes.

Workers admitted on secret camera they were working illegally - claims denied by Fashion Waves.

One of the machinists told our reporter on camera how a day earlier the boss said there was an immigration raid, prompting people to run away.

She said: "Had I been caught I would have been in serious trouble because my asylum case is ongoing. I don't have the right to work."

Primark's code of conduct says its clothes should be made in safe and hygienic conditions.

But at Fashion Waves, our reporter found corridors were routinely blocked with boxes and the kitchen was so dirty workers were forced to eat their lunch sitting on piles of Primark clothes.

On one occasion, our reporter found herself trapped in the women's toilets after boxes fell in front of the door.

Fashion Waves owner, Zaheer Mahmood, also broke the law by paying our reporter £3 an hour - a claim the company denies.

In a statement, Fashion Waves said: "We do not have any illegal employees in our firm in best of my knowledge."

The BBC bought a £10 cardigan from one of Primark's Manchester stores in the same colour and style with the same code as the one our reporter was working on at Fashion Waves.

Neil Kearney, of the International Textile, Garment and Leather Workers' Federation, said the investigation findings were a "total scandal".

"This is the importation of third world working conditions into Europe and in this case into the UK," he added.

"There's no such thing as cheap clothing; somebody has to pay and in this case it's the workers in Manchester who pay."

Last year, Primark fired three Indian suppliers after a six-month BBC Panorama investigation found the suppliers had used child labour to carry out embroidery and sequin work.

Of the latest claims, Primark said it was "extremely concerned about the very serious allegations" and is conducting its own investigation.

It added: "Primark had TNS independently audited on 28 April and 10 December 2008 and had a strict... programme in place in relation to identified breaches of its code of conduct."

"Primark apologises for the harm and distress to the innocent employees of both TNS and TNS' sub-contractor Fashion Wave"

1. How many CSR issues have you counted?

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2. Were you working at Primark as employee, what you would suggest the company would do?

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3. Were you working as manager at Primark, what you think the first step would be?

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4. What is it so surprising in a case like this?

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5. What is the societal impact of this approach to business?

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6. Does the fact that sweatshops are located abroad make them more sustainable or acceptable?

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Additional notes

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Organizations: Rational, Natural, and Open Systems
The elements of organizations and the three paradigms

Scott's classification of what constitutes an organization is widely recognized as very effective in that it captures the essence of the most common management theories.

Before getting to the classification, we need to answer a simple question: what is an organization? Otherwise stated, what let us distinguish an organization from other kinds of aggregations, institutions, or groups? To answer these questions, Scott isolates five concepts that define key elements of every organization.

Elements of organizations

There are five elements that define what an organization is. The following elements should be considered together. When only one of them is missing, then what we have is not an organization but something else. Remember, this is important: every single one of the elements is key to understand and analyze how to define organizations.

Social structure

The social structure is the set of "regularized aspects of the relationships existing among participants in an organization" (Scott, 2003, p. 17). It is composed by two distinct but related sub-elements: (1) the *normative* and (2) the *behavioral* structure (Leavitt, 1965). The former is the set of values, norms, and roles expectations, where values are those principles that drive human behavior, norms are formal rules that govern the social and working life, and roles are expectations and responsibilities that come out of specific positions in the organizational ladder.

The latter, the *behavioral* structure, defines actual behavior that exhibits some degree of regularity (Scott, 2003, p. 18; Homans, 1950).

The social structure is defined by the interaction of the normative and the behavioral structures. Formality or informality lean towards the prevalence of normative or behavioral structures within an organization.

Participants or social actors

Scott points out that "[o]rganizational participants are those individuals who, in return for a variety of inducements, make contributions to the organization" (p. 19). This definition allows us to focus on two aspects. The first is that there may be several different motivations explaining why different individuals contribute to the same organization. And these motivations are explained by the exchange process between the organization and participants. This latter is the second aspect that derives from the definition. Otherwise stated, participants are those individuals that, for different reasons, engage in an exchange process with the organization.

Are participants only inside the organization? To answer this question, think again at the definition. Are only inside groups and individuals (i.e., managers, employees, shareholders, etc.) those that exchange something with the organization? If we consider suppliers and customers, for example, we may argue that there is an exchange process for them too. Customers, for example, exchange money for products or services coming from the company. The seconds are "inducements" while the first is a "contribution."

There is enough evidence to state that there is some overlap between the concept of participants and that of stakeholders of an organization (Freeman, 1984). Stakeholders are those individuals and groups that are affected or affect the organization in the achievement of its goals.

Goals

Goals "are conceptions of desired ends that participants attempt to achieve through their performance of task activities" (Scott, 2003, p. 20). Every organization has their goals. The fact that there should be one or multiple sets of goals and sub-goals is a matter of which theory we are considering.

Technology

This element deals with the transformation of materials into final products (goods or services) and implies that organizations employ different resources. To state that every organization needs technology to work means to refer to its machines, mechanical equipment, human knowledge and skills.

In short, the organization "is a place where some type of work is done, as a location where energy is applied to the transformation of materials as a

mechanism for transforming inputs into outputs" (Scott, 2003, p. 21).

Environment
Organizations do not exist in a vacuum. They are part of society, the national and global economy, and play politics (when they can afford it), just to name a few external factors that matter. In Scott's words, "[e]very organization exists in a specific physical, technological, cultural, and social environment to which it must adapt" (p. 21) and vice-versa, the environments adapts to the organization in a way that fitness works bi-directionally (Hench and Secchi, 2009).
Put differently, not only the organization needs to adapt to the environment, also the environment adapts to the organization. This process may be assimilated to a niche-construction activity.

Theory classification
The next step is to isolate different management and organizational theories and to classify them using the five elements introduced above.
Scott uses systems theory to define three theoretical perspectives: (a) the *rational*, (b) the *natural*, and (c) the *open* system.

The rational system perspective
For those who study organizations and that could be classified under this category, "[o]rganizations are collectivities oriented to the pursuit of relatively specific goals and exhibiting relatively highly formalized social structures" (Scott, 2003, p. 26). From this perspective, when analyzing organizational phenomena emphasis should be on two out of five elements: *goals* and *normative structure*. We know that the latter is part of the social structure; what should be apparent is that these scholars underestimate—or, sometimes, not consider at all—the importance of the behavioral structure.
Why the word "rational"? This is because this perspective is particularly interested in the formal and "hard" structure of the organization (norms, rules, goals) that can be "objectively" defined. Participants are those that simply follow these organizational constructs. For this reason, we may add that also the mechanical and human processes that lead to transform inputs in outputs are important. It is apparent that we are referring to another element, i.e. *technology.*

The natural system perspective
Students classified under the natural system perspective analyze organizations under a different

angle. For them, "[o]rganizations are collectivities whose participants are pursuing different interests, both disparate and common, but recognize the value of perpetuating the organization as an important resource. The informal structure of relations that develops among participants provides a more informative and accurate guide to understanding organizational behavior than the formal" (p. 26). Emphasis is on *participants*, *goals* (these are the "different interests" in the definition), and *behavioral structure.* This perspective utilizes three out of five elements.
Why "natural"? Here, the word stays to highlight the informal aspect of relations. To understand and explain organizational phenomena, the social interactions among participants are more important than norms and rules (e.g., formal). This approach may be thought of as the negative of the rational perspective.

The open system perspective
It is only after the first management and organizational studies that some scholars happen to realize that organizations do not exist in a vacuum. For them, "[o]rganizations are systems of interdependent activities linking shifting coalitions of participants; the systems are embedded in—dependent on continuing exchanges with and constituted by—the environments in which they operate" (p. 28). Here too, there is something that tracks back to particular constituting elements. These scholars highlight the importance of *participants*, and the *environment*. Also *behavioral structure* seems to be concerned; the stress is on dynamics.

The following table shows how the different perspectives deal with the elements of organizations. There is no theory (or perspective) that is better than the others. Different theories serve different purposes, i.e. the theory to select for the analysis depends on the problem managers are facing.

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