Secondary claims essay

Once a firm loses the opportunity to be a first mover, it is difficult to regain competitive advantage Secondary Claims: • Growth through unrelated diversification is a poor business strategy • Business ownership patterns have diminished the likelihood of many firms' long-term success CONCEPT LIST Economies of scale: Large companies can produce products at a much lower cost than small ones because the cost per unit drops as the volume of output rises

Economies of scope: Large companies ca use the same raw materials and intermediate production processes to produce a variety of different products • ex: McDonalds introducing their apple pie Functional divisions, management hierarchy & geographical expansion: • Should ensure proper communication between different sectors of the business • Geographic expansion is based on economies of scale (long term, management strategy) First movers: Companies that quickly dominate their industries by making large investments and gaining competitive advantage They confidently seize opportunities through major commitment.

Constantly improve aggressively compete • Manage logically and systematically • Maintain and nourish their competitive capabilities ex: Ferrari = competition, need to learn from them in order to become better Horizontal Growth: Combining with competitors in order to grow as a company Vertical Growth: By moving backwards to control materials and forward to control outlets ex: Pepsi buying out a bottle factory in order to have more control over the industry

Research & development: Innovation and strategy is more powerful than price. Improve existing products and develop new ones Entrepreneurial enterprise—staying small: Staying small – specialization (pursuing growth through economies of scope and developing markets that best fit their distinctive core production and research technologies) Diversification, related & unrelated: • Growth through unrelated diversification is a poor business strategy • Moving into related markets is based of economies of scope (long term, management strategy)

Separation of top vs middle managers: With diversification came the division (separation) of top management from middle managers who were responsible for running the operating divisions. Two reasons: • Managers had little tech knowledge of all divisions it had acquired • Larger numbers of acquired business crated an overload in decision making Stock market pressures: When companies focus on making investors happy. Caused by unrelated diversification. Giving in to this type of pressure will eventually cause your company to fail in the long run (affected how managers could proceed)

Five models of development 1. Age of organization: So things are good for the company for a certain period of time but will becomes a problem in another period 2. Size of organization: Problems and solutions are different as the company gets bigger 3. Stages of evolution: Only modest changes are needed to maintain the growth of the company 4. Stages of revolution: It is necessary to find a new set of organizational practices to be the base of the next evolution period. Either the company is able to make those changes or it will not make it very far 5.

Growth rate of the industry: It is related to the speed at which a company goes through the phases of evolution and revolution. When it is a fast growing industry, the evolution period tends to be shorter than in a slow growing industry. Phases of Growth Creativity: Creating and selling a new product • Entrepreneurial • Informal and infrequent communication among employees • Long hours rewarded by modest salaries and the promise of ownership benefits • Decisions highly sensitive to market, management acts as customer acts Crisis of Leadership: Development of unwanted management responsibilities.

Must find a strong manager with knowledge and skill to lead the company of out confusion, solve managerial problems and pull the organisation together. Direction: Period of sustainable growth under able, directive leadership • Functional organised structure introduced, manufacturing and marketing separated and jobs become specialised • Accounting system for inventory and purchasing introduced • Incentives, budgets and work standards adopted • Communication becomes formal/impersonal, hierarchy grows Crisis of Autonomy: Lowers level employees possess more information about markets and machinery than higher ups, so more delegation needed

Delegation: Application of decentralised organisational structures • Greater responsibilities on managers • Profits centers and bonuses used to motivate • Execs manage by exception based on reports • Outside businesses acquired • Communication from top is infrequent Crisis of Control: Top executives fear of losing control over highly diversified field operations and seek to regain control Coordination: Use of formal systems to achieve greater coordination and top level managers take responsibility of the new systems • Decentralised unites merged into product groups Formal planning procedures established and reviewed.

Staff hire at headquarters to initiate companywide programs of control and review for line managers • Capital expenditures are weighed and parcelled out across organisation • Each product group treated as investment centre, return on investment = important to allocate funds • Technical functions (data processing) is centralised at headquarters, daily operating decision making is decentralised • Stock options and profit sharing used Red Tape Crisis: Bureaucratic system has evolved – organisation is too large to be manager through formal systems

Collaboration: Builds around a flexible and behavioural approach to management • Teamwork introduced (rewards geared towards team performance) • Staff experts at headquarters reduced, reassigned and combined into interdisciplinary teams that consult • formal control systems simplified • Conferences of key managers held to focus on major problems • Programs to train managers in behavioural skills to achieve better conflict resolution and teamwork • Real-time info systems integrated into daily decision making • Experimentation with new practices encouraged

PORTER – WHAT IS STRATEGY? Strategy: You perform different activities from your competitors, or the same activities in different ways Operational Effectiveness: You perform similar activities better than your competitors. • Operational effectiveness is necessary but not sufficient for long term success. STRATEGY – Importance of uniqueness • Variety-Based positioning: Be unique by having distinctive products or services (Jiffy Lube example:

Specializes in lubricant for cars). Needs-Based positioning: Be unique by targeting a special group of customers (Ikea example: Ikea seeks to meet all the home furnishing needs of its target customers, not just a subset of them). • Access-Based positioning: Be unique by reaching your customers in special ways (Carmike Cinemas example: operates exclusively in cities and towns with populations under 200, 000). TRADE-OFFS When you choose a particular position, you choose NOT to use other approaches. • These are Trade-offs and are essential and they make imitation (straddling) difficult.

It is very difficult for companies to make trade-offs. Trade-offs arise for three reasons: • Inconsistencies in image and reputation. (Example: Ivory soap will have a hard time imitating Neutrogena’s dermatologist tested soap, it would cost too much to change their image). • From activities themselves. (Example: The more Ikea has configured its activities to lower costs by having its customers do their own assembly and delivery, the less able it is to satisfy customers who require higher levels of service). • From limits on internal coordination and control. Trying to be all things to all customers risks confusion for the employees trying to make day-to-day operating decisions without a clear framework). STRATEGIC FIT Production, marketing, personnel, etc. should all be consistent. When all activities work together as a system, imitation is difficult (Neutrogena markets to upscale hotels eager to offer their guests a soap recommended by dermatologists).

Fit Drives both Competitive Advantage and Sustainability • Simple fit means activities fit together, no round pegs in square holes, no compromises or contradictions. • Trade-offs are enforced. Reinforcing activities means one activity contributes to make another work better, too. • Optimization of effort means sharpening the overall fit SUSTAINED COMPETITIVE ADVANTAGE Achievable when you have operational effectiveness AND competitors cannot copy your approach. Many CEOs don't have a strategy • Afraid of making trade-offs • Seduced by the concreteness of operational effectiveness • Tempted to grow by broadening (growth trap) vs. deepening position and maintaining strategic continuity. • " Benchmarking best-practices" and " outsourcing" lead to easy imitation… ompetitive convergence • Strong leaders and strong choices are essential. Strategic Continuity: Hang on to strategy in the long run if you want to have a competitive advantage. COLLINS & PORRAS – BUILDING YOUR COMPANY'S VISION Vision: Provides guidance about what core to preserve and what future to stimulate progress towards. • Core Ideology: Enduring character, glue that holds the organisation together. – Core ideology = guidance and inspiration. – Core ideology needs to be meaningful and inspirational only to people inside the organisation – It is important to get people to share the core ideology.

Hire people who already have it. Core Values: System of guiding principles and tenets " A company should not change its core values in response to market changes; rather it should change markets, if necessary, to remain true to its core values". – Confidence in forming opinions and presenting well-supported arguments about business – Enjoy ideas about business and learning about business practices Core Purpose: It is the organisations reason for being – Provide a " toolkit" of foundational management theories, industry analysis, critical thinking skills. Prepare you for advanced courses and beyond • Envisioned Future Vision-level BHAG: visionary companies use

BHAGs – A true BHAG (Big Hairy Audacious Goals) is clear/compelling, serves as a unifying focal point of efforts and acts as a catalyst for team spirit. It has a clear finish line – Vision-level BHAG applies to entire organisation and requires 10-30 yrs of effort to complete Vivid Description: vibrant, engaging and specific description of what it will be like to achieve the BHAG – Passion, emotion and conviction are essential parts of the vivid description Goal

Companies need to build a strong organization with people capable of achieving the goals (Chandler) Avoid the “ We have arrived” syndrome. Stability coexists with change: (Ying Yang) One side: Preserve the core (Core Ideology; Values and Purpose) Other side: Stimulate Progress (BHAGs; envisioned future) “ You must translate the vision from words to pictures with a vivid description of what it will like to achieve your goal”. HERTZBERG – ONE MORE TIME: HOW DO YOU MOTIVATE EMPLOYEES? KITA: Kick in the ass (Motivation) Push – you are motivated and you push to motivate employees Negative KITA:

Physical: Kick or hit someone. Drawbacks: inelegant, contradicts image of benevolence, physical attack stimulates automatic nervous system resulting in negative feedback Psychological/ emotional: Manipulation of psychological vulnerabilities Advantages: non-visible, reduced possibility of physical/backlash, number of psychological pains a person can feel it almost infinite, person administrating kick can be above it all and let system accomplish the dirty work, ego satisfaction, complaints can easily be written off as paranoia Positive KITA: Rewards and bonuses are given. Myths about motivation (positive KITAs) . Reducing time spent at work: motivated employees want to spend more time at work and are not looking to get off the job 2. Spiraling wages: employees are only motivated to get the next increase and to avoid a pay cut, not to do their job 3. Fringe benefits: have become rights, not a source of motivation 4. Human relations training: fails to motivate, leads to higher expectations 5. Sensitive training: only temporary gains from comfort and interpersonal KITA 6. Communications: trying to make employees understand what management is doing for them intensifies without motivating 7.

Two-way communication: morale surveys, suggestion plans, and group participation programs have led to communicating and listening, not motivation 8. Job participation: providing a sense of achievement rather than a substantive achievement in a task does not result in any improvements – no motivation 9. Employee counseling: helps employees unburden themselves by talking to someone about their problems but has not lead to more motivated people These two KITAs leads to movement, not motivation! Why is KITA not motivation? Motivation is wanting to do it with no outside stimulation. KITA is outside stimulation that must be repeated each time

Hygiene Factors: Are not motivating! These are things that people expect to be there and when they’re not there people will not be happy. Example: “ Pay”. Things that potentially make people dissatisfied with the job. Motivators: Makes people feel better about themselves, like a sense of achievement, or pride, of learning and growing. Dissatisfiers: Just dissatisfied, does not mean that they are satisfied. Example: Having no blinds in the office, employees are dissatisfied. But once received, then employees are not dissatisfied anymore. Satisfiers: By building enough motivators into the job, then people will be satisfied. Hygiene :

Dissatisfaction reduction | Growth/Motivator factors: satisfaction increases | | Stimuli inducing pain avoidance: job environment | Stimuli for growth needs: job content (induces growth) | | Supervision | Work | | Salary | Responsibility | | Company Policy & Admin | Achievement – doing job correctly | | Interpersonal relationships | Advancement | | Status | Growth | | Security | Recognition for achievement | | Working conditions | |

Horizontal job loading: reduction of personal contribution of employees rather than giving opportunity for growth in their jobs. Increases the meaninglessness of the job. i. e. adding more meaningless tasks, rotating assignments and removing more challenging part of job Ex: Going from filling spice bottles to putting labels on the spice bottles. Vertical job loading: Gives people the opportunity to decision making jobs, enriching work to effectively use personnel. Gives upper level jobs, gives some responsibility. Job enlargement: (like horizontal job loading). Getting a larger job but it is still dull and boring. Job enrichment: (like vertical job loading). Must make jobs BETTER, not just bigger. Steps for job enrichment 1.

Select unmotivated jobs, approaching them with the conviction that they can be changed 2. Brainstorm a list of changes that may enrich jobs without concern for practicality 3. Screen the list to eliminate suggestions involving hygiene, horizontal loading, generalities (i. e. give more responsibility) that are rarely followed in practice 4. Avoid direct participation by employees whose jobs are being enriched 5. Be prepared for a drop in performance in the experimental group in the first few weeks 6. Expect first line supervisors to experience some anxiety an hostility over the changes you are making [pic] FRENCH AND RAVEN – THE BASES OF SOCIAL POWER

By the basis of power, we mean the relationship between P (person) and O (other) which is the source of that power Power = capacity to influence others who are in a state independence/ability to cause others to take action unequivocally Reward Power: The ability to reward will have power over someone. If they do this, you will reward them. This will get them to do what you want. Coercive Power: The ability to punish will have power over someone. If they do this or don’t do this, you will punish them. This will allow you to have power over what you want them to do or not do. Legitimate Power: Someone who has a particular status that has power over people.

Example: Judge, Policeman. Referent Power: Referring to someone or a group and wanting to be like them. You have certain attributes or qualities that they want, therefore you will have power over them without even being aware of your power. Expert Power: Someone who knows a lot, or knows enough on the subject. Therefore, they will have power over you because they know more than you on the subject. Based on perceptions by P(erson) of O (ther) Coercive – i. e. power to punish Legitimate – i. e. based on values Expert – perception of greater knowledge Reward – expectation of reward Referent – desire to associate The stronger the bases of power, the greater the power

In general, referent power has the broadest range Attempts to use power outside its range will reduce the power KAPLAN & NORTON – THE BALANCED SCORECARD The “ bottom line” is not enough: These are the financial results. The financial results are not enough to really tell us how well the company is doing. Balanced Scorecard (a set of measures that gives the top managers a fast but comprehensive view of the business) Four perspectives:

(Key measures that allow you to track how well you're doing) Customer perspective: How do customers see us? – Focuses on getting feedback from customers.

A typical mission statement: " To be number one in delivering value to customers". How a company is performing from its customers' perspective has become, therefore, a priority for top management. What matters most to consumers. Consumers always com first and financial comes last. Internal perspective: What must we excel at? (porter: Operational effectiveness) – Ask employees for feedback. – Managers need to focus on those critical internal operations that enable them to satisfy customer needs. How do we produce to meet customer expectation. Innovation and learning perspective: Can we continue to improve and create value? – Intense global competition requires that companies make continual improvements to their existing products and processes and have the ability to introduce entirely new products with expanded capabilities. Remember Chandler – R&D)

A company's ability to innovate, improve, and learn ties directly to the company's value. – This allows companies to grow and thereby increase shareholder value. How can we make continual improvements. Financial perspective: How do we look at shareholders? – These measures indicate whether the company's strategy, implementation, and execution are contributing to bottom-line improvement. – Typical financial goals have to do with profitability, growth, and shareholder value. How can we ensure profitability for shareholders? Money keeps things moving, but creating value is more important. It is possible to get bad results even if all measures on the balanced scorecard are doing well.

This means that the strategy needs some re-thinking (there's something wrong with the strategy). " The balanced scorecard puts strategy and vision, not control, at the center. It establishes goals but assumes that people will adopt whatever behaviors and take whatever actions are necessary to arrive at those goals. The measures are designed to pull people toward the overall vision". Wal- mart: Customers: sales, a lot of volume Excel at: keep the cost down Innovation: doing the same stuff, keep expanding, growth, new areas of business, image [pic] HANDY – THE SIGMOID CURVE Main Claim: The sigmoid Curve is a graphic representation of the paradox of success that " the things that bring success are rarely those that keep you there"

Sigmoid is the key to effective growth in organizations/promotes forward thinking and planning for crisis periods to ensure longevity The Sigmoid Curve reps: In general, the story of life. To business, product life cycle, company life cycle, industry life cycle The peak: is as good as it gets Drop at the beginning: This is the adjustment period, a period of learning Point A: Pathway through the paradox. Place to start new curve, official switch to next curve (time, resources and money available) Challenge: Message at this point is that everything is fine, that current recipe is working so why tamper with success? Point B: where you realize you're not doing well, but you've waited too long. It's too late at this point. Depleted resources, leaders are discredited) Ex: Mistreating your health your entire life, and now you're too sick and its too late to help you. Shaded area: Period of confusion.

Two groups of people/ideas are competing for the future (both products are developed and are on the market) Difference between 2 curves: they have to be fundamentally different (led by different people – to be more innovative, people in the 1st curve need to support 2nd curve) – preparation is a prerequisite to the curve (before point A) Whatever you are doing right now is not going to last forever, make changes before things go bad. [pic] MINTZBERG – THE MANAGER'S JOB Myths Aloof, dispassionate, intellectual, abstract Plan, organize, coordinate and control

Really describes objectives, not activities Facts Work at a unrelenting pace Their activities are characterized by brevity, variety and discontinuity Strongly action oriented Managers perform many regular duties Managers sit between the organization and a network of contacts. Managers demonstrate a strong preference for verbal media (telephone and meetings, as opposed to mail and tours). Managers appears to be able to control their own affairs In other words, managers deal primarily with people, not things Interpersonal Roles: Figurehead: " Face of the company". Head of an organization, every manager must perform some ceremonial duties (great tourists, take customer to lunch)

Leader: He motivates, trains, hires/fires the employees – responsible for the work of the people of their unit Liaison: He makes the contacts outside his department. Gets to know what other people in the company are doing. Builds relationships inside/outside the organization (networking) Informational Roles: Monitor: Managers scan the environment for information and new ideas, interrogating liasion contacts and subordinates, and receiving unsolicited informations, much of it as a result of personal contacts and verbal form Disseminator: Once all the information is collected, the managers must give the information to people who need it, who would otherwise have no access to it

Spokesperson: Manager sends information to people outside the unit and informs people who control the organization (ex; making a speech) Decisional Roles: Entrepreneur: He is the initiator, draws up new ideas to adapt to changing conditions in the environment. Wants to constantly improve. Disturbance handler: He responds to the pressures that are too severe too ignore, handles problems internally and externally. Resource – Allocator: Decides who gets what and how the work will be divided (dividing resources among organization) Negotiator: Makes deals to come to an agreement in order to satisfy both parties. He finds solutions for a happy median. Two or three people cannot share a managerial position unless they act as a single entity