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1

THE BASICS OF MANAGEMENT

LEARNING OBJECTIVES

- 1.1 Define management.
- 1.2 Describe a manager's four major tasks: planning, organizing, leading, and controlling.
- 1.3 Identify the major challenges and opportunities facing managers today.
- 1.4 Compare different types of organizations and managers and explain the purpose of organizational mission, vision, and values.
- 1.5 Demonstrate how managers can cultivate success by focusing on their own skills and strengths.

Case Study: Airbnb—Balancing Manager Involvement and Employee Autonomy



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The First Airbed & Breakfast

Every day, millions of people stay in homes, apartments, and even castles booked on Airbnb. The iconic sharing economy brand's name sounds fit for a sleek online marketplace for short- and long-term rental experiences, but many would be surprised to learn it is a literal description of the company's founding.

In 2007, Brian Chesky and Joe Gebbia graduated from the Rhode Island School of Design and moved to San Francisco. As the center of technological innovation in the United States, San Francisco often hosts large conferences and events. Chesky and Gebbia noticed how frequently accommodations in the area would get fully booked, and they conceived a concept to capitalize on the shortage of hotel rooms. The pair devised a plan to offer lodging to travelers attending a large design conference in 2008. For \$80 per night, guests could rent an air mattress in Chesky and Gebbia's living room and receive a homemade breakfast in the morning, bookable through AirBedandBreakfast.com. Three guests took them up on the offer, and Airbed & Breakfast was born.

The basic website soon became a fully functioning platform that connected hosts with space to spare with guests seeking a place to stay. The simple business model revolutionized the traditional lodging industry, and less than 10 years after its inaugural night of just \$240 of revenue, Airbnb was valued at \$31 billion. The company's meteoric rise can be attributed to its leadership team's

management style, which balances managers' deep involvement in product design with employees' decision-making autonomy.

“Cereal Entrepreneurs”—Hands-On From the Beginning

In the company's first year, its greatest obstacle was the same as that of every early-stage start-up: bringing in enough money. That summer, the founding team came up with a creative idea to raise the money it needed to continue operating. Usage of their platform was spiking in Denver, Colorado, site of the 2008 Democratic National Convention. Cofounder Brian Chesky recalls thinking, “We're Air Bed & Breakfast. The air beds aren't working out, maybe we could sell breakfast. . . . So we thought, let's just get in the breakfast business.” The team designed and sold campaign-themed breakfast cereals: “Obama O's: The Breakfast of Change” and “Cap'n McCains: A Maverick in Every Bite,” named after the two leading presidential candidates in 2008. They manually repackaged bulk cereal into hundreds of custom cereal boxes, printed with the help of a friend from their college days, and sold them for \$40 each. The stunt attracted substantial media attention and allowed Airbed & Breakfast to raise the money it needed to sustain the business. The founders' willingness to think outside the box and come up with a solution themselves is memorialized by the tongue-in-cheek phrase “Be a Cereal Entrepreneur,” which remains one of the principles guiding company management to this day.

Decentralizing Management and Distributing Authority

As a company grows out of the start-up phase and into a global business, it is impossible for managers to remain as involved as the Airbnb founders who packed cereal boxes by hand. Every organization must decide if it will adopt a traditional hierarchical model of authority vested in a pyramid-shaped structure or a flatter, decentralized decision-making structure. Airbnb teams maintain the company's creative “cereal entrepreneur” spirit by trusting employees to make decisions without getting bogged down in the paperwork and bureaucracy that a large organization engenders.

Former vice president of engineering, Mike Curtis described Airbnb's ability to avoid red tape as “replacing policy with principles.” Curtis gave an example of the difference managers at Airbnb saw in their teams by trusting employees' good judgment to work within guiding principles versus requiring them to follow rigid policies.

- Old Policy: All expenses require preapproval.
- New Principle: If you would think twice about spending this much from your own account, gut-check it with your manager.

Discretionary spending at the company did not increase, but managers saved a tremendous amount of time by no longer having to review and approve requests for every business expense.

Finally, one of Airbnb's unusual hiring principles to ensure that engineering managers are onboarded with personal responsibility for their teams' success is to make them prove their individual coding prowess before directing others. “We have a philosophy that all managers start as individual contributors,” says Curtis. Sometimes made to ship their own code for as much as 6 months, Airbnb engineering leaders have skin in the game before managing a team.

Challenges Faced by Airbnb

These core management principles have enabled Airbnb to overcome numerous regulatory and organizational hurdles. Throughout the company's history, it has contended with housing market concerns, safety issues, and tremendous opposition from the established hotel industry. Local laws and zoning ordinances threatened to stifle Airbnb's expansion as soon as the company's listings extended beyond unglamorous air mattresses. Initially, Airbnb listings were not subject to the

same regulations and taxes as traditional hotels were, which hoteliers argued gave the company an unfair advantage. In addition, many legal disputes have arisen over subletting and tenant rights, as landlords and local jurisdictions have grappled with the adverse effects of Airbnb's novel approach to rentals, such as housing shortages and increasing unaffordability. In every market Airbnb enters, the company must adapt to a different political and regulatory landscape, a challenge that its empowered team of managers and employees is well equipped to take on.

While the travel experience may look the same to guests around the world, Airbnb's abiding success is a consequence of being a company of "cereal entrepreneurs"—creative individuals who face challenges head-on and take personal responsibility for solving problems, just like the company's founders did when they packed cereal boxes more than 15 years ago.

Discussion Questions

1. As Airbnb grew, it faced regulatory and legal challenges that traditional businesses like hotels have been complying with for years. What changes can be made to existing regulatory structures to better integrate future sharing economy businesses without stifling innovation or creating an unfair competitive landscape?
2. How does Airbnb cultivate managers with a "cereal entrepreneur" problem-solving mindset?
3. What potential disadvantages do you see of a decentralized, distributed decision-making model like the one practiced at Airbnb?

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WHAT IS MANAGEMENT?

LEARNING OBJECTIVE

- 1.1 Define management.

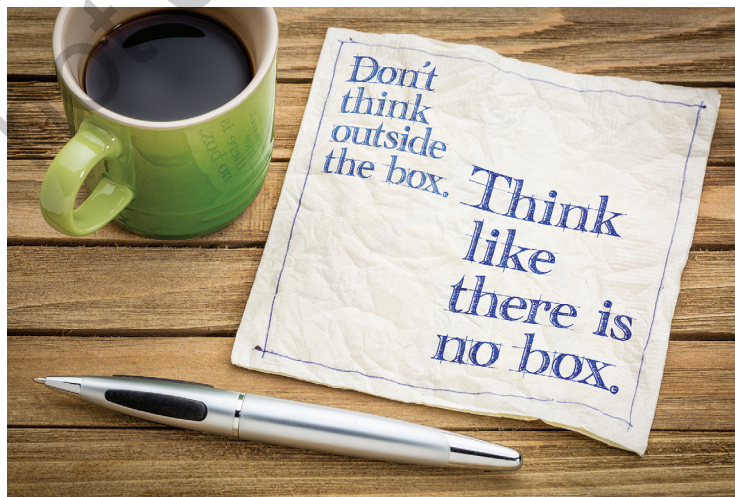
Management is the process of working with people and distributing an organization's resources to achieve goals efficiently and effectively. Today, this process is complicated by many novel challenges: dealing with a fluctuating and uncertain economic climate, mastering the latest technological developments, identifying and hiring talent, keeping up with (and staying ahead of) the competition, cultivating and supporting a diverse workforce, dealing with the skills shortage, coping with high staff turnover due to the "job-hopping" mentality, meeting increasing customer demand, breaking down close-knit groups and departments to encourage a free flow of ideas, boosting employee engagement, and nurturing innovation and creativity within teams to inspire new ways of thinking—to name just a few. Some of these challenges will be explored in more detail later in this chapter.

The COVID-19 pandemic first took hold in early 2020 and turned the traditional realm of work upside down, leaving millions of people across the world in lockdown, with over half the global workforce working remotely and communicating virtually. The pandemic also inspired people to reevaluate their relationship to work and their priorities, leading to millions of Americans leaving their jobs, a trend known as the Great Resignation. This has presented even more challenges for managers, particularly in the areas of mental health and well-being, hybrid working arrangements, and diversity, equity, and inclusion (Chapter 4).

Furthermore, the accelerating pace of technology and innovation means that today's managers need to embrace the disruption or risk being left behind. Airbnb, featured in the case study at the beginning of this chapter, is a good example of an organization that has disrupted the traditional hospitality industry with a business model that allows homeowners to monetize their space and provides customers with more affordable options. Every organization, big or small, will struggle to respond to disruption—whether it is being disrupted or is the disruptor itself—without good management.

Managers and the Entrepreneurial Mindset

Because of all the uncertainty, volatility, and complexity in the world, managers need to have a certain type of mindset to become truly effective. Mindset is difficult to define; the traditional definition is “the established set of attitudes held by someone,”¹ yet research has shown that mindset is far from being “set.” In fact, it isn't static at all. Rather, our mindset is a prism through which we view the world, something that helps to guide our reactions and decisions. What type of mindset makes for an effective manager? To answer this question, we can learn from **entrepreneurs**, individuals who plan, organize, and lead high-risk business opportunities. Individuals with an **entrepreneurial mindset** can quickly sense opportunities, take action, and get organized under uncertain conditions. These qualities are all critical for managers, who must capture and create opportunities by adapting capabilities to compete effectively, motivate others to work toward a common goal to reduce uncertainty, and take ownership of unknown outcomes for a new project. Managers can learn some powerful lessons from entrepreneurs and enhance the value of all types of organizations by creating opportunities, generating ideas, and devising strategies toward positive change. This is what being a manager with an entrepreneurial mindset is all about. An entrepreneurial mindset is so valuable for today's managers that we have devoted an entire chapter to it, describing what it means to be an entrepreneurial manager in today's workplace (Chapter 8). In addition, Entrepreneurial Manager Mindset features throughout the text describe how managers can develop the types of skills necessary to thrive in an uncertain environment, such as strategies for identifying opportunities, encouraging creativity, and being solutions oriented.



Look for opportunities to create a new product or design a more efficient work process.

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THE FOUR FUNCTIONS OF MANAGEMENT

LEARNING OBJECTIVE

1.2 Describe a manager's four major tasks: planning, organizing, leading, and controlling.

To be both effective and efficient, managers must follow four management functions to tackle business challenges: planning, organizing, leading, and controlling, popularly known as the POLC framework.²

Planning

Working toward a specific destination is imperative to being successful in business. Defining what the organization wants to achieve and how it will get there is called *planning*. **Planning** is the process of setting goals for the future, designing appropriate strategies, and deciding on the actions and resources needed to achieve success.

Organizational planning has evolved over time from a centralized activity performed only by a handful of top managers in the company to a process that starts with management's clear sense of the company's purpose, which it communicates directly to its customers, employees, and communities. Some of the biggest organizational failures have been a result of poor organizational planning; for instance, web services provider Yahoo! was one of the most popular websites in the world between 1998 and 2002.³ However, the company failed to implement a planning strategy to compete with its major rival, Google, which led to the company lagging behind in technological advancements. Poor long-range strategic planning also led to a series of missed opportunities, including the refusal to strike a deal and acquire Google.⁴ In 2023, Yahoo!'s global market share of search engines was almost 3%, while Google's dominated with just over 83%.⁵

Organizing

Once the plan is in place, as a manager you might be asked to assemble a team of people to implement it. This is **organizing**, the process of orchestrating people, actions, resources, and decisions to achieve goals. Organizing is a big part of the daily duties performed by Alexis Roumeliotis, events manager at online careers company the Muse.⁶ Table 1.1 illustrates a day in the life of Roumeliotis when preparing and running an event.

TABLE 1.1 ■ A Day in the Life of a Muse Events Manager

6:00 AM: I'm up and ready to start my day.
7:00 AM: Assuming there's an event, I make sure to get there about an hour before it starts.
7:15–8:00 AM: This is when setup happens. I assemble gift bags, arrange the chairs, do the flower arrangements, and prep the food and tech. I'm always checking my e-mail for add-on guests (or people who RSVP at the last minute).
8:00–9:00 AM: The event starts, and I'm running around introducing people, making sure everyone has their name tags, getting them things like water, food, tea, and coffee. I also speak with the people overseeing IT to make sure sound is OK. And I touch base with the sales team about who's arrived.
10:30 AM: The event ends. I help with cleanup, but not before thanking the guests for their attendance, chatting with clients who attended about how we can partner up to do other events, and starting to plan what the takeaway or message to our guests should be once they leave.
12:30 PM: Back at the office, I catch up on e-mails, and I set up or have meetings with whichever sales team member will be joining me at the next event so that we can go over the run of show.
1:30 PM: This is the time I usually try to get lunch and take a break. Do a quick walk around the block. Or if I have errands to do, like go to FedEx to ship boxes or get things printed, this is the time I do it.

2:30 PM: I'm back at my desk again, checking in with various teams on things I need. I often touch base with the design team regarding ads or one-pagers. I may meet with the B2B team to discuss workflows on e-mails and plan follow-up e-mails for leads for the next event.

3:30 PM: This is when I'm usually in meetings with the marketing team to discuss goals and upcoming events in the next 2 weeks. I like to walk them through the plan and schedule.

4:30 PM: I write up and schedule social posts for our upcoming event. This is when I get to flex some creative muscles.

5:30–6:00 PM: I catch up on e-mails that I didn't get to, and I write my to-do list for the next day.

6:00 PM: I usually head out of the office and call it a day.

Source: Via career & job search platform TheMuse.com

Leading

Planning and organizing are essential functions of management. A manager's greatest opportunity to ensure that activities go as planned is through **leading**: the process of effectively motivating and communicating with people to achieve goals. When it comes to large projects, it can be difficult for employees and team members to realize the importance of their individual roles within the process. Understanding what motivates employee behavior and communicating effectively with a diverse team are even more critical for a manager when the team experiences a setback or disappointment. *Wall Street Journal* editor Sam Walker spent over a decade researching commonalities among 1,200 of the greatest professional sports teams from the last 200 years to determine what made them so successful.⁷ To his surprise, it wasn't the world-class athletes, the coaches, or even the sports organizations that made a winning team—it was the team captains. Walker argues that excellent team captains play for their teams, not their egos, and bring out the best in their teammates through passion, authentic communication, and commitment; in other words, by leading. Table 1.2 outlines seven traits of elite sports captains according to Walker.

TABLE 1.2 ■ Seven Traits of Elite Sports Captains

- They are extremely resilient.
- They play to the limits of the rules.
- They do thankless jobs.
- They communicate clearly with all members of their team.
- They motivate through nonverbal displays.
- They have strong convictions and aren't afraid to be different.
- They have total control of their emotions.

Source: Richard Feloni, "An Analysis of the 16 Best Sports Teams in History Shows the Most Important Person on a Team Isn't Its Coach or Best Athlete," *Business Insider* (August 5, 2017).

Controlling

Finally, **controlling** is the process of monitoring activities, measuring results, comparing results with goals, and correcting performance when necessary. The main aim of controlling is to ensure that performance meets the objectives of goals and plans. For example, say you're the manager of a fast-food restaurant, and you've launched an online customer survey initiative to gather feedback on your restaurant's performance. When the results come back, you notice that several customers have complained about rudeness from your staff. As part of the controlling process, you take corrective action

by addressing the issue with your staff and possibly introduce further training to ensure this problem doesn't happen again. Fast-food restaurants Chick-fil-A, Burger King, and McDonald's offer customers free food for completing and returning surveys within a certain time period as part of their controlling process.⁸



Correcting performance of staff is one of the controlling functions of a manager.

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ENTREPRENEURIAL MANAGER MINDSET

We discussed the four principles of management: planning, organizing, leading, and controlling. In the modern world, these functions work together and often all at once in a final effort to achieve goals. In fact, entrepreneurs starting small businesses are often implicitly responsible for all four of these managerial roles, but they neglect some duties for lack of awareness. For all aspiring managers, whether those starting a business or those managing a team at a Fortune 500 company, it is highly important to be aware of these management duties and to improve constantly.

For your mindset exercise you will perform a task that reinforces your managerial ability in *leading*—one of these four functions of management. Though it seems simple, your task is to lead through your initiative a chore or an activity at home, in your apartment, or in your dorm. The task itself doesn't matter, but the goal is to lead a family member or friend to complete this task with or for you. For example, you may get out the broom and start sweeping in an attempt to get your roommate to help clean up your dorm room or apartment. You could explicitly ask a spouse or child to help you shop for groceries or take out the garbage. When you have tried this, observe how the person reacts and discuss with your classmates some of the smoothest forms of leadership that led to positive action with minimal disagreement or friction.

Critical Thinking Questions

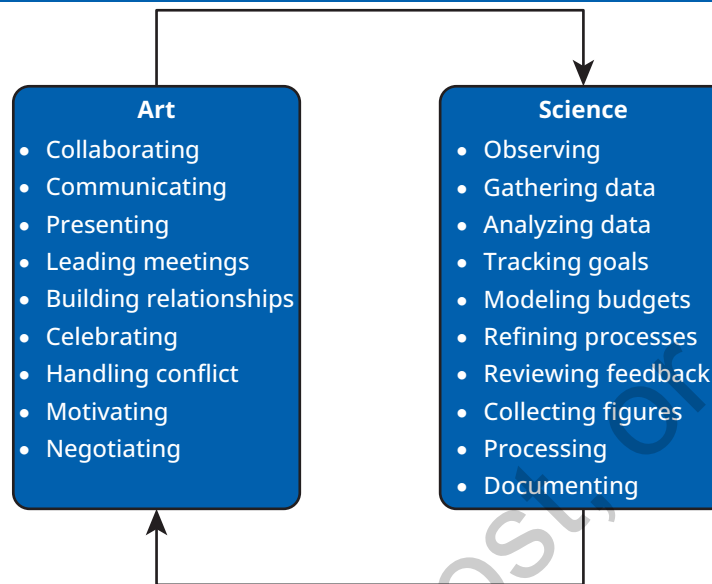
1. Which of the four managerial responsibilities do you think you are best at? Why?
2. During your mindset exercise, did you explicitly ask for a task to be completed, or did you lead by example? Which seems to work better and why?

Management Is Both an Art and a Science

There is clear evidence that management is both an art and a science. The art of managing requires the use of people-focused skills, such as collaborating with teams, building relationships, and dealing with conflict. Setting up and leading a monthly progress sales meeting, organizing and hosting a going-away party for a long-standing employee, or presenting the company's quarterly results to the media are good examples of the artistic side of management.

The science of management involves the use of technical skills such as monitoring goals, planning budgets, and reviewing feedback. Tasks in this category might include testing a new manufacturing process to reduce energy costs at a plant, using an online program to track employees' progress on developing a new product, or reviewing customer feedback to decide whether to continue providing a service that is losing money. As Figure 1.1 demonstrates, managers must balance both the people-focused and technical sides of their jobs.⁹

FIGURE 1.1 ■ The Art and Science of Management



Reaching this balance requires **effectiveness**, which is the level to which people or organizations make the right decisions to achieve agreed-upon goals, and **efficiency**, which is the means of using the smallest amount of resources (people, money, materials) to achieve the greatest output. Managers must work hard at being both effective and efficient. As management consultant and educator Peter Drucker once said, efficiency is “doing things right” while effectiveness is “doing the right things.”¹⁰

Management Roles

Henry Mintzberg (b. 1939), management researcher, strategy theorist, and author of *The Nature of Managerial Work*, has been observing managers in their organizational environments since the late 1960s. Based on his observations outlined in Table 1.3, he suggests that we can describe a manager's work most accurately in terms of **managerial roles**, or organizational expectations that determine the actions of managers, including *interpersonal*, *informational*, and *decisional* roles.¹¹ In **interpersonal roles**, managers build relationships with the people they work with and act as a public symbol for the many people they represent. **Informational roles** require managers to gather, assess, and communicate information to individuals and teams in support of the organization's values, mission, vision, and goals. In **decisional roles**, managers are responsible for making judgments and decisions based on available information and analysis of the situation. Mintzberg observed that managers were required to act as figureheads, analyze and monitor data, and understand information so the organization can pursue goals and maximize resources effectively.¹² We focus on examples of management functions throughout this book, but it is also important to recognize the importance of Mintzberg's role theory and explore how it applies to managers.

TABLE 1.3 ■ Henry Mintzberg's Management Roles

Categories	Roles	Example Actions
Interpersonal <i>Manager's actions that include symbolic, public-facing activities</i>	Figurehead Leader Liaison	<ul style="list-style-type: none"> • Speaking or being present at ceremonial events, hosting guests (e.g., vendors, clients, or potential employees) • Motivating and influencing employees' behaviors, train and mentor employees • Keeping up information links internally and externally to the organization
Informational <i>Manager's actions relating to gathering, assessing, and communicating information</i>	Monitor Disseminator Spokesperson	<ul style="list-style-type: none"> • Gathering data and information, studying industry papers, reading reports, maintaining interpersonal relationships • Sending messages (email, text, and voice), writing memos, forwarding relevant information • Making speeches, citing the organization's position on a subject
Decisional <i>Manager's actions that include making judgments and decisions based on situations and information gathered</i>	Entrepreneur Disturbance handler Resource allocator Negotiator	<ul style="list-style-type: none"> • Identifying new business opportunities, nurturing new projects or initiatives, selling new business • Working through employee conflict, conducting efforts during a crisis, interpreting and responding to internal and external change • Approving and setting budgets, deciding the beneficiaries of internal resources, setting priorities • Mediating discussions with unions, protecting the organization's interests, bargaining and agreeing to supplier deals

Source: Adapted from H. Mintzberg, *The Nature of Managerial Work* (Englewood Cliffs, NJ: Prentice Hall, 1980).

KEY CHALLENGES FACING MANAGERS TODAY

LEARNING OBJECTIVE

1.3 Identify the major challenges and opportunities facing managers today.

The very nature of what it means to be a manager is going through a major evolution. Organizational managers have been on the front lines of post-pandemic change in the workplace and have had to face a number of challenges, such as high employee turnover rates, inconsistent return-to-office policies, burned-out employees, managing remote teams, and growing uncertainty about the future. Today's managers and future managers must be able to respond to the most prominent challenges of these uncertain times, including quiet quitting, nontraditional work (the gig economy), technological change (notably artificial intelligence), remote work, and employee mental health and well-being. We introduce these challenges here to set the stage for just how much the management landscape has shifted in recent years; throughout the book, you'll learn strategies for handling these challenges.

Quiet Quitting

An employee who engages in **quiet quitting** is doing the minimum amount of effort to keep their job and putting in no more time than is absolutely necessary. The concept emerged on social media in the early 2020s when engineer Zaid Kahn posted a TikTok talking about his interpretation of quiet quitting: "You're still performing your duties, but you're no longer subscribing to the hustle-culture mentality that work has to be your life. The reality is it's not. And your worth as a person is not defined by your labor."¹³ The #quietquitting hashtag quickly spread (racking up 17 million views), prompting a huge response from other TikTokers and the traditional media.

A Gallup survey reported that quiet quitters make up at least 50% of the workforce in the United States.¹⁴ Examples of quiet quitting include working only within prescribed business hours, not volunteering to take on additional work, and not contributing to meetings unless addressed directly.

It has been proposed that quiet quitting is a result of the Great Resignation and COVID-19 burnout, leading to employees craving a better work-life balance, feeling disengaged with work tasks, and becoming disillusioned with traditional work practices.¹⁵ Gen Z workers (aged 18 to 24) have reported the highest rates of burnout and are disinclined to work in jobs where they feel underpaid and undervalued.¹⁶ They are also more likely than other generations to value flexibility and meaningful work.¹⁷

Managers can prevent quiet quitting by building a culture of trust and respect, boosting morale by making a conscious effort to recognize and acknowledge accomplishments, encouraging employees to take breaks and recharge to ward off burnout, and providing regular constructive, honest feedback.¹⁸ Some of these tactics are explored throughout this text. Many quiet quitters turn to the gig economy, discussed in the next section, for the flexibility it offers.

The Gig Economy

The world of work has undergone a rapid transformation in just a single generation. There is no longer a “traditional path” in business. The idea of getting an entry-level job, climbing the corporate ladder, and retiring is completely obsolete. “Lifers”—people who start and end their career with the same company—don’t exist anymore. Today’s workers can no longer expect the same job security or financial benefits as before.¹⁹ Instead, more and more people are turning to the gig economy for work. The **gig economy** is a labor market characterized by workers picking up short-term, flexible, freelance work opportunities known as gigs. Rideshare driving, pet sitting, personal shopping, and food delivery driving are all examples of gig work. The COVID-19 pandemic accelerated the explosion of gig work, as millions of employees have redefined the nature of work by choosing jobs based on their lifestyle.²⁰ More than a third of the U.S. workforce consists of independent workers.²¹

Managers can manage gig workers by establishing clear and frequent communication (see Chapter 15), being flexible with meetings and availability (with the understanding that gig workers tend to set their own schedules), providing frequent feedback, and setting realistic goals (see Chapter 6).



Dog walking and pet sitting are common gig economy jobs.
iStock.com/Aleksandar Jankovic

Artificial Intelligence

The gig economy is not the only thing that is changing the nature of work. The rise of artificial intelligence (AI), machine learning, and automation is also creating a huge concern for the future of jobs. **Artificial intelligence (AI)** is the ability of a machine to imitate tasks associated with intelligent human behavior.²² Google Maps and ride-sharing apps such as Lyft and Uber, for instance, all use AI to tackle complex navigations. **Machine learning** is a branch of AI; it is the science of getting computers to act autonomously while learning and improving with every experience.²³ For example, self-driving cars are a result of machine learning. While predictions were made a few years ago that AI would replace nearly 70% of managers’ tasks, this has not yet been achieved. Andrius Benokraitis, senior manager for technical marketing at Ansible by Red Hat, said that force of habit, lack of trust, poor planning, and not knowing what processes to automate are common challenges for managers and are a few of the reasons why some managers have not yet embraced AI. Benokraitis said, “Effective automation stems from a strategic vision so you can evaluate what will have the greatest impact in the long-run. . . . So, automation can absolutely help solve common issues that managers face, but only if there’s a comprehensive plan in place.”²⁴

In the workplace, managers can use AI technology and analyze data to monitor performance, predict future trends, support training, and streamline recruitment. Managers must also be aware of the ethical implications of automation and AI and ensure they are used in compliance with laws and regulations (see Chapter 3).

Remote Work

Remote working is a type of flexible work arrangement where employees can work from home or from a remote location on a computer or other advanced telecommunications system linked to a main office. Working remotely has become increasingly normalized since the COVID-19 pandemic, and it has been predicted that more than 30 million people in the United States will be working remotely by 2025.²⁵ The rapid shift to remote work has presented challenges for many managers. Early on in the COVID-19 pandemic, a Harvard survey found that 40% of managers were unprepared to manage remote employees and had trouble keeping them engaged, while only 40% of employees felt supported by their managers.

Studies show that managers who set priorities, engage in problem-solving, regularly check in with their employees, and show compassion are more likely to boost morale and increase productivity.²⁶ Chapter 10 explores the human side of management.

Mental Health

A positive, inclusive working environment supportive of mental health and well-being is essential to the functioning of any organization. The number of people with mental health conditions such as anxiety, depression, and post-traumatic stress disorder (PTSD) increased by 25% with the onset of the COVID-19 pandemic in 2020.²⁷ A recent study by The Workforce Institute at UKG, which surveyed 3,400 people spanning 10 countries, showed that managers have a major impact on mental health—even more so than a spouse, therapist, or doctor. The study also reported that stress negatively impacts people's work and performance and detracts from their overall well-being.²⁸ Traditionally, managers have not been involved in talking to employees about mental health—that has been the role of human resources (HR) departments. But being a positive influence on employees' well-being is an important part of management.

Managers can support employees by showing compassion and concern, recognizing when an employee appears to be overwhelmed, respecting employee privacy, providing them with a safe space to share, and enabling access to programs and resources that support employee well-being.²⁹ Chapter 13 explores individual behavior and discusses how to manage stress in the workplace.

MANAGERS AT WORK

LEARNING OBJECTIVE

- 1.4** Compare different types of organizations and managers and explain the purpose of organizational mission, vision, and values.

Management's primary functions are consistent across organizations, but organizations can differ dramatically in terms of employee and manager attitudes, beliefs, decision-making styles, availability of resources, purpose, and tolerance of risk, to name just a few factors. Let's look into the different types of organizations and the internal and external forces their managers negotiate.

Types of Organizations

An **organization** is an entity formed and structured to achieve goals. In the United States, there are three business sizes: small, midsize, and large, defined by the number of people they employ. **Small organizations** have fewer than 100 employees, **midsize organizations** between 100 and 500, and **large organizations** have more than 500 employees. Represented in all these size categories are start-ups, multinational corporations, growth companies, nonprofit organizations, and student organizations.

Start-up Organizations

A **start-up** is a newly formed organization with limited or no operational history.³⁰ Some of today's largest and most well-known organizations began as start-ups, including Uber, Airbnb, Apple, and Google. We explore more about start-ups in Chapter 8.

Multinational Corporations

A **multinational corporation** is a business organization with operations in multiple countries.³¹ Walmart, Amazon, Volkswagen, and Apple are among the biggest multinational organizations in the world.³²

Growth Companies

A **growth company** is an organization that increases its annual revenue faster than its competitors in the same industry or market do.³³ Health care provider CareBridge topped the list of fastest-growing private companies in the United States in 2023. Headquartered in Nashville, Tennessee, CareBridge provides 24/7 medical care through in-person and video visits to patients with physical, intellectual, and developmental disabilities living at home or in community-based settings. Between 2022 and 2023, CareBridge grew almost 5 times its size, began to serve members in 13 states, and was on track to double its revenue.³⁴

Nonprofit Organizations

A **nonprofit organization** is a business that is exempt from paying tax, with the expectation that any generated profit will be reinvested in the business.³⁵ Religious groups, charities, environmental groups, and cooperatives are all examples of nonprofit organizations.

Feeding America is a nonprofit based in Chicago that supplies donated food to more than 200 U.S. regional and local food banks. *Forbes* reported a huge increase in food and cash donations to Feeding America during and after the COVID-19 pandemic, thereby highlighting a growing awareness of food insecurity in the United States.³⁶

Student Organizations

A **student organization** is a group formed to engage students further in the college experience through academic, political, religious, athletic, environmental, and social action. The most effective student organizations provide great opportunities for college students who want to practice management, take on leadership responsibilities, and build their résumés. Ohio liberal arts school The College of Wooster operates a student organization called Black Women's Organization (BWO) that empowers Black women by providing a safe space that promotes inclusiveness, self-acceptance, and cultural awareness while teaching members how to become effective leaders on and off campus.³⁷



Both demand and support for Feeding America's services increased during the COVID-19 pandemic.

Monica Schipper/Getty Images Entertainment/via Getty Images

Types of Managers

Both the functions and roles of managers provide a thoughtful framework for considering the craft of management, yet most organizations refer to managers by *type* so people inside and outside the organization can better understand each manager's decision-making power and scope of authority. Traditional organizations are formed hierarchically (like a pyramid), with a few senior managers at the top and a proportionally greater number of lower-level managers below who are responsible for daily tasks and actions of staff. This structure is designed to ensure that lines of communication, authority, and reporting responsibilities are clear to everyone.

We can categorize managers as *top managers*, *middle managers*, and *first-line managers*.³⁸ Each type makes decisions with different time horizons, from days to decades. **Top managers** set the organization's direction and make decisions that affect everybody. **Middle managers** report to upper management and direct the work of first-line managers; they are also responsible for divisions or departments. And **first-line managers** direct daily activities for producing goods and services. For example, a top manager might choose to partner with another company to launch a new software product, which could affect the organization for 5 to 7 years or longer. A first-line manager at a retail store might settle on how to schedule employee work hours most effectively over a holiday season, which could have an impact on the organization for 2 to 3 weeks.³⁹ Table 1.4 breaks down the types of managers, their typical titles, the kinds of decisions they make, and the time frames of those decisions.

Types	Titles	Decisions	Time Frames
Top managers <i>Set the organization's direction and make decisions that affect everyone</i>	CEO President Executive director Director General manager Executive vice president	Establish partnerships Approve significant purchases Approve strategic plans Commit resources for new opportunities	Daily, weekly, monthly, quarterly, annually
Middle managers <i>Direct the work of first-line managers and are responsible for divisions or departments</i>	Vice president Assistant vice president Manager	Assign financial and human resources Allocate budget resources Set production and service offerings	Daily, weekly, monthly, quarterly, annually, decades
First-line managers <i>Direct daily activities for producing goods and services</i>	Associate director Project manager Coordinator Assistant manager Team leader	Set employee schedules Hire and promote staff Change processes to improve daily tasks and actions	Daily, weekly, monthly

Source: Adapted from T. V. Bonoma and J. C. Lawler, "Chutes and Ladders: Growing the General Manager," *Sloan Management Review* (Spring 1989): 27–37.

Mission, Vision, and Values

Up to this point, we've explored management's functions, roles, and types. Now let's put these components into context. Inside organizations, managers find and create forces that determine how people interact and what they are expected to do. These forces—mission, vision, and values—shape decision-making, products and services, beliefs, and relationships with people inside and outside the organization. They provide consistent and predictable environments in which employees and clients can work and do business.

No organization can survive without establishing a clear **mission**, which is an organization's central purpose: why it exists and what type of organization it is (for-profit or nonprofit).⁴⁰ American prescription eyeglasses retailer Warby Parker has a mission "to inspire and impact the world with vision, purpose, and style."⁴¹ Not only does its mission clearly outline the goals of the organization (to make a greater impact in the eyeglasses industry), but it also includes its commitment to purpose—in this case, providing high-quality, more affordable eyewear. Warby Parker's "Buy a Pair, Give a Pair" program has, at the time of writing, given away over 13 million pairs of glasses to people who need them.⁴²



Warby Parker's "Buy a Pair, Give a Pair" program has a clear link to its organizational mission.

Robert K. Chin - Storefronts/Alamy Stock Photo

But mission alone is not enough to steer an organization; leaders must also have a **vision**, a description of what the organization hopes to achieve in the long term.⁴³ High-end outdoor clothing company Patagonia, headquartered in California, has a vision to “build the best product, cause no unnecessary harm, [and] use business to inspire and implement solutions to the environmental crisis.”⁴⁴ While Patagonia’s vision describes its commitment to high-quality products, it also encompasses its goal to use its business to find resolutions to environmental harm.

Both mission and vision express the organization’s **values**, the core ethics and principles of an organization through meaningful statements and beliefs.⁴⁵ Core values are critical to motivating employees and attracting customers.

It is commonly believed that employees who agree with an organization’s mission, vision, and values tend to be more committed, connected, and loyal to that organization. However, recent research carried out on more than 160 small- to medium-sized enterprises has shown that employees who have an overly strong identification with an organization’s mission and values may hinder productivity and organizational development.⁴⁶ For instance, postal workers who have been delivering mail for several decades may struggle to adapt to their organization’s new vision to capitalize on the opportunities provided by e-commerce. This is why it is so important for managers to regularly review goals, mission, and values in the context of the business environment and to include their employees in the discussion to prepare them for changes ahead.

As the examples of companies such as Warby Parker and Patagonia make clear, social and environmental impact are key to the missions, visions, and values that drive today’s leaders and organizations. Managers are increasingly holding their companies accountable to the triple bottom line, or the 3 Ps: people, planet, and profit.⁴⁷

People

Every organization has a responsibility to its employees and to the wider community. Wegmans Food Markets, based in Rochester, New York, is a good example of an organization that takes care of its employees. As one employee said, “I personally have been through a lot of changes in my life between COVID, schools, and childcare. The support and flexibility I have received has been extremely helpful.”⁴⁸ In 2023, Wegmans was listed as one of the best companies to work for in the “Companies that Care” category published by Great Place to Work.⁴⁹

Planet

Scientists all over the world have warned against the growing threat of climate change. A survey conducted by Pew Research Center showed that more than 60% of people in the United States, particularly those living in areas that have suffered extreme weather events such as the Pacific coast, perceive climate change as having a negative impact on their local communities.⁵⁰ Because of these concerns, more and more people are beginning to favor companies committed to sustainable, or green, environmental practices.

Radius Recycling (formerly known as Schnitzer Steel) is a manufacturer and exporter of recycled metal products headquartered in Portland, Oregon. It recycles millions of tons of materials from landfills and delivers the recycled metals to customers in the United States and internationally, using a process that minimizes carbon emissions. Since 2019, Radius has reduced greenhouse gas emissions by 24%. In 2023, it was named the world’s most sustainable company by sustainable economy magazine *Corporate Knights*, listed as one of the Top 100 most influential companies in the United States by *Time* magazine, and named as one of the world’s most ethical companies by the Ethisphere Institute.⁵¹

Profit

Organizations that practice the 3 Ps consider profit to be part of their commitment to taking care of their people and the planet. These are sometimes called **dual-purpose companies**—companies that build social and economic value into their core mission. California-based for-profit shoe company TOMS Shoes is a good example of an organization that does good and makes money. TOMS gives away a pair of shoes for every pair purchased and invests one-third of its profits into communities,

providing cash grants to meet the needs of different communities and funding access to mental health resources. At the time of writing, TOMS had impacted more than 100 million lives through its commitment to giving.⁵² It also banks an average annual revenue of over \$150 million.⁵³ This example shows it is possible for companies to achieve success by adopting the 3 Ps into their organizational practices.

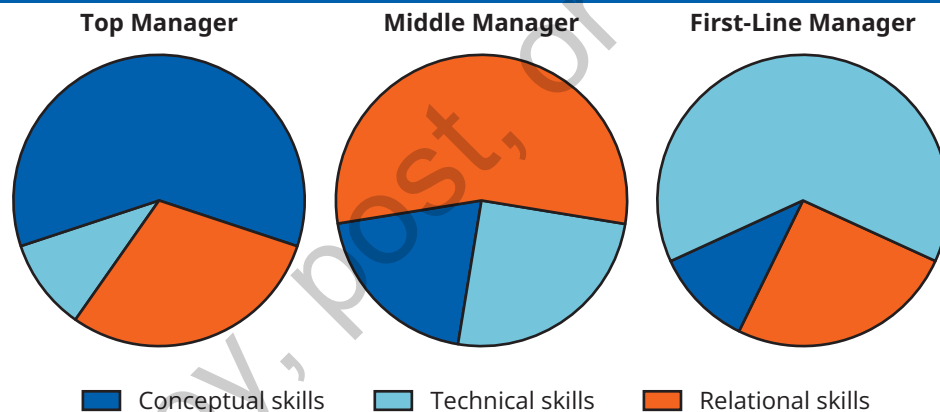
ESSENTIAL MANAGEMENT SKILLS

LEARNING OBJECTIVE

- 1.5** Demonstrate how managers can cultivate success by focusing on their own skills and strengths.

Skills are talents or abilities that enable a person to complete a particular task, interaction, or process effectively and efficiently. Social and organizational psychologists have identified three types of skills essential for top managers, middle managers, and first-line managers: *conceptual*, *technical*, and *relational skills* (see Figure 1.2).

FIGURE 1.2 ■ Skills Required by Types of Managers



Conceptual skills (or abstract skills) are the ability of a manager to think through complex systems and problems. These skills allow managers to look beyond their own department to make decisions that positively impact organizational goals. Of the three levels of management, top managers are likely to use conceptual skills the most to find creative ways to resolve problems. Recent research shows that abstract thinking gives people a greater sense of power and control, which provides them with a better chance of visualizing desired outcomes; in other words, “You focus on the forest when you’re in charge of the trees.”⁵⁴

Technical skills are the abilities and knowledge to perform job-specific tasks. These skills are more important for first-line managers or those in their first professional roles. According to professional networking site LinkedIn, cloud computing (the use of software development platforms, servers, and storage over the Internet), software development, and data analysis are among the most in-demand technical skills of 2023.⁵⁵ However, not all technical skills are connected with technology; other skills on LinkedIn’s list included customer service, sales, marketing, people management, and sales leadership.

Relational skills are the ability to collaborate and communicate effectively with others. Managers across all three levels need to master relational skills if they are to have any chance of interacting well with others. General Motors CEO Mary Barra is well-known for her relational skills. Barra believes in the importance of winning hearts and minds by paying attention to both the emotional and intellectual sides of her team.⁵⁶

While conceptual, technical, and relational skills are essential tools for managers, another type of skill is increasingly important: critical thinking.

Critical Thinking Skills

Critical thinking is the ability to diagnose situations and predict patterns of behaviors, which results in better decision-making.⁵⁷ A critical thinker is able to put aside biases and view situations from different perspectives to ultimately improve their understanding of the world.⁵⁸

Critical thinking involves using intelligence, knowledge, and skills to produce solutions based on evidence and reason. It goes beyond learning and memorizing information; it's about analyzing and assessing all sides of an issue or argument to form a judgment. It means asking questions like, "Is this true?," "How do I know that?," "How sure am I?," and "What assumptions am I making?" Bloom's taxonomy, a framework used to classify learning objectives into different levels of thinking, categorizes a number of skills designed to enhance critical thinking such as creating, analyzing, applying, evaluating, understanding, and remembering.⁵⁹

Critical thinking is fundamental for managers, who must often make good, quick decisions. Today's organizations need managers who can think carefully and independently without judgment or bias.

Critical thinking is fast becoming one of the most important skills employers look for in 21st-century managers. In 2022, the World Economic Forum (WEF) reported critical thinking as one of the top 10 skills desired by employers.⁶⁰ There is good reason for this: As automation escalates, employers want their people to use good logic and reasoning to optimize the power of technology to benefit the organization.

Why is critical thinking important? A multitude of research shows that critical thinkers will enjoy more success in education, the workplace, and life in general because the more we can think critically, the more we can handle difficult situations and make the right decisions. Critical thinking also produces better learning outcomes, particularly in professions that use a mixture of practical and academic learning. Table 1.5 showcases some strategies for improving critical thinking skills.



Conceptual skills are especially important for top-level managers.

iStock.com/AnnaStills

TABLE 1.5 ■ Strategies for Improving Critical Thinking Skills

Strategy	Description
Vet information.	When someone shares information with you, be sure to evaluate it carefully. Check to see if the information is up to date and complete, whether it has come from a reliable source, and whether there is sufficient evidence present to support the argument.
Check for gaps.	If there are gaps in information you see or receive, then do your own research by gathering additional information to fill those gaps.
Listen carefully.	Make an effort to listen to others' points of view and use empathy by putting yourself in their shoes. Critical thinking involves keeping an open mind and listening without judgment.
Ask open-ended questions.	Being curious and asking lots of open-ended questions is a key part of critical thinking. Good questions to ask might include: "How do you know this information?," "What are the causes and effects of this?," and "Why is this information important?"
Learn to think objectively.	Everyone has their own preconceived ideas and opinion. It is important to consider how your preferences and beliefs may impact the way you think.
Form your own opinion.	Critical thinking involves absorbing information and using it to create an opinion and conclusion of your own (rather than being influenced by the opinions of others).

Source: Adapted from Bernard Marr, "13 Easy Steps to Improve Your Critical Thinking Skills," *Forbes* (August 5, 2022), <https://www.forbes.com/sites/bernardmarr/2022/08/05/13-easy-steps-to-improve-your-critical-thinking-skills/>.

EXAMINING THE EVIDENCE: THINKING CRITICALLY ABOUT EVIDENCE-BASED MANAGEMENT

Evidence-based management (EBMgt) is defined as “the systematic, evidence-informed practice of management, incorporating scientific knowledge in the content and processes of making decisions.” EBMgt involves using scientific research findings in the context of critical thinking, decision-making, and judgment to allow managers to apply the best and most reliable management principles available to increase managerial and organizational effectiveness. EBMgt involves four basic activities: (1) obtaining the best scientific information available, (2) systematically assessing organizational facts, (3) using critical thinking and reflective judgment to apply the research evidence, and (4) considering key ethical issues.

But why should managers think critically about and incorporate current research findings into their management practices and decision-making? The field of medicine provides an interesting parallel. You might think that medical doctors and health care practitioners consistently use the latest and best medical research evidence available to make their decisions. However, studies suggest only about 15% of doctors make evidence-based decisions, with the other 85% relying instead on outdated information learned in medical school, personal experiences, and information provided by medical product and services vendors. More recently, evidence-based medicine has begun to change the way medical practitioners make decisions and prescribe treatments.

Stanford professors Jeffrey Pfeffer and Robert I. Sutton suggest that managers likewise should take an evidence-based approach toward managing and curing the “ills” of their organizations: “Managers are actually much more ignorant than doctors about which prescriptions are reliable—and they’re less eager to find out. If doctors practiced medicine like many companies practice management, there would be more unnecessarily sick or dead patients and many more doctors in jail or suffering other penalties for malpractice.”

Managers and even students sometimes choose not to believe or to practice certain evidence-based concepts. According to researchers Sara Rynes, Amy Colbert, and Ernest O’Boyle, this disbelief may stem from a growing distrust of academics, scientific research, and professional expertise, along with negative reactions to research findings that threaten one’s cherished beliefs or self-interest. In this text, we include a full range of traditional and current management principles and practices. Some traditional management principles have received little additional supporting research evidence through the years. We note this lack of evidence where appropriate and challenge you as students to think critically about the validity of each concept. Finally, in each chapter throughout the text, we include an Examining the Evidence box that summarizes some current management research evidence and asks you to think critically about how you might apply these findings in your current or future career as a management practitioner.

Critical Thinking Questions

1. What are some of the primary advantages of evidence-based management practices? Are there any disadvantages?
2. Why do some managers and students resist evidence-based principles?
3. What makes it difficult for managers to be evidence-based in their actions and decision-making?

Sources: Jeffrey Pfeffer and Robert I. Sutton, “Evidence-Based Management,” *Harvard Business Review* 84, no. 1 (January 2006): 62–74; Denise M. Rousseau, “The Realist Rationality of Evidence-Based Management,” *Academy of Management Learning & Education* 19, no. 3 (2020): 415–24; Sara L. Rynes, Amy E. Colbert, and Ernest H. O’Boyle, “When the ‘Best Available Evidence’ Doesn’t Win: How Doubts About Science and Scientists Threaten the Future of Evidence-Based Management,” *Journal of Management* 44, no. 8 (November 2018): 2995–3010; April L. Wright, Gemma Irving, Paul Hibbert, and Geoff Greenfield, “Student Understandings of Evidence-Based Management: Ways of Doing and Being,” *Academy of Management Learning & Education* 17, no. 4 (December 2018): 453–73.

IN CONCLUSION

By now, you should have a fundamental understanding of management, where managers work, the forces they contend with inside and outside their organizations, and the entrepreneurial mindset

managers need to embrace to become truly effective in an uncertain world. It's worth repeating that managers are expected to boost effectiveness and efficiency for their organizations. As they do, managers face opportunities and challenges each day that they need to overcome.

As you continue through this textbook and explore new management concepts, theories, and practices, remember to ask yourself, *Wherever I'm working, how might I as a manager make a difference for my organization, the local and global community, and the people I have an opportunity to work with?* That's where successful management begins.

CASE SNAPSHOT: ORIGAUDIO—MANAGING OUTSIDE THE BOX

Consider the ubiquitous Chinese food takeout container. Made of paper, the cartons are inexpensive, lie flat for storage, and can be quickly folded into a 3-D shape. Now think outside the box. What other uses can you envision for this portable, versatile product? Jason Lucash saw the takeout container as a solution to his need for a portable speaker—and a business was born.

A marketing manager at JanSport, Lucash traveled over 100,000 miles a year visiting college campuses to host events and activities while promoting and selling the company's products. Setting the scene with music was a big part of these events, but the speakers always posed a problem. The speakers available were bulky, and Lucash and his colleagues needed something thinner and more portable. Finding nothing on the market, their need and the takeout box came together when Lucash and his friend Mike Szymczak cut holes in an actual takeout box and hot-glued cheap speakers inside. This first iteration didn't hold up structurally, but a colleague suggested that they use basic techniques derived from origami—the Japanese art of folding paper into shapes and objects—to come up with something more stable.

With the design of a 3-inch-square foldable, reusable speaker called the “Fold and Play” in hand, Lucash and Szymczak launched Origaudio (the origami of audio) in August 2009 as a side venture. Two breakout events came quickly: The U.S. Marine Corps ordered 50,000 units for recruitment purposes, and *Time* magazine named the speakers as one of “the 50 best inventions of 2009.” In less than a month, Origaudio went from selling 10 speakers to thousands of speakers a day, quickly burning through their 25,000-unit start-up inventory while working out of Szymczak's parents' garage. With the company successful and armed with a personal desire to be his own manager, Lucash left JanSport in January 2010 to work full time on the company, and Szymczak came along shortly afterward.

That year, Lucash and Szymczak worked on expanding Origaudio's product line, selling direct to consumers, and establishing relationships with retail stores. The company was also invited to set up a booth at the Consumer Electronics Show, the signature trade show to connect tech products with retail outlets. Their next big break came in the fall of 2010 when Lucash and Szymczak were invited to appear on an episode of *Shark Tank*. When the episode was broadcast in May 2011, the Origaudio website crashed more than once as viewers sought to buy the featured “Rock-It” speaker, which could be attached to any hollow object to turn it into a speaker. One “Shark” made an offer, but Origaudio quickly surpassed the valuation placed on the company at the time, and Lucash and Szymczak declined to complete the transaction. By 2012, Origaudio had nine products, sales of \$4 million, and was carried in mass-market stores and online retailers including Amazon, Target, Bed Bath & Beyond, and Nordstrom.

In-store retail comes with a number of challenges and pressures. One key challenge is maintaining cash flow due to long lead times between when a store places an order for a product and when it actually delivers payment for that product. Generous return policies can hamper cash flow too. Recognizing the limitations of this business model, Origaudio decided to enter the \$26 billion promotional products industry—that is, “swag” such as branded tote bags, water bottles, and pens that companies dole out as employee rewards and sales promotions. Unique and low-to-moderately-priced products are prime for imprinting with decorations (company designs, brand names, and logos) and selling in high quantities to companies that use them as promotional items. Lucash spotted major market demand in this sector, noting that “no one [was] doing anything real cool” in it. In 2013, Origaudio completed its pivot by exiting the retail market to exclusively work in the promotional products market.

Over the next 5 years, Origaudio added more promotional products, and the company continued its exponential growth. In 2018, Origaudio was acquired by industry leader HUB Promotional Group. Both Lucash and Szymczak took on leadership roles in HUB.

By 2022, Lucash had stepped down from his role at HUB, and in 2023, Szymczak followed. After attaining such success and learning valuable lessons in the promotional products industry, Lucash and Szymczak launched a new company, Rupt, in January 2024. Rupt creates and delivers promotional products and corporate gifts, such as speakers, headphones, power banks, and backpacks, with a commitment to sustainability in product design and use. Rupt uses exclusively recycled materials in its products and developed thoughtful packaging that can be reused as desk organizers, night lights, and even birdhouses. Rupt has set up sites in Hong Kong; Austin, Texas; and Portugal to cut delivery times for its growing global customer panel. Lucash continues to focus on product ideation, which is the core and the differentiator for Rupt. When traveling, he and his team pay close attention to the materials, stitching, and finishing techniques used on bags and packaging, all of which inspires and influences Rupt's overall bag and product design.

In a personal interview, Lucash said, "I think entrepreneurs see an opportunity or someone that's maybe not capitalizing on the opportunity and figure out how to make it better. They don't reinvent the wheel. A lot of times they find the wheel and make it just a lot shinier and sexier." When Origaudio was underway, "a lot of times we saw something that wasn't made that well, and we could figure out how to make it better and more cost effectively too. A lot of our products are built that way. Someone was doing something really subpar, and we've put our own spin on it."

Says Lucash, "Make your own job. Learn from other entrepreneurs around you, surround yourself with and ask questions. Entrepreneurs are always willing to give advice, so ask questions of other entrepreneurs to learn about specific needs or questions within your own business. You learn. You get better from all the bumps in the road about what to do better the next go. . . . I'm a big believer in if you can't find a job, make your own job, be an entrepreneur. The story is never finished when you're an entrepreneur, another chapter waiting to be written."

Discussion Questions

1. Where do you see each of the four principles of management—planning, organizing, leading, and controlling—in Lucash and Szymczak's journey with Origaudio and Rupt? How do these functions overlap with the entrepreneurial mindset in this case?
2. Origaudio shifted its focus from retail markets to the promotional products industry after identifying a significant demand. Analyze the factors that influence a company's decision to pivot its business model. What are the potential risks and rewards of such a strategic shift, and how can companies effectively manage this transition?
3. Consider the key challenges facing managers today discussed in this chapter. Which do you think Lucash and Szymczak will need to consider as they continue to manage the growth of Rupt? What advice would you give them for how they can manage these challenges and leverage them into opportunities?

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UP FOR DEBATE

Should businesses address the trend of “quiet quitting” by increasing employee engagement initiatives, or is quiet quitting an employee’s personal choice that doesn’t require company intervention? Discuss.

Point (Pro-Intervention)

- **Retention:** Proactive engagement strategies can reduce turnover by addressing the root causes of employee disengagement.
- **Productivity:** By identifying and addressing the concerns leading to quiet quitting, businesses can boost overall productivity and employee morale.
- **Culture:** Implementing engagement initiatives promotes a positive work culture and helps align individual goals with those of the organization.

Counterpoint (Anti-Intervention)

- **Autonomy:** Employees should be free to set their own work-life boundaries without employer interference, as long as they meet their job requirements.
- **Responsibility:** The onus is on employees to communicate their needs or concerns and not quietly disengage without attempting to resolve issues.
- **Cost:** Investment in engagement initiatives can be costly and may not effectively address the personal motivations behind quiet quitting.

IN REVIEW

LO 1.1 Define management.

Management is the process of working with people and distributing resources to achieve goals efficiently and effectively. Effectiveness is the level to which people or organizations make the right decisions to achieve agreed-upon goals, and efficiency is using the smallest amount of resources to achieve the greatest output. Managers need to have a certain type of mindset to become truly effective and can benefit from an entrepreneurial mindset, which entails the ability to quickly sense opportunities, take action, and get organized under uncertain conditions.

LO 1.2 Describe a manager’s four major tasks: planning, organizing, leading, and controlling.

To be both effective and efficient in tackling business challenges, managers must follow four management functions: planning, organizing, leading, and controlling.

Theorist Henry Mintzberg described a manager's work in terms of managerial roles, or organizational expectations that determine the actions of managers, including *interpersonal*, *informational*, and *decisional* roles.

LO 1.3 Identify the major challenges and opportunities facing managers today.

Organizational managers have been on the front lines of post-COVID-19 change and have been confronted with a number of challenges, such as high employee turnover rates, inconsistent return-to-office policies, burned-out employees, managing remote teams, and growing uncertainty about the future. Managers have many challenges to balance and address, such as quiet quitting, the gig economy, technology (including artificial intelligence), remote work, and mental health and well-being.

LO 1.4 Compare different types of organizations and managers and explain the purpose of organizational mission, vision, and values.

Different types of organizations include start-ups, multinational corporations, growth companies, nonprofit organizations, and student organizations. Types of managers include top managers, middle managers, and first-line managers.

An organization's mission, vision, and values shape decision-making, products and services, beliefs, and relationships with people inside and outside the organization. The mission is the organization's central purpose that sets forth the vision. The vision describes what the organization will be now and in the future. Values state the belief systems upheld by the organization and its employees.

Today's leaders put social and environmental impacts before profit to drive their decision-making, something that is called the triple bottom line, or the 3 Ps: people, planet, and profit. Organizations are moving more and more toward the philosophy that by taking care of their people and the wider community and implementing sustainable or green initiatives, they can improve their profit-making ability as a result.

LO 1.5 Demonstrate how managers can cultivate success by focusing on their own skills and strengths.

Skills are talents or abilities that enable a person to complete a particular task, interaction, or process effectively and efficiently. Three types of management skills are conceptual skills: the ability to think through complex systems and problems; technical skills: the ability to perform job-specific tasks; and relational skills: the ability to collaborate and communicate effectively with others. An additional key skill for today's manager is the ability to think critically. Critical thinking is fundamental to managers when it comes to making good, quick decisions.

CHAPTER EXERCISES

Management in Action: Putting the Four Functions to Work (Group Exercise)

Objective: Apply the four functions of management critically and creatively to solve a problem. This activity may be done individually or in groups.

DESCRIPTION OF EXERCISE

- Choose a specific problem from the list below:
 - Creating a large college class environment that engages and informs students.
 - Solving the lack of drinking water in a developing country.
 - Scaling up production with Tesla's electric cars.
 - Analyzing Macy's downward sales trends as a retailer.
- Individually or as a team, determine possible answers to these problems under all of the management functions.
 - Planning**—Goals for the future, designing appropriate strategies, deciding on the resources needed to achieve success (where, funding).
 - Organizing**—Orchestrating people, actions, resources, and decisions (who, what resources).

- **Leading**—What are ideas on how to motivate people? What will be communicated so that people achieve their goals? (how).
 - **Controlling**—Monitoring activities, measuring results, comparing them to goals, and correcting activities.
3. Generate as many ideas as you can and record your best answers. If you're working in a group, build on your teammates' ideas.

Exercise contributed by Julia LaRosa, Arizona State University.

Experiential Exercise: Purposefulness and the Triple Bottom Line Business

Objectives: Research businesses and evaluate aspects of the triple bottom line.

Recognize the purposefulness provided within triple bottom line businesses and personally evaluate how purpose plays a role in employee happiness, business productivity, and community engagement.

DESCRIPTION OF EXERCISE

Research a triple bottom line company and determine answers to the reflection questions.

The following article provides several good choices of triple bottom line companies to be researched: <https://earth911.com/business-policy/triple-bottom-line-7-companies/>.

This activity may be done individually or in groups.

REFLECTION QUESTIONS

1. Reflect on how triple bottom line businesses change how business is being done. For companies? For employees? For communities?
2. How is the company you researched supporting all aspects of the triple bottom line? People? Planet? Profit?
3. For the company you researched, do you think the purpose of the company impacts employee happiness? Company productivity? How?
4. Research suggests that many consumers “base their purchasing decisions on whether or not a company makes positive social efforts.” As you consider which companies you'd like to work for in the future, how important is the company's purpose to you?

Exercise contributed by Julia LaRosa, Arizona State University.

Online Exercise: Leadership in Motion: Recognizing Motivation and Communication

Objective: Evaluate leaders and examine how they motivated and communicated to achieve their goals.

DESCRIPTION OF EXERCISE

The textbook states that “a manager's greatest opportunity to ensure that activities go as planned is through leading: the process of effectively motivating and communicating with people to achieve goals.”

Reflect on a leader who has made an impact on your life. This person may be a coach, teacher, boss, or family member. The closer your association with the person, the better able you are to evaluate how they motivated you forward and communicated goals.

Post your responses to the following questions to the discussion board. Compare your experience with fellow classmates and comment on two other posts.

DISCUSSION QUESTIONS

1. Who is the leader you selected, and what is their relationship to you? Why did you select them?
2. How did this leader communicate and motivate? Be specific and, when possible, add a story or two.
3. What goals were you or your team, family, or company able to achieve?

Exercise contributed by Julia LaRosa, Arizona State University.

KEY TERMS

Artificial intelligence (AI)	Middle managers
Conceptual skills	Midsized organizations
Controlling	Mission
Critical thinking	Multinational corporation
Decisional roles	Nonprofit organization
Dual-purpose companies	Organization
Effectiveness	Organizing
Efficiency	Planning
Entrepreneurial mindset	Quiet quitting
Entrepreneurs	Relational skills
First-line managers	Remote working
Gig economy	Skills
Growth company	Small organizations
Informational roles	Start-up
Interpersonal roles	Student organization
Large organizations	Technical skills
Leading	Top managers
Machine learning	Values
Management	Vision
Managerial roles	

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2

ORGANIZATIONAL ENVIRONMENT AND CULTURE

LEARNING OBJECTIVES

- 2.1 Define internal and external environmental forces.
- 2.2 Explain how managers analyze challenges and opportunities in an organization's specific environment.
- 2.3 Describe how forces in the general external environment impact all organizations participating in the economy.
- 2.4 Identify the basic characteristics of organizational culture.
- 2.5 Differentiate the various types of organizational cultures.

Case Study: American Express—A Culture of Work-Life Balance

American Express is one of the largest and most recognizable financial services companies in the world. Founded in 1850 in Buffalo, New York, by Henry Wells, William Fargo, and John Butterfield as an express mail business, American Express (Amex) earned a reputation in its early years as a trusted name for forwarding freight and valuables across the rapidly westward-growing United States. Throughout its more than 170-year history, Amex has introduced financial products—from travelers checks to charge cards and credit cards with exclusive rewards programs—but Amex's competitive advantage is its focus on building customer relationships. Amex consistently tops lists of the best companies to work for because of its Relationship Care philosophy, a virtuous cycle where the company knows its workforce will take care of its customers because employees know the company will take care of them with flexible work arrangements, competitive compensation, and generous benefits.

Relationship Care

As the leading global payment processing network, American Express employs tens of thousands of both merchant-facing and consumer-facing customer service representatives (CSRs). A leader in customer-centered service since its inception, Amex formalized its philosophy in the late 2000s under the name Relationship Care. Amex executive Raymond Joabar described the Relationship Care approach to *Forbes*: “We strive to build long-term relationships by understanding, respecting, and backing our customers.” In contrast to the traditional call center approach in which CSRs are trained not to deviate from standard scripts and protocols, CSRs at Amex are allowed to take the time to go off-script and personalize their interactions with customers. They have autonomy to make decisions that enhance customer satisfaction. According to Joabar, “We look for people who know how to connect with other people. No matter the background, if a candidate learned how to deepen relationships in another field such as hospitality or retail, we're confident they'll be successful and we can teach them the required technical skills to bring our brand to life for our customers.” Instead of focusing solely on short-term transaction-based metrics like average call handling time, Amex CSRs are evaluated on customer satisfaction scores and feedback. “You can't deliver great service unless your employees are engaged, motivated, and feel personally responsible for bringing your brand to life,” Joabar added.

American Express hires warm, relationship-focused CSRs to take care of its customers, but what is the company's end of the bargain to take care of its workforce and motivate them to bring the brand to life?

Work-Life Balance: BlueWork and Amex Flex

American Express chairman and CEO Steve Squeri told *Yahoo! Finance*, “Your colleague value proposition was—used to be—career growth. It was compensation, it was culture. And culture is really important to our company. But now it's flexibility, and I think companies that are not

looking at flexibility will . . . struggle on the war on talent.” Even before the COVID-19 pandemic, Amex was known for the remote and hybrid work options it provided. The company’s innovative BlueWork program assigned employees to one of four categories according to the requirements of their role: *Hub*, *Club*, *Home*, and *Roam*. “Hub” employees, those whose work required their physical presence at the same desk every day, comprised a small minority of the Amex workforce. “Club” employees split their time in their offices and other locations in virtual and in-person meetings. “Home” employees represented the company’s hybrid workforce, talent whom the company helped to set up home offices for remote work three or more days per week. Finally, the “Roam” category comprised staff who spent all their time at customer sites and on the road, rarely working from an American Express office.

In 2022, when Amex began to have employees return to office work after the height of the pandemic, it rebranded BlueWork as Amex Flex and upgraded technology in its physical offices and digital platforms to foster collaboration among workers in different settings. Now, any employee can work remotely for up to four weeks a year and even work from abroad for 15 days if they so choose. The different communication, technology, and management needs of each category can create headaches that many competitors avoid by imposing a one-size-fits-all workplace design, but Amex is committed to the work-life balance its employees enjoy, with hybrid and virtual options. In Squeri’s 2022 Chairman Letter to Shareholders he wrote, “Ultimately our goal is to achieve the best of both worlds—recapturing the creativity and relationship building of working together in person, while also retaining the flexibility and progress we have made together in a virtual environment.”



American Express was one of the first companies to embrace flexible work arrangements.

Associated Press/Ben Hinder/American Express

Investing in Relationships, the Key to American Express’s Success

In the face of stiff competition in the credit card and payments industry, what has set American Express apart from its peers is the company’s long-term orientation: its dual commitment to building relationships with customers and meeting the needs of its employees. Former Amex executive Ash Gupta remarked, “Challenges vary across institutions. The most common challenge is a willingness to invest upfront, recognizing that the benefits will be in the medium term, rather than in the immediate future.”

Discussion Questions

1. What are the potential risks and rewards of deviating from industry-standard call center metrics to prioritize customer satisfaction?
2. How might American Express’s BlueWork and Amex Flex programs influence its ability to attract and retain top talent, and what challenges might arise from managing such a scattered workforce with varying workplace needs?

3. What are the implications of American Express's approach to investing in long-term relationships in an industry that is typically focused on short-term gains?

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INTERNAL AND EXTERNAL ENVIRONMENTS

LEARNING OBJECTIVES

- 2.1 Define internal and external environmental forces.

Managers must deal with two types of environments when operating an organization: internal and external.¹ American Express, featured in the case study at the beginning of this chapter, demonstrates attention to both: looking toward its external environment, the company's customer-focused culture nurtures long-term relationships, and in its internal environment, its employee-focused culture provides flexible options to encourage work-life balance. Depending on the environment and its forces, managers can have direct, moderate, or little power to effect change. Regardless of their level of influence, it is a manager's responsibility to understand and respond effectively to these forces, and in today's rapidly changing world, they can't afford to get left behind. Companies need responsive managers to help organizations adapt in order to survive. For instance, when the COVID-19 pandemic struck in 2020, gym and fitness companies Orangetheory, Planet

Fitness, and 24 Hour Fitness were forced to pivot due to regulations that required their physical locations to shut down. To maintain their customer base, they offered live-streaming exercise classes and provided at-home workout fitness plans. Using a similar approach, fitness apparel company Under Armour hosted a 30-day Healthy at Home fitness challenge to motivate their customers to stay fit and active.²

An entrepreneurial mindset will help managers decide how to focus their attention to maximize long-term organizational performance. This involves using creativity, innovation, and problem-solving skills to take action and respond effectively to internal and external environmental forces. Our Entrepreneurial Manager Mindset feature describes how managers perform their roles in different types of environments. Let's take a closer look at the characteristics of internal and external environments and how managers have the power to impact culture and change within each.



COVID-19 was a threat in the external environment that affected the operations of gym and fitness companies.

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ENTREPRENEURIAL MANAGER MINDSET

Internal and external environments are some of the most important ideas for leaders, entrepreneurs, and managers to wrap their heads around. For example, if an entrepreneur wished to open a hot dog food truck, they would first study the external environment: Are you legally allowed to operate one in your city, and what are the food safety regulations that would delay your business? These key factors are out of your control and could drastically alter your success. Once the business is running, the internal environment comes into play, and thus the manager must hire people and build a culture and values that motivate everyone on the team to do a great job. In this example, the owner might allow employees to eat free lunch from the food truck as a perk specific to the internal environment of the company.

For your Mindset activity, you are challenged to take just 5 to 10 minutes and imagine starting a business by researching and ideating about the internal and external environment of that business. To complete this activity, figure out the last thing you purchased—for example, a coffee, a calculator, or a shirt—and then perform this exercise imagining you are starting a business to compete directly with the one who sold you that object. What is the external environment specific to that industry, and what is the internal environment specific to your imaginary business? Feel free to search online to do a brief study on these topics for your business, and then share your results with your classmates.

Critical Thinking Questions

1. What was the business you created? Describe the key factors of the external environment of your surrounding industry.
2. List the ways that you differentiated your business by creating an internal environment and culture; how do they compare to your classmates' ideas?

Internal Environment

A company's **internal environment** comprises the forces inside the organization that affect how managers set expectations, how employees perform their roles, and how the company interacts with stakeholders and responds to the external environment. These forces include everything from behaviors of individuals to the facility and offices where employees do their work. Because of the internal environment's broad impact on how an organization operates, effective managers ensure that it is consistent with the company's mission and values. This focus on internal environment happens well before employees start their positions. Most successful organizations understand that selecting employees who are well-suited to adapt to the company's internal environment is essential.

External Environment

Although managers have direct power to effect change in internal environments, they have only moderate to little power to effect change in **external environments**, comprising the specific and general factors outside an organization that can change how it operates. A common mistake made by managers is not focusing on external environmental forces because they appear to be separate from the operation of the organization. Let's look at how managers effectively (and sometimes ineffectively) act in response to their external environment and the resulting consequences of those decisions.

SPECIFIC ENVIRONMENT

LEARNING OBJECTIVES

- 2.2** Explain how managers analyze challenges and opportunities in an organization's specific environment.

An organization's **specific environment** includes the external factors that affect an organization's operations and performance—including customers, talent, advocacy, suppliers, regulations, and competitors. The impact of these forces will differ from industry to industry. Managers can evaluate

and engage with these forces with an entrepreneurial mindset to identify opportunities, build relationships, and attempt to persuade change to the benefit of the organization.

Customers

Customers are people who pay for the goods and services produced by an organization. Virtually all companies realize the importance of excellent customer care and use it as a way to differentiate themselves from the competition. An increased focus on the customer is even more important in today's technology-enhanced environment, where people can share their compliments and complaints on a wide variety of social media platforms. Customer-centric companies tend to go the extra mile and are often praised for their efforts. For instance, Chewy, an online retailer of pet supplies, not only provides 24/7 customer support but sends sympathy cards and flowers to customers who have lost a pet. Chewy's customer-first with empathy approach humanizes the brand and demonstrates its care and compassion for buyers.³



Chewy is well known in the pet supply industry for its customer service.

McClatchy-Tribune/Alamy Stock Photo

Managers respond to customer needs in three ways: reactive engagement, proactive engagement, and interactive engagement.⁴ Managers who assess customer needs via **reactive engagement** monitor positive and negative customer feedback through surveys and other direct communications and improve the company's products and services accordingly. For instance, fast-food chain KFC offers promotions whereby customers receive a 15% discount off their next food order in exchange for providing feedback about KFC's customer service and food quality.⁵

Proactive engagement is a tool used by organizations to engage customers and enhance their buying experience by anticipating their needs before an issue arises. American underwear and loungewear subscription brand MeUndies, headquartered in Los Angeles, proactively prevents any customer issues by resolving complaints as soon as they arise and monitoring company reviews to check for other errors that might have occurred. By addressing direct complaints instantly and observing user-generated content, MeUndies is able to generate a loyal customer base through top customer service.⁶

As technology enables companies to cost-effectively build relationships with customers, organizations are no longer just listening to customers; they are collaborating with them to develop future products and services. This is called **interactive engagement**. For example, LEGO has a long history of launching open innovation initiatives to encourage interactive engagement with its customers. Customers can choose products, share and generate ideas for LEGO sets, and even have a chance to have their own creations commercialized, enabling them to profit from their innovations. Engaging customers in this way strengthens the LEGO/customer community, ensures a steady stream of new ideas, and builds brand loyalty.⁷

Talent

Talent refers to people inside and outside the workplace who have the skills, knowledge, creativity, and relationships necessary to optimize an organization's performance.⁸ At the end of 2023, there were approximately 6 million people out of work in the United States. Inconsistent with this statistic, there were also more than 9 million job openings for which companies could not find qualified people to hire.⁹ Because of this talent shortage, identifying and hiring talent has emerged as a challenge for managers, and companies have a broader view of the talent necessary to be competitive in a global marketplace. Management now relies on talent *inside* and *outside* the organization, primarily employees and customers. Given the competition to identify qualified people, how do managers find talent?

American Express, featured in the case study at the beginning of the chapter, provides flexible work arrangements, competitive compensation, and generous benefits to attract talent. Other companies are adopting a skills-first approach—hiring for skills and competences rather than qualifications—to fill critical gaps in the workplace. A skills-first model can provide opportunities for people without

higher education credentials, thereby boosting diversity, and can drive upward mobility, leading to greater staff retention.¹⁰ Technology corporation IBM is one example of a company that has removed the degree requirement from some of its job descriptions in favor of listing the skills, knowledge, and attributes required to succeed in the roles. It also provides apprenticeship opportunities for people who lack formal qualifications. This was the case for one high school graduate and young father, Tony, who heard of IBM's apprenticeship program while working at a coffee shop at IBM's North Carolina location. "Coming to IBM every single day," he said, "I'm thinking, *Man, it would be nice to actually work for IBM. Instead, I have to work in this coffee shop. But there's probably no way unless I go to school for four years.*" Tony joined the yearlong apprenticeship and ended up landing a full-time technical position in customer support, where he has the potential to work his way up into a management role.¹¹

Managers can identify passionate and qualified candidates in today's workforce through a variety of different strategies.¹² We explore more about talent and hiring strategies in Chapter 10.

Advocacy

An **advocacy group** is a set of people dedicated to instituting change based on their concerns or interests.¹³ Environmental nonprofit 350.org, for example, advocates for stopping oil and gas development and pressuring governments into limiting emissions, with the ultimate end goal of reducing the amount of CO₂ in the atmosphere to under 350 parts per million.¹⁴ Advocacy groups use a wide array of media and communication tactics to voice their concerns: social media, television, radio and podcasts, and on-the-street protests.

Advocacy groups intersect with organizations and management in a variety of ways. In some cases, advocacy groups simply have a goal of providing factual information so consumers can make informed decisions. They may raise money to support a particular cause.¹⁵ They may stage protests to try to convince a company to change an aspect of its business plan. An important part of management's work is deciding how to respond to these calls for change.

Advocacy that attempts to change an organization's actions may also be decentralized. One such form of advocacy is a **boycott**, whereby consumers are influenced not to purchase a company's products and services. In 2023, Bud Light, Target, and Disney were among some of the big brands boycotted for their initiatives in support of LGBTQ+ communities. Bud Light took the brunt of the backlash for its collaboration with Dylan Mulvaney, an influencer and actor who is transgender, to promote a Bud Light contest on social media. The beer company lost its position as the top-selling beer brand in the United States, received bomb threats, and suffered heavy criticism on social media from angry anti-LGBTQ+ dissenters.¹⁶ Although Bud Light released a statement addressing the controversy, it has been criticized for retreating from the row and taking an overly neutral stance.¹⁷ This was a situation in which people perceived the brand's management to fall short.

In May 2023, Bud Light announced it was donating \$200,000 to the National LGBT Chamber of Commerce (NGLCC), an organization that supports LGBTQ-owned businesses.¹⁸

Suppliers

Suppliers provide companies with the external resources needed to operate, including money, material, people, and information. For instance, an upmarket seafood restaurant needs food, financing, linens, temporary workers during holidays, beverages, cleaning chemicals, and many other things to run its business. Each of its suppliers has suppliers too. For example, a coastal restaurant might buy its seafood from a vendor that gets fish directly from fishing boats. Managers maintain supplier relationships through collaboration and negotiation, ensure that supplies are of high quality, and guarantee that suppliers meet delivery standards.



Environmental nonprofit 350.org organized a protest at the 2024 United Nations Climate Change Conference.

Associated Press/Dominika Zarzycka

Industry-Specific Regulations

Regulations are rules set by external governing bodies that dictate standards and procedures for industries, businesses, and professionals. Managers must understand these rules to operate ethically and legally. In most cases, government agencies, commissions, and industry associations set standards that organizations must abide by in order to operate. Consider the supply chain for the upmarket seafood restaurant described above. Oyster farmers, seafood wholesalers, and restaurants must each abide by regulations set by federal, state, and local agencies and commissions. As an example, oyster farmers in Louisiana must obtain licenses for their business, vehicles, and gear. The state of Louisiana states that “oysters may be taken from public grounds by dredgers, scrapers, and tongs. Dredgers and scrapers used to remove oysters can be no longer than 6 feet in width, measured along the tooth bar. The dredge teeth shall be no longer than 5 inches, and there shall be no more than seven dredges in use on any one vessel.”¹⁹ These types of regulations can become expensive for companies, especially small businesses, to navigate. Complying with federal regulations costs U.S. businesses more than \$46 billion a year.²⁰ Some of the most heavily regulated industries include manufacturing, health care, finance, pharmaceuticals, insurance, and aviation.²¹

Government Activism

There are times when companies work with the government to seek solutions to financial problems. For example, during the financial crisis of 2008, government and business worked together to solve issues that neither entity could solve alone. This is not a new phenomenon. Over half a century ago, Frank Abrams, former chair of Standard Oil, drew the following conclusion: “Maximizing shareholder returns will continue to be the primary responsibility of managers, but to achieve that goal, they will work with government more directly than we have witnessed at any time since World War II.”²² Today, government takes an active role in encouraging business through tax credits and other incentives to behave in the public interest. This is called **government activism**, detailed in Table 2.1. For example, the U.S. federal government’s Small Business Administration guarantees loans to small businesses by partnering with lenders, community development organizations, and micro-lending institutions.²³

TABLE 2.1 ■ Government Activism by Industry

Industry	Government’s Involvement
Financial services	<ul style="list-style-type: none"> • Lends banks money to create stability in the market • In certain cases, takes ownership stakes • Regulations to align financial institution’s interests with the public’s • Anticipated future involvement: require banks to have more money relative to their debt, more disclosures/transparency, and restrictions on financial instruments called derivatives
Housing	<ul style="list-style-type: none"> • Government guaranteeing or taking over a large percentage of outstanding mortgage loans • Provide incentives for lenders and borrowers to refinance their home loans at subsidized rates • Anticipated future involvement: more oversight of lenders
Insurance	<ul style="list-style-type: none"> • Government becoming a major investor in insurance markets • Subsidize lower-income individuals and families to help them afford private health insurance • Affordable Care Act
Automobiles	<ul style="list-style-type: none"> • Countries around the world providing their automakers with loans and taking ownership positions • Supply funds to develop fuel-efficient cars • Anticipated future involvement: incentives to favor domestic automakers over foreign
Energy	<ul style="list-style-type: none"> • Countries around the world subsidizing the development of non-carbon-based energies • United States spending billions of dollars each year • Pledge to double the country’s capacity to generate wind, solar, and geothermal power • Anticipated future involvement: modernize systems for transmitting electricity

Industry	Government's Involvement
Health care	<ul style="list-style-type: none"> • Many countries have nationalized health care; the United States highly regulates the industry • Require companies over a certain size to either insure their employees or pay into a national health care pool • Affordable Care Act
Pharmaceutical	<ul style="list-style-type: none"> • The United States using its purchasing power to negotiate lower drug prices for the public
Telecom/information technology	<ul style="list-style-type: none"> • Subsidizing great broadband coverage, especially for rural areas • Anticipated future involvement: influence intellectual property, privacy, and intelligence gathering in the industry

Source: Adapted from R. Reich, "Government in Your Business," *Harvard Business Review* 87 (July–August 2010): 94–99.

Competitors

Competitors are people or organizations that sell similar goods or services to consumers. Many of today's industries face huge threats from new competition: The taxi industry has been undercut by ride-hailing services Uber and Lyft, Netflix disrupted the television world, Amazon shook up the retail industry, and hotels are losing revenue and customers to Airbnb.

When companies face competition, managers attempt to understand the features and benefits of their competitors' products and services, including strengths and weaknesses. This is called a *competitive analysis*, and it helps managers respond to their competitors' actions in the market.²⁴

Despite its acquisition of Whole Foods Market in 2017, and the "Just Walk Out" technology it developed for its own brick-and-mortar stores, Amazon is still facing competition in the grocery industry. Walmart is considered to be a serious competitor and threat to Amazon; not only has its e-commerce business made impressive gains in sales, but its brick-and-mortar stores have also attracted an increased number of shoppers. As Amazon lacks the same degree of human interaction in its cashierless brick-and-mortar stores, Walmart could very well overtake the online giant in the grocery category in the future.²⁵

GENERAL ENVIRONMENT

LEARNING OBJECTIVES

- 2.3** Describe how forces in the general external environment impact all organizations participating in the economy.

Some things are out of a manager's control, but they still greatly affect the organization and how it must operate. We have explored specific environments, where the impact of forces is relative to their industry. For example, when an oil spill damages fishing grounds and oyster beds, certain types of seafood become scarce, and consequently, restaurant managers must either increase prices or remove items from the menu. The **general environment** encompasses external forces that affect *all organizations* participating in an economy, where managers have little or no power to effect change. These forces include politics and laws, resource availability, sociocultural forces, and economic forces.

Politics and Laws

Unlike *industry-specific* regulations, which we discussed earlier in this chapter, *political and legal forces* relate to most, if not all, businesses. Managers are required to understand and abide by the constraints of legislative acts, which means managers must spend time and money ensuring that their personal decisions and the behaviors of their teams are consistent with these mandates. All organizations, with some exceptions based on the size of the company, are required to follow federal laws and rules intended to influence business behavior. Contrary to popular opinion, federal legislation that is considered "antibusiness," meaning it mandates how organizations operate, is not a partisan

issue; both parties have contributed to major legislative acts that have constrained business operations. Some historic examples of such federal legislation include the Clean Water Act (1972), the Americans with Disabilities Act (ADA) (1990), and the Pollution Prevention Act (1990).

Resource Availability

Today's businesses face challenges related to resource availability and scarcity. Four categories of resources affect how businesses operate globally: food, energy, water, and technology.²⁶ The primary factor determining demand for these resources is *world population*, which is currently more than 8 billion,²⁷ with the greatest population density in China and India. The rate of population growth is currently about 1% a year. Population will continue to grow but at a much slower rate than in the past. You can watch the world population grow minute by minute by checking the Population Clock (<http://www.worldometers.info/world-population/>).²⁸

Food

According to the World Bank, approximately 719 million people live in poverty around the world, living on less than \$2 a day. Although significant progress has been made to end extreme poverty over the past few decades, the United Nations has predicted that \$350 billion in funding will be needed per year to end extreme poverty by 2030.²⁹ Climate change, political forces, and corporate monopolies are all contributing to rising food prices around the world. Inflated prices result in limited access to safe and nutritious food, a condition known as food insecurity. Rising food prices are also impacting developing countries, resulting in limited access to safe and nutritious food, a condition also known as food insecurity.³⁰ In 2022, the World Bank announced \$30 billion in financing to address food insecurity by supporting vulnerable households, investing in sustainable food, improving food systems, and increasing trade.³¹

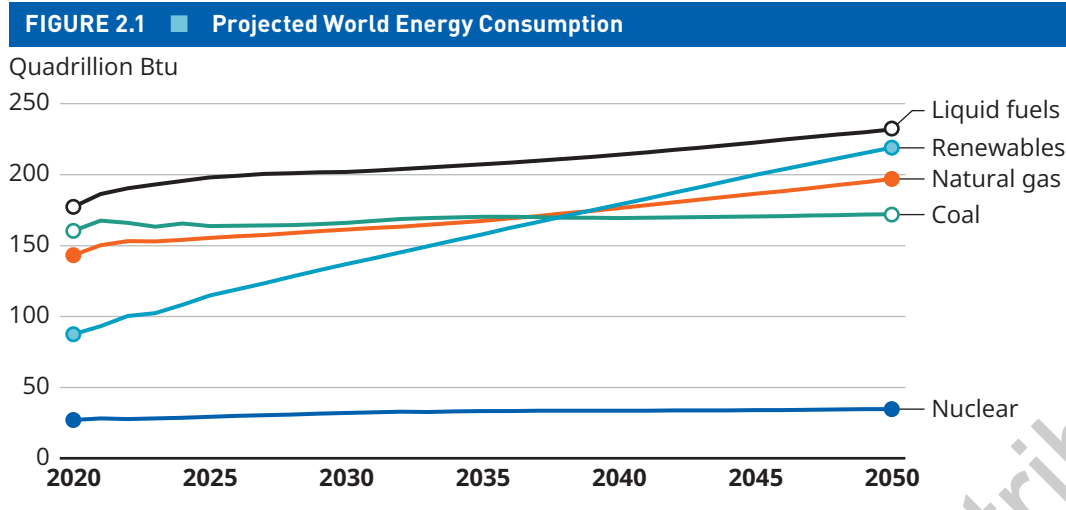
Hunger causes low energy, slow thinking, malnutrition, and loss of hope. There is also a strong link between hunger and chronic diseases such as heart disease and diabetes.³² These are physical, cognitive, and emotional states consistent with poor workplace performance. In a business environment that depends heavily on cognitive talent, organizations around the world have a lot to gain by ensuring that people are nourished and healthy. And even more importantly, because it's the right thing to do.

Energy

"The energy crisis is real. It is worldwide. It is a clear and present danger to our nation. These are facts and we simply must face them." U.S. President Jimmy Carter proclaimed this challenge in his 1979 "Crisis of Confidence" speech. What progress has been made in the decades since then to address this "clear and present danger"? According to the International Energy Agency, the world is in the midst of the first global energy crisis. In 2022, Russia, the world's largest exporter of oil and natural gas, invaded Ukraine, leading to rocketing energy prices and leaving millions of people at risk of losing access to electricity and fuel. This has promoted more and more countries to focus on energy alternatives like solar and wind to reduce their reliance on Russia.³³

The U.S. Energy Information Administration (EIA) has stated that the global energy demand will increase by 47% in the next 30 years as a result of population and economic growth. One might assume this is not an issue—if the energy consumed is renewable. Unfortunately, the EIA suggests that despite the growing use of renewable energy, the world will continue to use nonrenewable energy (fossil fuels such as coal, oil, and gas), as shown in Figure 2.1.³⁴

The Green Economy Initiative (GEI), led by the United Nations Environmental Programme, articulates barriers and opportunities that managers and organizations face because of the continuing energy demands on limited resources. Launched in late 2008, the GEI's objective is to promote investment in green sectors and help countries become greener.³⁵ Investment in green sectors such as energy-efficient technologies, renewable energy, sustainable agriculture, public transport, waste management, green buildings, and more will bring about improvements in poverty, unemployment, and environmental issues.



Source: U.S. Energy Information Administration. (2023), *International energy outlook 2023*. [Table: World total primary energy consumption by region and fuel].

Water

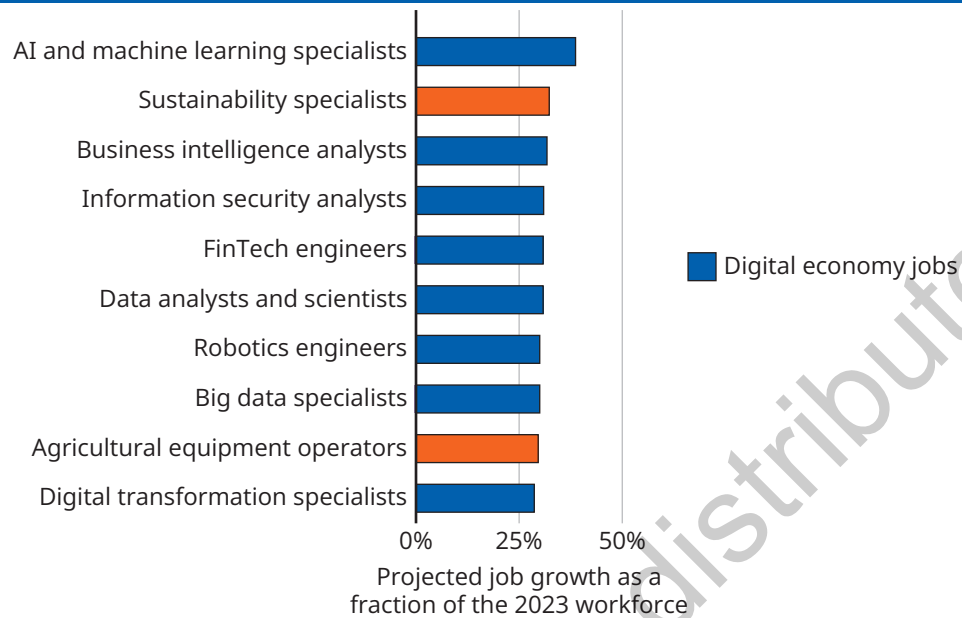
Businesses rely on water as a primary resource for operating. In addition to drinking water and sewage, water is used in business as a coolant or solvent and to produce electricity. Water is a limited resource, and businesses continue to increase the amount of water the world extracts relative to consumption.

Studies have shown that by 2030, global demand for water is expected to outstrip supply by 40%.³⁶ This means that every person and organization needs to urgently address the serious issue of fresh water scarcity that is already impacting major cities like Cape Town, South Africa; Mexico City, Mexico; Beijing, China; and Los Angeles, California, in the United States.³⁷ To help organizations understand and address their water usage and needs, San Francisco–based global climate platform Waterplan uses artificial intelligence (AI), satellite imagery, and climate change data to help companies understand their exposure to water-related risks and provides them with the information they need to address any water security issues.³⁸

With its goal to become net water positive (replenishing more water than it actually uses), PepsiCo is fast becoming a pioneer in water conservation. It is improving its water use efficiency at facilities in many of the countries in which it operates and also provides funds to develop infrastructure in communities that lack clean water access around the world. Roberta Barbieri, PepsiCo vice president of sustainability, said, “Our vision for the future is that, wherever in the world PepsiCo operates, water resources will be better off because we’re there. . . . We’re doing this by scaling technologies to make our operations among the most water efficient in the food and beverage industry and helping communities in need gain access to safe water.”³⁹

Technology

The speed of technological innovation requires managers to assess and adapt continuously to technology’s impact on internal and specific environments. The Bureau of Economic Analysis (BEA) estimates that between 2017 and 2022, the U.S. digital economy grew at an annual rate of 7.1%, accounting for \$2.6 trillion of U.S. GDP, compared with a 2% growth rate for the total economy. In 2022, the digital economy supported nearly 9 million jobs, overtaking employment in the educational services, arts, entertainment and recreation, and real estate sectors.⁴⁰ Furthermore, the National Skills Coalition in partnership with the Federal Reserve Bank of Atlanta reported that 92% of jobs require digital skills.⁴¹ Managers will need to upskill and reskill employees to enable them to keep up with new technologies and innovations. Figure 2.2 illustrates the 10 jobs that are expected to experience the fastest growth relative to their current percentage of the labor force from 2023 to 2027. Eight out of 10 are technology-related roles.

FIGURE 2.2 ■ Digital Job Growth From 2023 to 2027

Source: World Economic Forum, Future of Jobs Report (May 2023), https://www3.weforum.org/docs/WEF_Future_of_Jobs_2023.pdf.

Managers can learn more about technological innovation and the digital economy by tuning in to industry conferences; one such conference is TED (Technology, Entertainment, and Design), which profiles speakers talking about the latest innovations from around the world in technology, art, and social and environmental change. Public health social worker Laprishia Berry Daniels spoke about the impact of climate change in Detroit—two major floods that cost the city billions in damages—and outlined ways to accept and prepare for climate change by drawing from lessons in the past.⁴² Managers can learn from talks like this by spreading awareness of climate change throughout their organizations and encouraging people to play their part by reducing waste, lowering energy consumption, and choosing more environmentally friendly transport options.

Sociocultural Forces

Sociocultural forces are the behaviors and beliefs associated with demographic groups that comprise an organization's available talent and customers. **Demographics** include age, gender, marital status, ethnicity, and geographic location; these attributes affect buying habits, work ethic, work-life balance expectations, travel patterns, and disposable income. Talent and consumers are represented by five generations today, which are defined by the year of their births: from oldest to youngest, they are traditionalists (also known as the Silent Generation), Baby Boomers, Generation X, Millennials, and Generation Z.⁴³ Table 2.2 outlines some ways managers can facilitate good working relationships across different generations of employees.

By comprehending the sociocultural forces that define their available talent and customers, managers can adapt their strategies to attract and retain employees or sell to and keep customers. Social movements are another important sociocultural force that can affect organizational efforts to hire and manage employees. In Chapter 4, we will discuss in more detail how organizations have responded to calls for diversity, equity, and inclusion.

Economic Forces

An **economy** is an orchestrated system of talent, resources, and money that creates and distributes products and services. For organizations, managers need money to acquire resources and hire talent to achieve the company's goals. When the economy is doing well, it is easier for managers to get money from banks, investors, or stock markets. Stock markets are primarily intended to coordinate

TABLE 2.2 ■ Bridging the Generational Gap

Top Tips	What Managers Can Do
Dispel the myths about technical skills.	Older people can be just as savvy using technology as younger generations; they just may not use it as pervasively. Managers can open up a dialogue to help spread awareness of how different people use technology and the boundaries they may put in place (turning phones off after 9 p.m., etc.) to achieve a desired work-life balance.
Expand your circle.	Employees of all ages can widen their social networks to include people across all generations. For younger people, befriending older people (and vice versa) is a powerful way to gain new perspectives. Managers can set up mentoring schemes to build relationships between generations in the workplace.
Find common ground.	People with shared experiences, skills, and passions tend to work well together on projects or charitable work. Managers can encourage people across all generations to work together on a range of tasks to build relationships, create bonds, and exchange ideas.
Improve communication.	Multigenerational teams may struggle to communicate when there are different communication preferences (social media, email, phone) or when different vocabulary is being used (slang, emojis). Managers can set rules and clarify how cross-generational teams need to communicate to help bridge the communication gap.
Be respectful toward people from older generations.	Older employees make huge contributions, as they tend to have a depth of experience and a large skill base. Managers must be respectful toward older employees and make an effort to include them as candidates for certain roles. Hiring people with the right expertise is essential toward achieving team objectives.

Sources: Adapted from S. Mitra Kalita, "What to Know When Five Generations Share an Office," *Charter* (January 24, 2023), <https://time.com/charter/6249581/what-to-know-when-five-generations-share-an-office/>; Debra Sabatini Hennesly and Bradley Schurman, "Bridging Generational Divides in Your Workplace," <https://hbr.org/2023/01/bridging-generational-divides-in-your-workplace>.

transactions in which owners sell a piece, or share, of their company to investors. Depending on a company's perceived future performance and the confidence of buyers, investors buy and sell a company's stock, increasing and decreasing its stock price. What do we mean by perceived future performance and confidence?⁴⁴

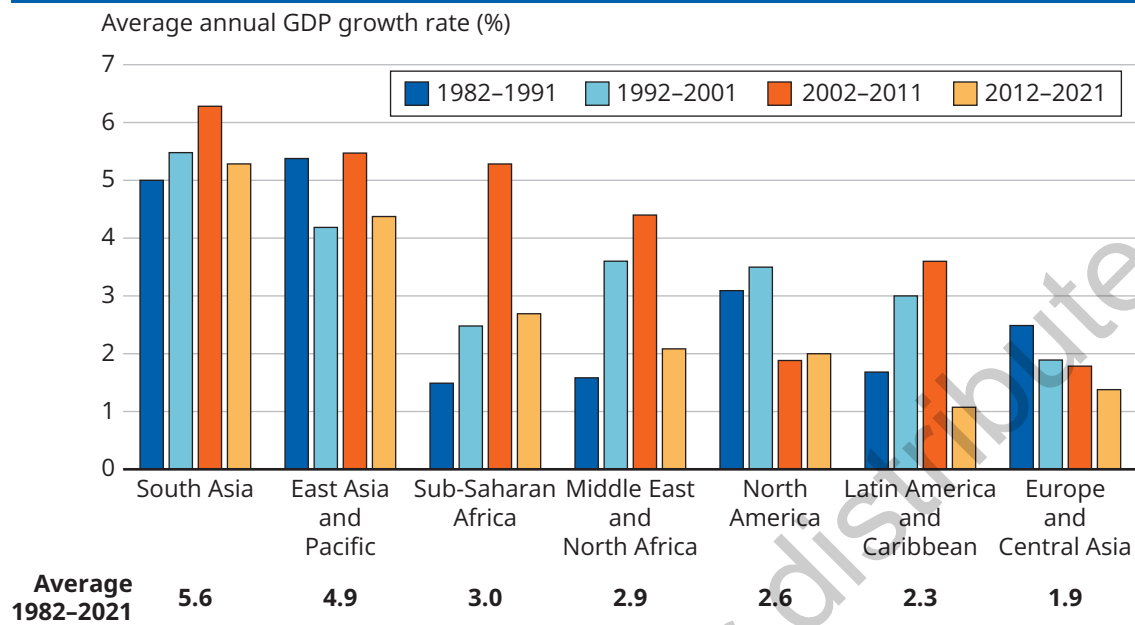
Consider as an example the events surrounding businessman Elon Musk's acquisition of Twitter in 2022. Following a tweet from Musk suggesting that he was considering putting his proposed takeover of the platform on hold, Twitter's share price fell by 20% before the stock market even opened.⁴⁵ Musk had only *announced* that he was thinking about pausing the acquisition, yet the impact on the company's value was significant. Less than 2 hours later, Musk reversed his decision and confirmed he was still committed to the acquisition, which boosted the Twitter share price (but the shares were still down by 10% at market close).⁴⁶ Musk eventually concluded the acquisition later that year, formally rebranding the company as X in 2023.

Stock Markets

The Elon Musk example above shows how one individual has the power to impact some of the world's biggest stock markets. Managers typically look at stock market indexes as a benchmark for measuring the economy. These indexes are combinations of company stocks intended to represent how the overall stock market (or economy) is doing. The major market indexes in the United States are the Dow Jones Industrial Average, NASDAQ Composite, and S&P 500. The Dow Jones Industrial Average index, founded by then editor of the *Wall Street Journal*, Charles Dow, represents 30 large company stocks.⁴⁷ The NASDAQ Composite index represents more than 4,000 company stocks, primarily in growth and technology.⁴⁸ The S&P 500 represents 500 large U.S. company stocks.⁴⁹

Gross Domestic Product (GDP)

Gross domestic product (GDP) is the value of what a country produces on an annual basis, representing the size of its economy. GDP is represented as a total number (nominal) or per person (capita). Figure 2.3 compares the GDP global growth rate over the course of a number of decades. As the figure shows, South Asia has experienced the highest growth rates overall, with the East Asia and Pacific region following closely behind. During the 2012–2021 period, growth rates fell across the world as a consequence of the 2008 financial crisis and the COVID-19 pandemic.⁵⁰

FIGURE 2.3 ■ Global GDP Growth

Source: Martin Armstrong, "How Global GDP Has Evolved," *Statista* (October 13, 2022), <https://www.statista.com/chart/28452/global-gdp-evolution-by-region/>.

In order, the world's top five largest economies are the United States, China, Japan, Germany, and India.⁵¹ Over the past two decades, the Internet and e-commerce have enabled these and all other countries around the world to exchange services easily, leading to the rapid expansion of economies, in particular Brazil, Russia, India, and China (BRIC, pronounced "brick"). In early 2024, other countries were invited to join the BRIC group with a view to strengthening the alliance against the wealthier and more powerful nations of North America and Western Europe. Some of the countries invited to join BRIC included Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates (UAE).

However, as Figure 2.3 illustrates, GDP levels can also drop, particularly as a result of world events. The COVID-19 pandemic had a catastrophic impact on the global economy, causing the biggest economic crisis in more than a century. During the pandemic, the world's GDP plummeted by 3.4%, resulting in trillions of dollars of lost output. The GDP has since recovered and is projected to continue to grow in the coming years.⁵²

Although there is no doubt that the general external environment has a huge impact on organizational growth and performance, a company's internal environment—its culture—also plays a significant role in determining organizational success.

INTERNAL ENVIRONMENT

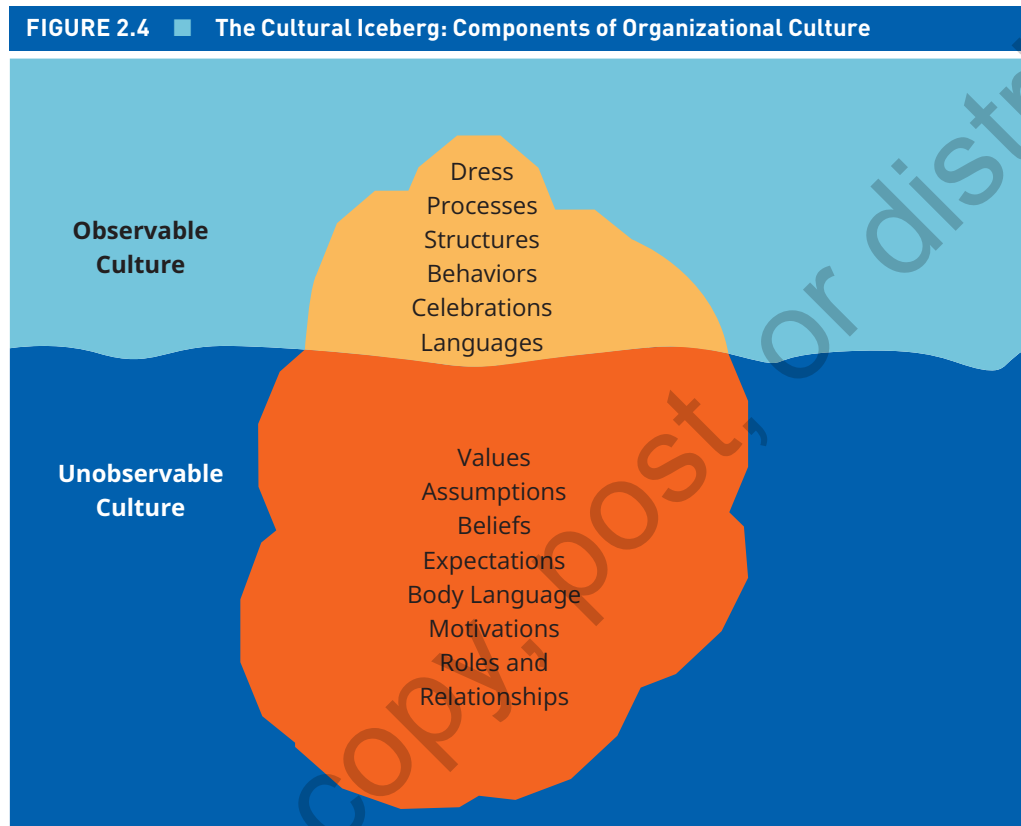
LEARNING OBJECTIVES

2.4 Identify the basic characteristics of organizational culture.

An organization's internal environment is composed of many different elements, such as managers, employees, work processes, and organizational culture. **Organizational culture** is a collection of beliefs that individuals and groups share to help their organization respond to environmental forces and changes.⁵³ From the time a prospective employee submits an application, to a new hire's first day on the job, to a manager leading a large project team, culture guides employees' behaviors and decision-making to ensure that they are consistent with management's expectations.⁵⁴ Managers with an entrepreneurial mindset foster a thriving culture by inspiring others to identify new opportunities, embrace change, take risks, pursue initiatives, and feel empowered enough to suggest ideas to drive the

organization forward. Culture is becoming increasingly important to organizations when it comes to attracting and retaining talent. Seattle-based equipment shop Recreational Equipment, Inc. (REI) is well-known for its authentic culture and strong values. REI shows appreciation for its employees by giving them discounts on merchandise and “Yay Day” passes—which entitle employees to paid days off to enjoy the outdoors, in addition to standard holidays.⁵⁵

Organizational culture can be subtle, with some of its components hidden beneath the surface. As illustrated in Figure 2.4, there are two main components of culture: observable and unobservable. **Observable culture** refers to the components of culture that we can see in an organization. For example, personal appearances and dress codes, processes and structures, behaviors and attitudes, and *artifacts* of the culture like slogans and stories, rituals, and ceremonies (described in more detail later on) are all observable parts of organizational culture.



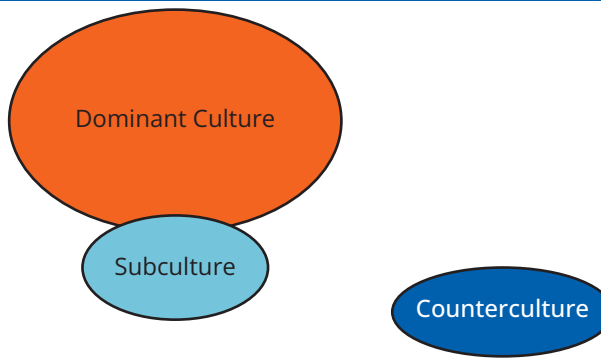
Source: Based on Edward T. Hall, *Beyond Culture* (Oxford: Anchor, 1976).

Unobservable culture consists of the components that lie beneath the surface of an organization, such as company values and assumptions.⁵⁶ For instance, streaming giant Netflix believes in “people over process, trying to bring great people together as a dream team,” which illustrates the value it places on putting employees first.⁵⁷

Dominant Culture, Subculture, and Counterculture

Company cultures are rarely monolithic. The **dominant culture** is the set of core values shared by the bulk of organizational employees.⁵⁸ For example, Michigan-based medical-technology company Stryker teaches its employees the importance of giving back by encouraging them to volunteer for activities within five specific, mission-focused areas, such as Operation Smile, a charity that performs cleft lip and palate surgery.⁵⁹

In addition to the dominant culture, **subcultures** may spring up, which are groups in an organization that share different values from those held by the majority (see Figure 2.5).⁶⁰ Subcultures are more likely to emerge when groups of people are separated by function, department, tenure, or geography. The Department of Defense consists of branches such as the Army, Marines, and the Navy.

FIGURE 2.5 ■ Relationship Among Dominant Culture, Subculture, and Counterculture

Overall, the dominant culture pervades, but each individual branch has its own subculture made up of unique characteristics. However, it is more common for subcultures to arise in companies where there is no dominant culture, or in the merger of two companies, each of which has a different culture.

An extreme type of subculture whose values strongly differ from those of the larger organization is a **counterculture**.⁶¹ Such groups openly reject the company's values, embrace change, and challenge the status quo. It might seem that these "rebel" groups would be bad for an organization, but a counterculture can also produce positive results. It can instigate a revolution that brings about much-needed change and contribute valuable perspectives and creative ideas. For example, many authors and historians believe there are strong links between the 1960s counterculture (which encouraged freedom of expression) and the technology revolution driven by Silicon Valley.⁶² Managers can cope with countercultures by acknowledging different viewpoints, listening to feedback, and asking people for their thoughts and ideas. Open communication with counterculture groups is a major step toward reaching a mutually beneficial outcome.

Strong and Weak Cultures

A **strong culture** is an organizational culture where the majority of employees are aligned with the values of an organization. When the organization has a strong culture, there is less need for detailed policies and procedures because the rules are accepted and understood.⁶³ Often cultural values are embedded in value statements; for example, specialty gifting company Packed with Purpose, based in Chicago, partners with consumer goods brands that support sustainability and the environment, workforce development, and women's empowerment to provide meaningful company gift boxes. Examples of products in the gift boxes include soy candles, granola snacks, and artisan homemade goods.⁶⁴ Packed with Purpose's value statement communicates the importance of its culture driven by a social mission: "Embedding social and environmental impact into the everyday act of gift giving."⁶⁵

In contrast, a **weak culture** is an organizational culture where the core values are not embraced or shared by its employees. This occurs mainly because the core values are not defined or communicated well, which can lead to inconsistent behavior among employees. Managers who fail to communicate well, lack good listening skills, set unclear goals, are harsh with employees, and demand authority are more likely to contribute to a weak organizational culture.

For example, in 2022, Arkansas-based Tyson Foods, the largest meat processing company in the United States, was reported to be one of the worst U.S. companies to work for. Over the years, Tyson Foods has come under fire for low wages, high injury rates, and creating a culture of fear. In 2020, seven plant managers were fired for organizing a betting pool to bet on the number of employees that would test positive for COVID-19.⁶⁶ One employee said, "We barely have time to eat and it's tense and uncomfortable with them watching us. I'm fed up but it's hard to complain. They could fire me at any moment."⁶⁷

Artifacts of Organizational Culture

Artifacts or identifiable elements of an organization can provide members and outsiders with a better understanding of its culture.⁶⁸

Slogans and Stories

A **slogan** is a repeated phrase intended to support an organization's culture, mission, vision, or values. Subway's "Eat Fresh" slogan indicates its commitment to freshly prepared, healthier fast food, while Nike's "Just Do It" represents its focus on proactivity.

Stories are narratives, usually fictionalized or enhanced over time, based on actual organizational experiences. For instance, Nordstrom promotes its generous customer-first returns policy by telling a story about an employee working at the Alaska store in the mid-1970s who was approached by a customer wanting to return two worn snow tires. The only problem was that Nordstrom had never sold snow tires, although a store that had previously been on the site once did. Without thinking twice, the employee took back the snow tires and refunded what the customer said he had paid for them.⁶⁹

Rituals and Ceremonies

Rituals are formalized activities intended to communicate and teach the organization's culture.⁷⁰ The Walmart cheer, where employees chant and spell out the company name, is designed to motivate employees and create a positive environment. Research shows that group rituals build bonds between team members, boost morale, and create a sense of meaningfulness in daily tasks. According to Michael I. Norton, the Harold M. Brierley Professor of Business Administration at Harvard Business School, group rituals become more meaningful over time: "It's not that we do rituals and then, magically, we like doing our work later that day," he says. "It's that over time, rituals themselves become meaningful to us—a sense of 'this is how we do things around here.' And that meaning is then linked to find more meaning in the work that we do."⁷¹

Ceremonies are events that provide one or more stakeholders with a sense of purpose and meaning connected to the organization and are powerful tools for managers to reinforce the mission and objectives of the company, especially when it involves recognizing excellence in front of peers and senior management.⁷²

A **hero** is a real or imaginary person who represents an ideal performer specific to the organizational culture. In business, as in life, people need to believe in something greater than themselves to handle the anxiety that comes with change, barriers, growth, and loss. Heroes help managers demonstrate to employees the determination to succeed in a particular organizational context. In *The Hero with a Thousand Faces*, 20th-century philosopher Joseph Campbell showed the hero's journey as universal and having three stages: (1) leaving home for adventure, (2) facing barriers that question success, and (3) returning home successful.⁷³ A good example of a hero is the founder of Apple, Steve Jobs. When he was forced out of Apple, he spent the subsequent years forming new alliances (Pixar, NeXT) and learning from his mistakes before returning home to Apple, taking it from almost bankruptcy to stardom.

TYPES OF ORGANIZATIONAL CULTURE

LEARNING OBJECTIVES

2.5 Differentiate the various types of organizational cultures.

One popular way of approaching the study of organizational culture is the **competing values framework (CVF)**, which provides a means to identify, measure, and change culture.⁷⁴ Developed by Professors Robert Quinn and Kim Cameron, it provides a useful classification of different types of corporate cultures.

This model highlights two main value dimensions: the first dimension differentiates *flexibility and discretion* from *stability and control*. This means that some organizations benefit from a more adaptable, flexible culture whereas others might thrive on a more stable and mechanical culture. The second dimension differentiates *internal focus and integration* from an *external focus* in the workplace. In other words, some organizations are effective if they focus on the internal culture, for example, ensuring that employees share the same values, integrate well, and work harmoniously, while



Canada Goose's external focus gives it a competitive advantage in the winter wear marketplace.

iStock.com/Dmitri Zelenevski

other organizations focus on building successful relationships outside the organization such as with suppliers, clients, and customers to make themselves more competitive. One example of a company that leans into an external focus is Canada Goose. The winter clothing retailer allows customers to test coats in temperature-controlled Cold Rooms, which pump in gusts of wind and snow to simulate arctic conditions. It also transformed some of its stores into interactive museums where customers can explore geological specimens and artifacts, and interact with games. Canada Goose's commitment to innovation and storytelling has increased loyalty among its customer base, increasing revenue by 15% during the COVID-19 pandemic despite months of store closures.⁷⁵

These two dimensions combined result in four types of culture: clan, hierarchy, market, and adhocracy (see Table 2.3).

TABLE 2.3 ■ Competing Values Framework

Culture Type	Assumptions	Beliefs	Values	Behaviors	Results
Clan	Human relationships	People are more likely to be loyal and committed when they have trust in an organization.	Collaboration, trust, loyalty, and support	Teamwork, engagement, open communication	Loyalty, commitment, and job satisfaction
Hierarchy	Stability	People behave appropriately in formal organizations governed by rules and procedures.	Communication, consistency, and formalization	Obedience and probability	Efficiency, productivity, and timeliness
Market	Accomplishment	People are more motivated to reach goals when they are rewarded for their achievements.	Communication, capability, and achievement	Goal setting, competitiveness, planning, researching the competition	Increasing market share and profit, productivity
Adhocracy	Change	People create and innovate when they understand the need for the change.	Growth, inspiration, attention to detail	Creativity, flexibility, adaptability	Innovation

Source: Adapted from Robert E. Quinn and John R. Kimberly, "Paradox, Planning, and Perseverance: Guidelines for Managerial Practice," in *New Futures: The Challenge of Managing Corporate Transitions*, ed. J. R. Kimberly and R. E. Quinn (Homewood, IL: Dow Jones-Irwin, 1984), 295–313.

Clan Culture

The *clan culture* falls under the internal focus and values flexibility dimension. Typically, a clan culture is a family-like working environment where employees share the same goals and values and form strong personal relationships. Leaders and managers tend to be perceived as mentors or even as parental figures who focus on bringing out the best in each of their employees. Out of the four types of cultures, it is the most collaborative, and loyalty and commitment are high. Organizations with a clan culture promote teamwork, participation, and consensus. They primarily gauge their success against the performance and satisfaction of their employees. Research shows that employees in organizations with clan culture have greater levels of job satisfaction, experience less conflict, and are more supportive of their peers.⁷⁶ Multimedia financial services company Motley Fool, headquartered in Virginia, embraces a clan culture by fostering a familial culture that encourages open communication, collaboration, and fun. These core values create a dynamic work environment that build strong interpersonal relationships, enhance employee morale, and nurture personal fulfillment.⁷⁷

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Hierarchy Culture

The *hierarchy culture* exhibits a combination of stability and an internal focus. In contrast with the clan culture, hierarchical cultures are formal and structured places where employees are primarily guided by processes, rules, and procedures. Hierarchical cultures are run via a formal chain of command populated by leaders who use their positions to manage their employees and to emphasize the importance of efficiency, productivity, and organization in the day-to-day running of operations. The U.S. Navy has a hierarchical culture based on maximizing compliance and minimizing mistakes. Organizations that are too rigid and bureaucratic are slower to adapt to change.

Market Culture

Like the hierarchy culture, the *market culture* is also positioned under the control and stability dimension but places more emphasis on interactions conducted outside the organization with a view to increasing company competitiveness. Leaders tend to be driven and goal oriented and to gauge success based on market performance. Google and Thomson-Reuters are two examples of companies that use competition to bring out the best in their employees.⁷⁸ Yet, because it is so results driven, market culture can also be aggressive and high-pressured, which can lead to unhealthy competition, stress, and burnout.

Adhocracy Culture

The *adhocracy culture* focuses on flexibility and discretion with an external emphasis. These organizations are creative, dynamic, fast moving, and the quickest to adapt to changing markets. Leaders tend to be entrepreneurs and risk takers who encourage their employees to experiment and generate innovative ideas. Success is measured by company growth and the production of unique, cutting-edge, and innovative products and services. A recent study found that organizations with adhocracy cultures tend to perform better during periods of complexity and rapid change. The study also found that adhocracies are more likely to be championed by young organizations or start-ups populated with proactive, creative, self-motivated employees.⁷⁹ Pixar, Google, and Tesla are adhocracy companies that continuously innovate to stay competitive.⁸⁰

Although most organizations have elements of all four of these cultural types, some emphasize one type over another. For example, a small family-run business might exhibit characteristics of a clan culture; a law firm with a strong emphasis on the bottom line may operate as a hierarchy; a results-driven company such as a call center that makes hundreds of sales every day is characterized by elements of a market culture; and start-ups and high-tech firms often have an adhocracy culture.

Though most organizations require different elements from each of the four cultures to operate effectively, none of the elements should be taken to extremes. For example, an organization that is too bureaucratic tends to stifle creativity and can be slow to react to change. Similarly, organizations that are rigidly driven can damage relationships between competing employees. In the current business environment, clan and adhocracy cultures, with an emphasis on strong relationships based on mutual respect built inside and outside the workplace, are more likely to be present in successful organizations that nurture creativity and innovation.⁸¹

EXAMINING THE EVIDENCE: FAKING A CULTURAL FIT? APPLICANT ORGANIZATIONAL CULTURE ADAPTIVE STRATEGIES

More and more companies are considering cultural fit as a key criterion in selecting new employees. Cultural fit occurs when an employee's beliefs, values, and behaviors are in harmony with the company's core values and culture. As Lauren Kolbe, founder of Kolbeco, a brand media agency, explains, "We can teach someone to do a job. We can't teach someone to love the way we operate. An employee who is not aligned with the culture and is not committed to living it can wreak havoc pretty quickly, even if they bring a great deal of skill and experience to their craft." While

companies diligently work to assess cultural fit in their selection processes, a recent study by Nicolas Roulin of Saint Mary's University, Halifax, Nova Scotia, Canada, and Franciska Krings of University of Lausanne, Lausanne, Switzerland, suggests that applicants may fake a cultural fit during the selection process. Their findings suggest applicants may infer an ideal personality type based on characteristics of the organization's culture and then adapt their answers on personality inventories to match the culture more closely. For example, applicants tend to portray themselves as being less honest and agreeable when applying for jobs in companies with competitive cultures. In addition, applicants tend to portray themselves as more open and extroverted when applying for jobs in companies with innovative cultures. In both instances, applicants are displaying personality profiles most closely aligned with each type of culture. The researchers stress this type of faking is highly specific: Applicants only fake certain traits closely related to the cultures of their targeted organizations. Consequently, the researchers conclude that adaptive faking should not be viewed as behavior demonstrated only by dishonest individuals.

Critical Thinking Questions

1. What are some possible downsides of faking a cultural fit in the selection process for both individuals and organizations? Are there any possible upsides?
2. What can organizations do to try to reduce adaptive faking on personality assessments? Should they take steps to reduce faking, or is this a natural part of the process?
3. Do you agree that specific, targeted faking as described should not be viewed as an indicator of dishonesty? Why or why not?

Sources: Shannon Gausepohl, "Hiring for Cultural Fit? Here's What to Look For," *Business News Daily*, October 23, 2017, <https://www.businessnewsdaily.com/6866-hiring-for-company-culture.html>; Nicolas Roulin and Franciska Krings, "Faking to Fit in: Applicants' Response Strategies to Match Organizational Culture," *Journal of Applied Psychology* 105, no. 2 (February 2020): 130–45.

IN CONCLUSION

Effective managers who optimize the factors associated with an organization's internal and external environment adopt an entrepreneurial mindset to build a strong culture composed of people who share the same beliefs and values and have the same levels of commitment to help the organization respond to organizational changes. Achieving this desired culture does not happen overnight but evolves slowly over time.

CASE SNAPSHOT: DELTA AIRLINES—A CULTURE OF TRUST THAT FOSTERS EXCELLENCE

Delta Airlines started as a crop dusting and mail transfer company in the 1920s. Roughly 10 years later, it began transporting passengers. Shortly afterward, the company was incorporated and expanded, landing its present-day hub in Atlanta, Georgia. Since then, it has continued to grow by expanding its routes and increasing the number of destinations it services. Delta became a global airline with its purchase of PanAm in the early 1990s; in 2000, it launched the SkyTeam, a group of airlines that offers services on each other's routes; and the company merged with Northwest Airlines in 2009. As of 2024, Delta had over 90,000 employees working worldwide in a variety of capacities, from airplane mechanical and maintenance roles; to administrative positions in human resources, accounting, and marketing; to baggage handlers, check-in and gate agents, and flight staff.

Delta is unique in terms of operations and structure. While its executive and administrative arms follow a traditional organizational hierarchy, airport-based teams, including ground and flight crews, are self-run with minimal oversight. Flight and ground crews' efforts directly impact all Delta flights, as every delay has a ripple effect on other flights later in the day. Delays often leave customers frustrated

and unhappy. Thus, Delta must hold a high level of trust in its people, not only to safeguard its physical and brand assets but also to make everything work on 5,000 flights every day. This trust works two ways. Just as the organization must trust its employees, employees must trust the organization. Thus, Delta's organizational culture has a dual focus: to serve the customer and to serve Delta colleagues—and the company aspires to be the best in the industry in both.

In 2016, Ed Bastian, a 15-year Delta employee, took the ultimate captain's seat as company CEO. During his first month on the job, Bastian traveled around the world reviewing operations and got to witness Delta's culture in action. Already familiar with the sense of family he had experienced over his tenure at the company, during his travels he also found an engaged population of innovative, helpful employees. Many brought forth ideas for saving costs, engaging new clients in younger demographics, and earning these potential customers' loyalty.

Impressed at what he saw, that year Bastian aimed to enhance Delta's company culture to solidify these values and behaviors. He realized that employee performance was the key factor in executing smooth operations and providing customers with an outstanding experience. To ingrain high performance standards into the culture, he started Profit Sharing Day, which in 2016 rewarded employees with a share of organizational profits equal to 21% of their annual pay.

In a 2023 interview with *Fortune*, Bastian described Delta's efforts to create an employee-first culture. He frequently proclaims that it's the company's responsibility to take the best care of its employees possible, believing that the better Delta can do so, the better Delta employees can perform for customers. In line with this philosophy, employees are often praised for their performance and customer relations work. In fact, Delta frequently spotlights employees' outstanding performance by recognizing them in small company celebrations. As CEO, Bastian strives to ensure that all Delta employees feel empowered to take ownership of their work so they can freely innovate and find solutions to problems they face. Moreover, the company backs its employees' decisions, even when they may upset customers.

This supportive culture helps employees do some amazing things to help passengers. For instance, in 2023, a passenger traveling with her husband to catch an international cruise for their honeymoon realized mid-flight that she had forgotten her passport at home. A flight attendant worked out a solution: A relative of the couple would gather the passport and take it to the couple's home airport. The flight attendant, who would be returning to the home airport on the following flight, would pick it up. That attendant then arranged to hand the passport off to another flight attendant who was heading to the couple's destination, and the passport would be waiting for them at the airline desk in the hands of a specific agent by the next day. Despite the multiple handoffs and potential for failure, the Delta team came through and delivered the passport the next day as planned, saving the couple's honeymoon. Without management's support for employees and an employee-centric culture, these immensely helpful actions that make customers want to fly Delta would not exist. Instead, the service would be similar to other airlines, whose employees rigidly follow the rules so they don't get penalized or fired, acting for self-preservation and not for the betterment of customers and the organization.

News articles and employees' social media posts regularly tell similar stories and illustrate Delta's strong culture of trust, care, and high performance. As flight attendant Nathan Ledford posted on LinkedIn:

As a Delta Air Lines Flight Attendant, I am proud to represent Delta's strong family culture and how it drives us to be "different" than our competition to win in the marketplace. Our leaders are approachable, value employee feedback and empower us to be the best at what we do. Teamwork fuels our passion to succeed, innovate and Keep Climbing!

Artifacts such as these statements and narratives regarding the actions of amazing employees help Delta's leadership cultivate a culture that remains strong and healthy in order to meet the needs of multiple stakeholders. It's no wonder that the company ended up number 11 on *Fortune's* 2024 list of World's Most Admired Companies.

Discussion Questions

1. Why is it important for Delta to have a strong organizational culture?
2. How does culture help Delta sustain a competitive advantage?
3. What role does leadership play in corporate culture?
4. Based on the quote from Nathan Ledford at the end of the case, what type of culture would you say Delta has? Why?

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UP FOR DEBATE

Is prioritizing “culture fit” in hiring practices beneficial for organizations, or does it risk undermining diversity and inclusion? Discuss the two approaches.

Point (Pros of Prioritizing Culture Fit)

- Team cohesion: Employees who fit well with the company culture tend to work more harmoniously with existing team members, fostering a collaborative environment.
- Values alignment: A strong culture fit ensures that employees share the organization’s core values, which can lead to greater employee satisfaction and loyalty.

- **Efficiency:** When everyone is aligned with the organizational culture, it can streamline decision-making processes and reduce conflict.

Counterpoint (Cons of Prioritizing Culture Fit)

- **Threatens diversity:** Overemphasis on culture fit can inadvertently lead to homogeneity, stifling diversity of thought and innovation.
- **Bias:** Culture fit can sometimes be a cover for bias, consciously or unconsciously favoring candidates who share similar backgrounds to current employees.
- **Adaptability:** Prioritizing culture fit might prevent the organization from adapting to change, as new perspectives and challenging the status quo are essential for growth and resilience.

IN REVIEW

LO 2.1 Define internal and external environmental forces.

There are two types of environments managers must deal with when operating an organization: internal and external. A company's internal environment comprises the forces inside the organization that affect how managers set expectations, how employees perform their roles, and how the company interacts with stakeholders and responds to the external environment. Effective managers ensure that the internal environment of the company is consistent with its mission and values. External environments are the specific and general factors outside an organization that can change how it operates. Managers must consider external environments as part of the organization rather than a separate entity.

LO 2.2 Explain how managers analyze challenges and opportunities in an organization's specific environment.

An organization's specific environment includes the external factors that affect the organization's operations and performance—including customers, talent, suppliers, competitors, advocacy, government activism, and regulation.

LO 2.3 Describe how forces in the general external environment impact all organizations participating in the economy.

The general environment is external forces that affect all organizations participating in an economy, where managers have little or no power to effect change. These forces include political and legal, resource availability, economic, technological, and sociocultural factors.

LO 2.4 Identify the basic characteristics of organizational culture.

Organizational culture is a collection of beliefs that individuals and groups share to help their organization respond to environmental forces and changes. There are two main components of culture: observable and unobservable. Observable culture refers to the components of culture that we can see in an organization, and unobservable culture consists of the components that lie beneath the surface of an organization, such as company values and assumptions. Cultures can be strong or weak and carry certain distinctions such as subcultures, countercultures, and dominant cultures. The artifacts of an organization such as slogans, stories, rituals, and ceremonies provide members and outsiders with a better understanding of its culture.

LO 2.5 Differentiate the various types of organizational cultures.

The competing values framework suggests four types of culture: clan, hierarchy, market, and adhocracy. A clan culture is a family-like working environment where employees share the same goals and values and form strong personal relationships. Hierarchical cultures are formal and structured places where employees are primarily guided by processes, rules, and procedures. Market cultures emphasize interactions conducted outside the organization with a view to increasing company competitiveness. Adhocracy cultures are creative, dynamic, fast moving, and the quickest to adapt to changing markets.

CHAPTER EXERCISES

Management in Action: You Got Lucky

Objective: Describe the basic characteristics of organizational culture and contrast differing approaches for shaping organizational culture.

BACKGROUND

Upon completing your degree, you have been hired as a store manager for Clover Supermarkets and can expect to be promoted to a district manager for McQueen Foods (the corporate owner of Clover Supermarkets) in 6 to 18 months if you can show success at Clover. McQueen Foods is a large grocery store chain that has been buying out smaller grocery store chains such as Clover Supermarkets over the past few years. In college, you worked at a McQueen store and worked your way up to shift manager. You know that McQueen prides itself on caring for its employees and providing excellent customer service while still selling groceries at competitive prices.

You have been managing one of the last freestanding Clover Supermarkets for about a month, and you have noticed a big difference between the cultures of McQueen and Clover stores. While all of the Clover employees are polite, none of them seem to have any special drive to provide the extra customer service that McQueen is known for. When customers call, they can be left on hold for long periods of time, and it is difficult for customers to find help with locating items when they are in the store. Many customers have to bag their own groceries, and it is rare that there is someone who can help customers carry their groceries out to the car. In addition, when workers are asked questions about products, they are rarely able to answer such questions. And while the store does have a system in place to add new items based on customer requests, such items rarely appear on store shelves.

You are convinced that this lack of customer service has hurt Clover's performance and that it needs to be changed. Such a change will also help bring the Clover culture in line with the McQueen culture. You are aware of the difficulty in changing any culture, and if you want to align the Clover culture with the McQueen culture, you cannot change the service aspect by hurting the respect for company employees or by making prices noncompetitive.

However, you also see this change as a career opportunity for you. If you can successfully change the Clover culture and provide a blueprint for similar changes at the other stores McQueen has recently acquired, this accomplishment will greatly help your career progression at McQueen Foods.

To help generate ideas for this change, you have invited other new McQueen store managers that you met in your training program to discuss possibilities.

DESCRIPTION OF EXERCISE

Step 1. Form into groups of five to seven members and develop an outline for the cultural change. The plan must include a clear description of the current culture, a vision for the desired future culture, and methods for changing the current culture to match the future culture. Because of the difficulty in changing cultures, you will want to list multiple methods for changing the key cultural aspects. Also, sequence the cultural change steps as necessary, and list where expected resistance to change can come from. Describe what approaches you might take to overcome these roadblocks. (15 to 30 minutes)

Step 2. Be prepared to present your change plan to the class. (5 to 10 minutes)

REFLECTION QUESTIONS

1. What insights did you gain from thinking of organizational cultures from a change perspective?
2. What disagreements arose about cultural diagnosis in your team?
3. What cultural change ideas were the most difficult for your team to develop?

4. How did the constraints of maintaining worker support and competitive prices make the cultural change more challenging?

Exercise contributed by Milton R. Mayfield, Professor of Business, Texas A&M International University, and Jacqueline R. Mayfield, Professor of Business, Texas A&M International University.

Online Exercise: Examples of Poor Communication

Objective: Gain an appreciation for organizational culture.

DESCRIPTION OF EXERCISE

In addition to social media, many websites give a window into the culture of a particular organization. Sites such as Glassdoor.com, Indeed.com, and CareerBliss.com have reviews written about thousands of companies and what it is like to work at those firms.

Choose a large company you are familiar with. Next, go to that company's website—especially the part of the website that describes career opportunities and what the culture is like at that organization. Also, read posts the company has placed on various social media platforms describing what it is like to work at that firm.

Then, read about the company on the career websites just mentioned. Write a two- to three-page report that demonstrates what the organization says the organizational culture is like and then compare what is on the company's website with the anonymous reviews posted on the employee review websites.

REFLECTION QUESTIONS

1. Did the company you chose describe an organizational culture congruent with what you found on the career websites? How were they similar? Different?
2. If applicable, how does the company you currently work for (or your most recent employer) describe its organizational culture? How does that differ from what you have experienced at the organization?
3. Why is there sometimes a difference between what a company promotes on its website and on social media to potential employees and what current and former employees state about the culture?
4. What is the best way to know what an organization's culture is like? Explain.

Exercise contributed by Steven Stovall, Southeast Missouri State University.

KEY TERMS

Advocacy group	Observable culture
Boycott	Organizational culture
Ceremonies	Proactive engagement
Competing values framework (CVF)	Reactive engagement
Competitors	Regulations
Counterculture	Rituals
Customers	Slogan
Demographics	Sociocultural forces
Dominant culture	Specific environment
Economy	Stories
External environments	Strong culture
General environment	Subcultures
Government activism	Suppliers
Gross domestic product (GDP)	Talent
Hero	Unobservable culture
Interactive engagement	Weak culture
Internal environment	