Lesson 5.10

21ST CENTURY MANAGEMENT TRENDS

Where are we today? What current management concepts and practices are shaping "tomorrow's history"? This session establishes first a framework for understanding social responsibility and managerial ethics. Then, in this session, we'll attempt to answer those above stated questions by introducing several trends and issues that we believe are changing the way managers do their jobs: globalization, entrepreneurship, managing in an e-business world.

Organizational social Responsibility

WHAT IS SOCIAL RESPONSIBILITY?

Before the 1960s, few people questioned the role of business organizations in social responsibility. However, times have changed. Now it's important to get an understanding of *what* social responsibility is.

A. There are two opposing views of what social responsibility is.
1. The **classical view** is the view that management's only social responsibility is to maximize profits.
a. Milton Friedman is the most outspoken advocate of this view.
b. He argues that managers' primary responsibility is to operate the business in the best interests of the stockholders—the true owners of the organization.
2. The **socioeconomic view** is the view that management's social responsibility goes well beyond the making of profits to include protecting and improving society's welfare.
a. The argument behind this view is that corporations are not independent entities responsible only to stockholders.
b. Also, modern organizations are no longer just economic institutions.
B. There are 10 major arguments *for* social responsibility, and they include the following:
a. Public expectations
b. Long-run profits
c. Ethical obligation
d. Public image
e. Better environment
f. Discouragement of further government regulation
g. Balance of responsibility and power
h. Stockholder interests
i. Possession of resources
j. Superiority of prevention over cures
C. There are six major arguments *against* social responsibility. These include:
a. Violation of profit maximization
b. Dilution of purpose
c. Costs
d. Too much power
e. Lack of skills
f. Lack of accountability
1. **Social responsibility** is an obligation, beyond that required by the law and economics, for a firm to pursue long-term goals that are good for society.
2. **Social obligation** is the obligation of a business to meet its economic and legal responsibilities.
3. **Social responsiveness** is the capacity of a firm to adapt to changing societal conditions.

SOCIAL RESPONSIBILITY AND ECONOMIC PERFORMANCE.

The question of whether socially responsible activities lower a company's economic performance has been addressed in numerous studies.

A. The majority of studies found a positive relationship between corporate social involvement and economic performance, but some caution is necessary because of methodological questions associated with trying to measure social responsibility and economic performance.

MANAGERIAL ETHICS.

Ethics refers to the rules and principles that define right and wrong conduct. There are ethical dimensions to managerial decisions and actions.

Four Views of Ethics.

1. The **utilitarian view of ethics** states that ethical decisions are made solely on the basis of their outcomes or consequences.
2. The **rights view of ethics** says that ethical decisions are concerned with respecting and protecting individual liberties and privileges such as the rights of privacy, freedom of conscience, free speech, life and safety, and due process.
3. The **theory of justice view of ethics** states that decision makers seek to impose and enforce rules fairly and impartially.
4. Finally, the **integrative social contracts theory** proposes that ethical decisions should be based on empirical (what is) and normative (what should be) factors. This view is based on the integration of two "contracts"—the general social contract and a more specific contract among members of a specific community that might be affected by a decision.

Toward Improving Ethical Behavior

What can be done to improve ethical behavior? There are a number of things organizations can do to cultivate ethical behavior among members. Eight suggestions will be explored.

1. The selection process for bringing new employees into organizations should be viewed as an opportunity to learn about an individual's level of moral development, personal values, ego strength, and locus of control.
2. A **code of ethics** is a formal statement of an organization's primary values and the ethical rules it expects employees to follow. Also, decision rules can be developed to guide managers in handling ethical dilemmas in decision making. Top management's leadership and commitment to ethical behavior is extremely important because it's the top managers who set the cultural tone.
4. Employees' job goals should be tangible and realistic, because when goals are clear and realistic, they reduce ambiguity and motivate rather than punish. Job goals are usually a key issue in performance appraisal.
5. If an organization wants it employees to uphold high ethical standards, it must include this dimension in its appraisal process. Performance appraisals should be comprehensive and not just focus on economic outcomes.
6. Ethics training should be used to help teach ethical problem solving and to present simulations of ethical situations that might arise. If it does nothing else, ethics training should increase awareness of ethical issues
7. Independent social audits evaluate decisions and management practices in terms of the organization's code of ethics and can be used to deter unethical behavior.
8. Finally, organizations can provide formal protective mechanisms so that employees with ethical dilemmas can do something about them without fear of reprisal.

Entrepreneurship

Practically everywhere you turn these days you'll read or hear about entrepreneurs. If you pick up a current newspaper or general news magazine or log on to one of the Internet's news sites, chances are you'll find at least one story (and probably many more) about an entrepreneur or an entrepreneurial business. Entrepreneurship is a popular topic! But what exactly is it?

Entrepreneurship is the process whereby an individual or a group of individuals uses organized effort and means to pursue opportunities to create value and grow by fulfilling wants and needs through innovation and uniqueness, no matter what resources are currently controlled. It involves the discovery of opportunities and the resources to exploit them. Three important themes stick out in this definition of entrepreneurship. First is the pursuit of opportunities. Entrepreneurship is about pursuing environmental trends and changes that no one else has seen or paid attention to. For example, Jeff Bezos, founder of Amazon.com, was a successful programmer at an investment firm on Wall Street in the mid-1990s. However, statistics on the explosive growth in the use of the Internet and World Wide Web (at that time, it was growing about 2,300 percent a month) kept nagging at him. He decided to quit his job and pursue what he felt were going to be enormous retailing opportunities on the Internet. And the rest, as they say, is history. Today, Amazon sells books, music, home improvement products, cameras, cars, furniture, jewelry, and numerous other items from its popular Web site.

The second important theme in entrepreneurship is innovation. Entrepreneurship involves changing, revolutionizing, transforming, and introducing new approaches–that is, new products or services or new ways of doing business.

The final important theme in entrepreneurship is growth. Entrepreneurs pursue growth. They are not content to stay small or to stay the same in size. Entrepreneurs want their business to grow and work very hard to pursue growth as they continually look for trends and continue to innovate new products and new approaches.

Entrepreneurship will continue to be important to societies around the world. For-profit and even not-for- profit organizations will need to be entrepreneurial–that is, pursuing opportunities, innovations, and growth–if they want to be successful. We think that an understanding of entrepreneurship is so important that at the end of each major section in this books we've included a special entrepreneurship module that looks at the topics presented in that section from the perspective of entrepreneurship.

Managing in An E-Business World

What a difference three years makes! The last time we revised this book, the Internet and World Wide Web were still a novelty to most managers and organizations. E-mail as a form of communication was gaining in popularity, and occasionally you saw Web addresses in company advertisements. Those days are long, gone! Now, everywhere you look, organizations (small to large, all types, global and domestic, and in all industries) are becoming e-businesses. Today's managers must manage in an e-business world! In fact, as a student, your learning may increasingly be taking place in an electronic environment. What do we know about this e- business world?

E-business (electronic business) is a comprehensive term describing the way an organization does its work by using electronic (Internet-based) linkages with its key constituencies (employees, managers, customers, suppliers, and partners) in order to efficiently and effectively achieve its goals. It's more than e- commerce, although e-business can include e-commerce. **E-commerce (electronic commerce)** is any form of business exchange or transaction in which the parties interact electronically.[6] Firms such as Dell (computers), Varsity books (textbooks), and PC Flowers and Gifts (flowers and other gifts) are engaged in e-commerce because they sell products over the Internet. Although e-commerce applications will continue to grow in volume, they are only one part of an e-business.

Not every organization is or needs to be a total e-business. There are three categories of e-business involvement. The first type is what we're going to call an e-business enhanced organization, a traditional organization that sets up e-business capabilities, usually e-commerce, while maintaining its traditional structure. Many Fortune 500 type organizations are evolving into e-business using this approach. They use the Internet to enhance (not to replace) their traditional ways of doing business. For instance, Sears, a traditional bricks-and-mortar retailer with thousands of physical stores worldwide started an Internet division whose goal is to make Sears "the definitive online source for the home." Although Sears Internet division, Sears.com, represents a radical departure for an organization founded in 1886 as a catalog-sales company, it's intended to expand, not replace, the company's main source of revenue.

Managing in an e-world, whether as an e-business enhanced, e-business enabled, or total e-business organization requires new insights and perspectives. To help you acquire these, we've included "Managing in an E-Business World" boxes in a number of chapters.

Globalization

Management is no longer constrained by national borders. BMW, a German firm, builds cars I south Carolina. McDonald's, a U.S. firm, sells hamburgers in China. Toyota, a Japanese firm, makes cars in Kentucky. Australia's leading real estate company, Lend Lease Corporation, built the Blue water shopping complex in Kent, England, and has contracts with Coca-Cola to build all the soft0drink maker's bottling plants in Southeast Asia. Swiss company ABB Ltd. has constructed power generating plants in Malaysia, South Korea, China, and Indonesia. The world has definitely become a global village!

Managers in organizations of all sizes and types around the world are faced with the opportunities and challenges of operating in a global market.

