Principles of Management
Dyck / Neubert

Chapter 3
The Task and Macro Environments of Management

Roadmap

The Task And Macro Environments Of Management

- Task Environment
  - Has the greatest immediate influence on managers.
  - Contains four key groups of stakeholders:
    - Customers
    - Members
    - Owners
    - Other organizations

- Macro Environment
  - Contains four dimensions:
    - Socio-cultural
    - Natural
    - Political-legal
    - Economic-technological
Mainstream View of Four Dimensions in the Macro Environment

- Socio-Cultural Environment
  - Is embodied by the norms, customs and values of the general population and its demographic sub-groups.
  - Influences needs and wants of customers, the expectations of members and owners, and the attitudes of competitors and suppliers.
Mainstream View of Four Dimensions in the Macro Environment (cont'd)

- Trends in the Macro Environment
  - Terrorist attacks influence social views and ideas of appropriate behavior.
  - Increasing diversity leads to greater variety in ethnic and religious backgrounds.
  - Generational shift—Baby Boomers are no longer the dominant economic group but are becoming dominant consumers in leisure and healthcare markets.

Mainstream View of Four Dimensions in the Macro Environment (cont'd)

- Influence of managers on the socio-cultural environment:
  - Think tanks
  - News and other media content

- Influence of the natural environment on managers:
  - Ecological footprint
    - The amount of the earth's natural resources that are required to sustain a particular lifestyle
Mainstream View of Four Dimensions in the Macro Environment (cont’d)

• Influence of managers on the natural environment:
  – Obstructionist stance
  – Defensive strategy (legal approach)
  – Market approach (greenwashing)
  – Accommodation (stakeholder) approach
  – Proactive approach
What Do You Think?
Is Modern Agriculture Good for the Natural Environment?

- What are the pros and cons of modern agriculture?
- Is it good to treat farms like any other business?
- When it comes to rating the merits of agriculture practices, what are the key inputs and outputs that we measure, and that we fail to measure?
- What are the pros and cons of bringing organic foods into the mainstream?

Mainstream View of Four Dimensions in the Macro Environment (cont'd)

- Political-Legal Environment
  - Includes both the prevailing philosophy and objectives of the various levels of government, as well as their on-going laws and regulations.
    - Workplace health and safety
    - Consumer protection
    - Pollution
    - International trade
    - Anti-trust laws.

Table 3.1: Characteristics Associated with Documentational Capitalism Versus Relational Capitalism

<table>
<thead>
<tr>
<th>Measure</th>
<th>Documentational Capitalism</th>
<th>Relational Capitalism</th>
</tr>
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<tbody>
<tr>
<td>Purchasing power*</td>
<td>Higher growth rate</td>
<td>Higher purchasing power</td>
</tr>
<tr>
<td>Job opportunities</td>
<td>Greater job mobility (more going from one organization to another)</td>
<td>Lower unemployment</td>
</tr>
<tr>
<td>Innovation</td>
<td>More radical innovations</td>
<td>More incremental innovation</td>
</tr>
<tr>
<td>Income equality</td>
<td>More chance for higher pay</td>
<td>Fewer income disparity</td>
</tr>
<tr>
<td>Managerial freedom</td>
<td>Greater freedom for managers to hire</td>
<td>Greater employee protection and free employees</td>
</tr>
</tbody>
</table>

*Purchasing power is based on GDP per capita and the GDP growth rate. GDP refers to gross domestic product, which is the total financial value of goods and services produced within a country. The per capita GDP is determined by dividing GDP by a country’s population and looking at purchasing power parity.

Mainstream View of Four Dimensions in the Macro Environment (cont'd)

- Economic Environment
  - How financial resources are used and distributed in a specific country or region.
- Technological Environment
  - The combination of equipment and skills by which the acquisition, design, production and distribution of goods and services is managed.

Mainstream View: Economic Environment

- Influence of the economic environment on managers
  - Factors in the economic environment:
    - Unemployment rates
    - Interest rates
    - Inflation rates
    - Disposable income
  - Mainstream managers focus on factors that affect their short-term financial interests.

Mainstream View: Economic Environment (cont'd)

- Influence of managers on the economic environment.
  - Acquisitive economics
    - The management of property and wealth in such a way that the short-term monetary value for owners is maximized.
  - Materialist-individualist perspective
    - Assumes that all individuals will pursue their material self-interest.
Mainstream View: Technology

• Influence of the technological environment on managers:
  – Determines the choices that managers have to maximize productivity and profitability.
  – Affects how managers will carry out the functions of management.

Mainstream View: Technology (cont’d)

• Influence of managers on the technological environment:
  – Managers use technology to stay ahead of their competition.
  – Firms form alliances with public and educational institutions to do research.

Figure 3.6: Top Seven Technologies

Digging Deeper
Perspectives on the Carrying Capacity of Earth

• Dr. David Suzuki and Dr. DeGregori express differing viewpoints about whether or not people and the planet are well-served by technology.
• What are the strengths and weaknesses of each argument?
• Which argument seems more convincing?
• What might your conclusions mean for management practice?

Multistream View of Key Stakeholders in the Task Environment

• Multistream Viewpoint
  – Managers strive to work together with stakeholders in order to enhance multiple forms of well-being for multiple stakeholders.

Figure 3.7: Multistream Aspects Of Relationships With Key Stakeholders In The Task Environment
Multistream View: Customers

- Influence of Customers on Managers
  - Customer service is an end in and of itself, not merely a means to maximize profits.
- Influence of Managers on Customers
  - Customers often make a special effort to buy products and services only from companies with reputations for ethical conduct and social responsibility, even if their prices are not the lowest.

Multistream View: Members

- Influence of Members on Managers
  - Members perform the everyday work of the organization, and also participate in the decisions and direction of the organization.
- Influence of Managers on Members
  - Multistream managers treat other organizational members fairly and respect their dignity and basic human needs.
  - Members value jobs where they are treated with respect and dignity.

Multistream View: Owners

- Influence of Managers on Owners
  - Multistream managers recognize that owners deserve a fair financial return on their investment, and also that this must be balanced with treating other stakeholders fairly.
What Do You Think?
Which Company To Own?

- Company A makes computer role-play games based on cooperative play and sharing.
- Company B makes computer role-play games based on violence and competitive behavior.
- Based on their histories and projected futures, you have every reason to believe that the financial return on both companies will be about the same.
- Which company would you choose to invest in? Explain why.

What Do You Think? (cont'd)
Which Company To Own?

- What if the company you have chosen is now likely to have a 2% decrease in profits in the foreseeable future, and at the same time the company you did not choose is expected to have a 2% increase.
- Will this change your investment decision?
- What if instead of 2 percent, the expected increase and decrease was 10 or 25%. Would this change your decision? Why or why not?

Multistream View: Other Organizations

- Influence of Other Organizations on Managers
  - Managers look for ways to improve other forms of well-being.
- Influence of Managers on Other Organizations
  - Managers show respect and cooperate with suppliers and competitors in order to establish sustainable long-term relationships.
Multistream View of Four Dimensions in the Macro Environment

- Socio-Cultural Environment
  - Influence of the socio-cultural environment on managers:
    - Managers facilitate participation and community-building in the workplace.
    - Managers place greater emphasis on fostering social well-being and sustainable development.
    - Managers are more likely to be sensitive to customer needs.

- Socio-Cultural Environment (cont'd)
  - Influence of managers on the socio-cultural environment
    - Managers provide opportunities to engage the larger society in ways that go beyond materialist-individualist goals.
    - Managers facilitate positive changes in the socio-cultural environment and societal well-being.

Multistream View of Four Dimensions in the Macro Environment (cont'd)

- Natural Environment
  - Influence of the natural environment on managers
    - Managers are sensitive to the environmental implications of an organization's use of inputs and production of outputs.
  - Influence of managers on the natural environment
    - Managers are interested in sustainable development.
Multistream View of Four Dimensions in the Macro Environment (cont’d)

• Political-Legal Environment
  – Influence of the political-legal environment on managers
    • Managers are influenced by the kind of government and rules and regulations they face.
  – Influence of managers on the political-legal environment
    • Multistream managers support initiatives that support healthier relationships between unions and management.

Multistream View of Four Dimensions in the Macro Environment (cont’d)

• Economic Environment
  – Sustenance economics
    • Managing property and wealth to increase the long-term overall well-being for owners, members and other stakeholders.
  – Managers agree with Aristotle’s observation that it is dysfunctional for acquisitive economics to become an end in and of itself.

Multistream View of Four Dimensions in the Macro Environment (cont’d)

• Technological Environment
  – Managers are concerned that focusing only on technologies that maximize profit may demean work or ignore technologies that improve our quality of life.
    • Favor technology that facilitates team-building and sharing information, allows rewards to tied to team performance, and creates work space designs that foster cross-fertilization of ideas among different functional areas.
Summary: Task Environment

- All managers must pay attention to key stakeholders to:
  - Ensure that they are in tune with customer needs and wants to serve them adequately.
  - Attract and retain an adequately qualified workforce.
  - Ensure that owners’ needs are met.
  - Develop and maintain relationships with suppliers, competitors and neighbors.

Summary: Macro Environment

- Managers must pay attention to the key dimensions of their macro environment to:
  - Monitor socio-cultural trends and changes in demographics, health care, education and other social institutions.
  - Consider how sensitive they will be with respect to the natural environment.
  - Keep informed of developments in the political-legal environment.
  - Pay close attention to economic opportunities and threats and remain technologically competitive.

Summary: Mainstream Approach

- Managers realize that their organization’s financial goals are enhanced by attending to stakeholders in the task environment as follows:
  - Offering customer service and profitably exploiting consumer wants.
  - Maximizing workers’ productivity.
  - Maximizing financial returns to owners.
  - Gaining power over suppliers and competitors.
Summary: Mainstream Approach (cont’d)

• Managers realize that their organization’s financial goals are enhanced by attending to the macro-environment as follows:
  – Nurturing a materialist-individualist socio-cultural environment.
  – Acquiring raw materials and disposing of waste as cheaply as possible.
  – Lobbying for managerial rights and marketplace rules in their favor.
  – Maintaining a short-term and exploitive approach to economics and technology.

Summary: Multistream Approach

• Managers realize that overall organizational well-being is enhanced by attending to stakeholders in the task environment as follows:
  – Offering customer service and profitably exploiting consumer wants
  – Maximizing workers’ productivity
  – Maximizing financial returns to owners
  – Gaining power over suppliers and competitors.

Summary: Multistream Approach (cont’d)

• Managers realize that their organization’s financial goals are enhanced by attending to the macro-environment as follows:
  – Offering customer service and identifying un-met consumer needs
  – Engaging workers via meaningful work and productivity
  – Serving owners’ multiple forms of well-being
  – Fostering healthy relationships among organizations
Summary: Multistream Approach (cont’d)

- Managers realize that their organization’s financial goals are enhanced by attending to the macro-environment as follows:
  - Nurturing social justice and well-being,
  - Practicing sustainable use of natural and human resources,
  - Lobbying for sustainable and environmentally-friendly markets,
  - Using a long-term and needs-based approach to economics and technology.