CHAPTER THREE

The Task and Macro Environments of Management

DETAILED LECTURE OUTLINE

I. Mainstream view of key stakeholders in the task environment
   A. Stakeholder = anyone in or outside the organization who is directly affected by the organization and has a stake in its performance
      1. Customers
         a) The focal stakeholder of an organization’s product and service outputs
         b) Developing a strong customer base with advertising, quality products, and customer service is critical to the bottom line
      2. Members
         a) Includes the organization’s paid employees and volunteers who provide the labor to accomplish the organizational objectives
         b) Managers attempt to maximize members’ productivity through rewards that appeal to members’ self interests (e.g., benefits, pay, praise)
      3. Owners
         a) Make the core decisions about what an organization is and does (e.g., board of directors, top management)
         b) Mainstream managers are representatives of the owners and try to maximize their material interests
      4. Other organizations
         a) Suppliers and competitors set restrictions on what managers can do
         b) Mainstream managers attempt to gain as much control as possible over suppliers and competitors

II. Mainstream view of four dimensions in the macro environment
   A. Sociocultural environment
      1. Represents the norms, customs, and values of the general population that influence customers, members, owners, and other stakeholders.
      2. Adapting to changing sociocultural environment is critical to organization’s bottom line
      3. Managers can influence sociocultural environment through think-tanks and the media
   B. Natural environment
      1. Includes all living and nonliving things not created by humans
      2. Organizations’ attempts to reduce their “ecological footprint” (i.e., the amount of natural resources needed to sustain a particular lifestyle) can be described along a continuum of commitment:
         a) Obstructionist = organizations that do as little as possible to address environmental issues, sometimes even engaging in illegal activity
         b) Defensive = organizations that do bare minimum to comply with laws
         c) Market approach = showing concern for environment if it will help bottom line (e.g., by attracting eco-conscious customers)
         d) Accommodation/Stakeholder approach = acting in socially responsible manner as desired by various stakeholders, such as the community and special-interest groups
e) Proactive = actively seeking opportunities to help the environment

C. Political-legal environment
1. Includes prevailing philosophy, laws, and regulations of various levels of government
   a) Documentation capitalism = emphasis on detailed contracts, public financial reports, antitrust legislation, short-term maximization of financial performance
   b) Relational capitalism = emphasis on trust, long-term reputation, employee rights, and multiple stakeholders
   c) Organizations may attempt to influence political-legal environment through monetary donations to political parties and lobbying lawmakers

D. Economic-technological environment
1. Economic environment = how financial resources are used and distributed in a particular country or region (e.g., inflation rates, interest rates)
   a) Mainstream management characterized by “acquisitive economics”
      (1) Focus on short-term materialistic gain for owners
      (2) Assumption that all individuals pursue their own material self-interests
   2. Technology = the combination of equipment (e.g., computers, tools) and skills by which the acquisition, design, production and distribution of goods and services are managed
      a) Provides the choices available to managers for how inputs are transformed into outputs
      b) Managers attempt to stay ahead of the competition in technological advances to allow for better customer service, products, and efficiency.

III. Multistream view of key stakeholders in the task environment
A. Customers
   1. Customers and customer service are viewed as ends in and of themselves, not simply as a means to maximizing profit
   2. Many customers seek out products and services from socially responsible and ethical companies that care about more than profit maximization

B. Members
   1. Members value more than just pay and salary; many members want meaningful work, participation, community, and opportunities for growth instead of higher pay

C. Owners
   1. Interest in “socially responsible investing” is increasing, doubling about every five years
   2. Three types of socially responsible investing
      a) Positive and negative screening = investing in companies because they do good things and not investing in companies that do harmful things, respectively
      b) Shareholder advocacy = investing in companies in order to encourage them to make socially responsible changes
      c) Community investing = providing resources to underserved communities

D. Other organizations
   1. Multistream managers look to work with outside organizations to maximize forms of well-being other than monetary
   2. Focus on long-term relationships and community building among organizations rather than attempting to control suppliers, competitors, etc.

IV. Multistream view of four dimensions of the macro environment
A. Socio cultural environment
   1. Multistream managers emphasize community building, fostering social well-being, and meeting customers’ needs (as opposed to wants)
   2. Recognition that societal well-being and “social health” are not synonymous with financial success or national GDP

B. Natural environment
1. Multistream managers consider the environmental impact of organizational inputs, production, and outputs
2. Multistream managers are interested in “sustainable development,” which meets the needs of the present without compromising the needs of future generations
3. Ideas for conserving energy
   a) Negawatts = using energy more efficiently to save energy rather than create new energy
   b) Intelligent product design
      (1) Making consumables (products used only once or a few times) wholly biodegradable
      (2) Making durables (products that provide a service or use over a length of time) easily reusable, remanufactured, or reclaimed
C. Political-legal environment
   1. Multistream managers are more likely to lobby for multiple stakeholders and outcomes other than short-term monetary gain
      a) Example = lobbying for tighter environmental regulations for all organizations within their industry
D. Economic-technological environment
   1. Economic environment
      a) Multistream management characterized by “sustenance economics,” which aims to increase long-term well-being for all stakeholders
      b) Short-term acquisitive economics (Mainstream) may be incompatible with long-term sustenance economics (Multistream)
         (1) Example = National debt and debt of average American household are increasing
         (2) Example = Future costs and health implications of harming our environmental resources
   2. Technological environment
      a) Multistream managers are focused on technological advances that not only maximize profits but also make work meaningful for members and serve important customer and community needs