Organization Theory and Design 12th edition Daft Solutions Manual

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CHAPTER TWO
STRATEGY, ORGANIZATION DESIGN, AND EFFECTIVENESS

CHAPTER OVERVIEW

This chapter explains the types of goals that organizations pursue and the competitive strategies to reach those goals. There is an overview of strategic management, followed by frameworks for determining strategic action. and a look at how strategies affect organization design. Several approaches are then explored for measuring organizational effectiveness---how effective the organization is in attaining its goals.

Learning Objectives

After reading this chapter you should be able to:

- Describe the importance of strategy and the strategy process.
- Understand strategic purpose and operating goals.
- Explain why goal conflict occurs in organizations and how managers deal with conflicting goals.
- Know Porter's strategy model and Miles and Snow's strategy typology.
- Explain how strategy affects organization design.
- Discuss the goal, resource, internal process, and strategic constituents approaches to measuring effectiveness.
- Explain the competing values model and how it relates to effectiveness.

CHAPTER OUTLINE

Managing by Design

Before reading the chapter, students will give their opinions on the following statements:

- A company's strategic intent or direction reflects managers' systematic analysis of organizational and environmental factors.
- The best business strategy is to make products and services as distinctive as possible to gain an edge in the marketplace.
- The best measures of business performance are financial.

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A LOOK INSIDE

Instagram

Instagram has a long way to go before it is profitable, but managers know that establishing mission, goals, and strategy is the first step for any business to achieve its purpose. Consider the situation at Instagram, where director of operations Emily White has been leading the charge to turn the popular online app into a real business. Instagram, which Facebook acquired for around a billion dollars, hasn't made a cent so far. One problem is the lack of a clear mission and goals to guide staff and sell the service to future advertisers. She spent her first two weeks on a short, lofty mission statement: "To capture and share the world's moments." The Instagram team is now formulating a strategy and goals to bring in marketing dollars without alienating loyal Instagram users. Partnerships with other companies are likely to be a big part of the strategy. When managers do not have clear goals, or have conflicting goals, the organization finds itself in a difficult position and achieving anything may seem improbable..

The Role of Strategic Direction in Organization Design

The primary responsibility of top management is to determine an organization's goals, strategy, and design, therein adapting the organization to a changing environment. Direction setting begins with an assessment of opportunities and threats in the environment and an evaluation of internal strengths and weaknesses. Then the company can determine its mission, goals and strategies. Organizational design reflects the way goals and strategies are implemented. Consider how organization design is affected by the choice of goals and strategy. New goals and strategy are often selected based upon environmental needs, and then the top management attempts to redesign the organization to achieve those ends. Performance measurements feed back into the internal environment, so that past performance of the organization is assessed by top management in setting new goals and strategies for the future.

ASSESS YOUR ANSWER

A company's strategic intent or direction reflects managers' systematic analysis of organizational and environmental factors.

ANSWER: *Agree.* The best strategies come from systematic analysis of organizational strengths and weaknesses combined with analysis of opportunities and threats in the environment. Careful study combined with

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experience enable top managers to decide on specific goals and strategies.

Organizational Purpose

Purpose may be referred to as the overall goal or mission. Different parts of the organization establish their own goals to help the organization achieve its overall purpose.

Strategic Intent

Strategic Intent means that all the organization's energies and resources are directed toward a focused, unifying, and compelling overall goal. Three aspects of strategic intent include:

Mission

The **official overall** goal for an organization is its **mission**. The mission describes the organization's vision, its shared values and aspirations, and its reason for existence.

Competitive Advantage

Competitive advantage refers to what sets the organization apart from others and provides it with a distinctive edge for meeting customer or client needs in the marketplace.

BOOK MARK

Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant

by

W. Chan Kim and Renée Mauborgne

The essence of the blue ocean strategy is to create a new market where there is less competition. Any company can create blue ocean strategies by: *Reconstructing market boundaries* (e.g., changing the time of events and expanding topics)*; Focusing on the big picture, not the numbers* (e.g., appealing to an new market segment with a changed format and charging higher prices)*; Reaching beyond existing demand*.(e.g., reaching untapped customers).

Core competence

Core competence is something the organization does especially well in comparison to its competitors

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IN PRACTICE
Amazon

Amazon wants to provide "premium products at nonpremium prices." It has developed an extensive network of third-party merchants—partners with whom it maintains close relationships, is constantly honing its efficiency, and has created one of the most finely tuned distribution systems around. Amazon capitalizes on its core competencies of wide selection, cost efficiency, and slick distribution. Everybody in retail is terrified of Amazon.

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Operative Goals

Operative goals designate the ends sought through operating procedures and describe specific measurable outcomes in the short run. These goals concern overall performance, resource, market, employee development, productivity, and innovation and change.

- *Overall performance* goals may be expressed in terms of profitability, delivery of service, growth, or volume. The Internal Revenue Service has a goal of providing accurate responses to 85 percent of taxpayer questions about new tax laws.
- *Resource* goals pertain to the acquisition of needed material and financial resources. Starbucks formed an alliance with India's Tata Group to obtain premium coffee beans..
- *Market* goals relate to the market share or market standing. . L'Oreal SA, the world's largest cosmetics company, has a goal of doubling its clientele by 2020.
- *Employee development* goals pertain to the training, promotion, safety, and growth of workers.
- *Productivity* goals concern the amount of output achieved from available resources.
- *Innovation and change* goals pertain to internal flexibility and readiness to adapt to unexpected changes in the environment.

Goal Conflict and the Hybrid Organization

Organizations pursue many goals simultaneously. The **hybrid organization** mixes value systems and behaviors that represent two different sectors of society, which leads to tensions and conflict within the organization over goals and priorities.

IN PRACTICE
Bloomberg LP

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Most newspapers and magazines have a news side and a business side, and the two coexist in tension. Bloomberg sells financial data terminals, which provide 85 percent of the revenue. However, journalism brings credibility to the organization. The potential conflicts are most troubling in China, where financial data revenue has grown, but sales dropped after a report about events in China prompted officials to cancel subscriptions.

The Importance of Goals

The mission or official goals provide **legitimacy** to stakeholders. In contrast, operative goals provide **employee direction and motivation**, **decision guidelines**, and a **standard for performance.**

Two Frameworks for Selecting Strategy and Design

A **strategy** is a plan for interacting with the competitive environment to achieve organizational goals. Goals define where the organization wants to go and strategies define how the organization will get there.

Porter's Competitive Strategies

Michael Porter introduced a framework describing four competitive strategies. To use this model, managers evaluate two factors: competitive advantage and competitive scope. Whether the organization competes on a broad or narrow scope determines the selection of strategies. **Low-cost leadership** strategy involves techniques for excelling at cost reduction and efficiency, with broad competitive scope. **Differentiation** strategy strives to create and market unique products by innovative product characteristics and advertising. Focus strategies concentrate on a narrow market or buyer group. The company tries to achieve either a **focused low-cost** or a **focused differentiation** advantage within a narrowly defined market.

[Use **WORKBOOK** activity here.]

HOW DO YOU FIT THE DESIGN?
Your Strategy/Performance Strength

As potential manager, what are your strengths concerning strategy formulation and implementation? To find out, think about *how you handle challenges and issues* in your school work or job. Managers with *implementer* strengths tend to work on operative goals and performance to make things more efficient and reliable. Managers with the *formulator* strength push toward out-of-the-box strategies and like to think about mission, vision, and dramatic breakthroughs.

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Both styles are essential to strategic management and organizational effectiveness.

ASSESS YOUR ANSWER

The best business strategy is to make products and services as distinctive as possible to gain an edge in the marketplace.

ANSWER: *Disagree.* Differentiation, making the company's products or services distinctive from others in the market, is one effective strategic approach. A low cost leadership approach can be equally or even more effective depending on the organization's strengths and the nature of competition in the industry.

Competitive Scope Can Be Broad or Narrow

With either strategy, the scope of competitive action can be broad or narrow. An organization can choose to compete in many market and customer segments or to focus on a specific market or buyer group.

IN PRACTICE

Allegiant Travel Company

Allegiant flies just 64 jets and specializes in flying people from 75 small cities to 14 warm-weather tourist destinations. Allegiant has achieved the lowest costs, fullest planes, and highest margins in the industry. The focused low-cost leadership strategy means that Allegiant faces competition on just 17 routes. Allegiant meets its goals of low cost, depends on word-of-mouth advertising, offers a no-frills fare, and charges for everything else,

Miles and Snow's Strategy Typology

Raymond Miles and Charles Snow assume that managers form strategies congruent with the external environment. There must be a fit among internal organization characteristics, strategy, and the external environment. Four strategies can be developed. The **prospector** strategy involves innovation, taking risks, seeking out new opportunities and growth. The **defender** strategy may involve retrenchment, beyond just stability, by seeking to keep current customers without innovation or growth. The **analyzer** strategy lies between the prospector and defender by efficiently maintaining a stable business for current product lines, while at the same time innovating to develop new product lines. Finally, the **reactor** approach is to respond in an ad hoc manner to environmental threats and opportunities, without a long-range plan.

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How Strategies Affect Organization Design

Design must support the firm's competitive approach. For example, if the organization uses the low-cost leadership or defender strategy, the design is for efficiency whereas if the organization uses the differentiation or prospector strategy, the design calls for a flexible organic structure with strong horizontal coordination.

Other Contingency Factors Affecting Organization Design

In addition to strategy affecting organization design, other contingency factors **environmental stability, workflow technology, size and life cycle, and corporate culture** must *fit* as well.

Assessing Organizational Effectiveness

Organizational *effectiveness* is the degree to which an organization realizes its multiple goals. *Efficiency* is the amount of resources used to produce outputs (ratio of inputs to outputs). Effectiveness is often difficult to measure in organizations, especially those that are large, diverse, and fragmented. Organizational effectiveness is a **social construct**, meaning that it is created and defined by an individual or group rather than existing independently in the external world.

Four Effectiveness Approaches

Four approaches to measuring effectiveness look at different parts of the organization and measure indicators connected with outputs, inputs, or internal activities.

Goal Indicators

The **goal approach** measures effectiveness by evaluating the extent to which output goals are achieved. This is a logical approach because organizations do try to attain certain levels of output, profit, or client satisfaction. It is more productive to measure effectiveness using operative goals than using official goals (mission) which are more abstract and difficult to measure.

Resource-Based Approach

The **resource-based approach** evaluates the ability of the organization to obtain valued resources from the environment. Thus it looks at the input side of the transformation process. This approach is useful when other indicators of performance are difficult to obtain. Indicators of system resource effectiveness include dimensions such as bargaining position, ability to correctly interpret properties of the environment, maintenance of internal day-to-day activities, and ability

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to respond to environmental changes.

Internal Process Approach

The **internal process approach** evaluates effectiveness by examining internal organizational health and economic efficiency. An evaluation of human resources and their effectiveness is important. Indicators of effectiveness include a strong, adaptive corporate culture and positive work climate, operational efficiency, undistorted horizontal and vertical communication, and development of employees.

IN PRACTICE
BNSF Railway

When faced with merging two operating systems, management systems, and cultures into one cohesive organization, managers at BNSF chose to build a positive internal environment. Indicators of internal effectiveness at BNSF are that people take pride in their work and have opportunities for personal growth and development. Shared values include listening to customers and meeting their expectations. Managers focus employees on continuous improvement

Strategic Constituents Approach

The **strategic constituents approach** measures effectiveness by focusing on the satisfaction of key stakeholders, those who are critical to the organization's ability to survive and thrive. If an organization fails to meet the needs of several constituent groups, it is probably not meeting its effectiveness goals.

An Integrated Effectiveness Model

The **competing values model** combines several indicators of effectiveness into a single framework. The model is based on the assumption that there are disagreements and competing viewpoints about what constitutes effectiveness. A combination of external focus and flexible structure leads to an **open systems emphasis**. The **rational goal emphasis** represents management values of structural control and external focus. The **internal process emphasis** reflects the values of internal focus and structural control. The **human relations emphasis** incorporates the values of an internal focus and a flexible structure.

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ASSESS YOUR ANSWER
The best measures of business performance are financial.

ANSWER: *Disagree.* If you can have only one type of measure of business performance, it might have to be financial. But diverse views of performance, such as using the balanced scorecard, have proven to be more effective than financials alone, because managers can understand and control the actions that cause business effectiveness. Financial numbers alone provide narrow and limited information.

IN PRACTICE
Samsung Group

Samsung once pursued sales of quantity-driven, low-end products with an emphasis on stability, productivity, and efficiency. Then quality and innovation became the guiding principles with emphasis on empowerment and training, creativity, flexibility, and an innovative response to the external environment. By 2013, Samsung smartphones challenged Apple iPhones. .When Samsung flipped its focus from quantity to quality, it needed a new emphasis on people.

Design Essentials

- Organizations exist for a purpose. Top managers decide the organization's strategic intent, including a specific mission to be accomplished. Operative goals designate specific ends sought through actual operating procedures.
- Goal conflict is inevitable in organizations and managers sometimes have to negotiate to reach agreement about the important goals to pursue. The hybrid organization means an organization that mixes value systems and behaviors that represent two different sectors of society.
- Two other aspects related to strategic intent are competitive advantage and core competence.
- Strategies may include any number of techniques to achieve the stated goals. Two models for formulating strategies are Porter's competitive forces and strategies and the Miles and Snow strategy typology.
- Assessing organizational effectiveness reflects the complexity of organizations as a topic of study. Organizations must perform diverse activities well—from obtaining resource inputs to delivering outputs—to be successful.
- No easy, simple, guaranteed measure will provide an unequivocal assessment of performance.

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- No approach is suitable for every organization, but each offers some advantages that the others may lack.. The competing values model balances a concern with various parts of the organization rather than focusing on one part
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LECTURE ENHANCEMENT

STAKEHOLDER OR CONSTITUENCY APPROACH

The stakeholder or constituency approach to determining goals and effectiveness is based on the organization identifying the stakeholders of the organization and their respective measures for determining the organization's effectiveness (See Chapter 1). Each group has different criteria, or goals, which it feels that organization should be addressing. Once the various criteria or goals are defined, the organization must determine how to balance conflicting demands and prioritize which goals to address. One method is to determine the power of each constituent group and the relative importance of the effectiveness criteria of that group. Remember that the stakeholder groups may have power over the organization by virtue of ability to provide or deny critical resources.

The relative importance of the effectiveness criteria is the degree to which the constituent group feels the goals are important to them. By mapping both the power for the stakeholder group and importance of effectiveness criteria, the organization can analyze its stakeholder environment. Have students determine an organization about which they can collect information from at least a small sampling of several groups of stakeholders.

1. List all major stakeholders of the organization.
2. Determine the amount of power each has with respect to the organization, preferably by interviewing the top management team.
3. Find out from key stakeholders what effectiveness criteria are more important; then determine for a particular effectiveness criterion (e.g., market share, customer service), its importance to each stakeholder group.
4. Place stakeholder group in appropriate place on model.

ANALYSIS OF STAKEHOLDER POWER & IMPORTANCE

High Power of Stakeholder Group Over Organization	
1. High Power Low Importance	2. High Power High Importance
3. Low Power Low Importance	4. Low Power High Importance

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DISCUSSION QUESTIONS

1. Discuss the role of top management in setting organizational direction.

ANSWER: The primary responsibility of top management is to determine an organization's goals, strategy, and design. Top management must assess the opportunities and threats in the environment and the internal strengths and weaknesses of the organization. Based on this assessment, the duty of top management is then to formulate the overall mission and goals of the organization. The design of the organization should be based on the mission and goals. The perspective of top management is needed in this process, especially since managers can interpret the environment differently and develop different goals. This interpretation can have a dramatic impact on organization success.

2. What is the difference between a goal and a strategy as defined in the text? Identify both a goal and a strategy for a campus or community organization with which you are involved.

ANSWER: . An **organizational goal** is a desired state of affairs that the organization attempts to reach. A goal represents a result or end point toward which organizational efforts are directed. A **strategy** is a plan for interacting with the competitive environment to achieve organizational goals, *Goals* define where the organization wants to go and *strategies* define how it will get there. The goal of the Allegro Chorale of West Texas is to unite the community through multicultural music.. The strategy for The Allegro Chorale is to perform two concerts of multi-cultural music per year which are free and open to the public.

2. How might a company's goals for employee development be related to its goals for innovation and change? To goals for productivity? Can you discuss ways these types of goals might conflict in an organization?

ANSWER: Organizations perform activities and pursue many goals simultaneously. Employee development goals can lead to higher levels of productivity and innovation. However, pursuing some goals means that others may have to be set aside. Employee development goals could conflict with productivity goals; innovation goals might hurt profitability. For example, Bloomberg News' goals for accurate reporting conflicts with its business goal of selling financial data terminals. In China, where revenue has grown at 45 percent a year, sales of data terminals dropped when Bloomberg News's issued a tough report about events in China.

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3. What is a goal for the class for which you are reading this text? Who established this goal? Discuss how the goal affects your direction and motivation.

ANSWER: Students may volunteer that a personal goal is to pass the class with a grade of "C" or better in order to fulfill degree requirements. Challenge students to evaluate how such a goal could be reformulated in order to offer motivation that would elevate effort to measurable but realistic objective. Ask students to state the likely goals the instructor has for the class, and how those goals would affect their direction and motivation. There is no "right" answer to this question, but make sure students have the message that goals can, in part, determine behavior.

4. What is the difference between a goal and strategy as defined in the text? Identify both a goal and a strategy for a campus or community organization with which you are involved.

ANSWER: Operative goals include performance goals, resource goals, market goals, employee development goals, productivity goals, and goals for innovation and change. The official goal is sometimes referred to as the mission or formally stated definition of the business outcome the organization is trying to achieve – its reason for existence. In contrast, a strategy is the organization's plan for achieving its goals. The goal of Beta Gamma Sigma might be to increase the number of paying members by 15% in two semesters, while a strategy for achieving that goal might be aggressive communication to business students about Beta Gamma Sigma's purpose.

5. Discuss the similarities and differences in the strategies described in Porter's competitive strategies and Miles and Snow's typology.

ANSWER: Similarities include that Porter's differentiation strategy and Miles and Snow's prospector strategy both call for learning orientations with a flexible, decentralized structure. Both have strong capability in research, and values employee creativity, risk-taking and innovation. Additional similarities are that Porter's low-cost leadership strategy and Miles and Snow's defender strategy have an efficiency orientation with centralized authority and tight cost control. Differences are that Miles and Snow's analyzer strategy moves in a new direction from Porter's strategies by balancing the other two main approaches (prospector and defender) into one strategy, while Porter has no "combination strategy" that balances the differentiation and low-cost leadership approaches. Furthermore, Miles and

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Snow have one category, the reactor, that has no clear approach whatsoever, which is not an option in Porter's approaches.

6. **Do you believe mission statements and official goal statements provide an organization with genuine legitimacy in the external environment? When a company such as CVS (discussed in the chapter) makes a decision to stop selling cigarettes because that action conflicts with its mission statement, what do you see as the impact on public opinion? On future business? Discuss.**

   ANSWER: One important function of a mission statement is to state the reason for the existence of the organization which provides outsiders with a sense of the organization's purpose. Official goals identify the purpose and legitimize the organization for employees, clients, government and other important external groups. Official goals typically are abstract and therefore run the risk of being perceived by some outsiders as "apple pie" statements that sound good but do little to shape the actual organization. Most top leaders want employees, customers, competitors, suppliers, investors, and the local community to look on the organization in a favorable light, and the concept of legitimacy plays a critical role. As part of its mission statement, CVS Caremark redefined its purpose as "helping people on the path to better health." In 2014, CVS, which provides health clinics as well as pharmacy and retail sales, announced that it would stop selling cigarettes and other tobacco products. It hurts the company's reputation for promoting health if it sells tobacco products. Although the decision will cost $2 billion in sales, this decision communicates legitimacy because. managers are guided by a mission statement that focuses on a larger social purpose,

7. **Suppose you have been asked to evaluate the effectiveness of the police department in a medium-sized community. Where would you begin, and how would you proceed? What effectiveness approach would you prefer?**

   ANSWER: This question does not have a correct answer. It is designed to force students to think about the different approaches to effectiveness, to encourage them to apply more than one measure, and to try to apply them. Students will realize how difficult it is to use the goal approach or system resource approach alone. One solution to this question is to follow a procedure to identify indicator goals, system resources and internal process indicators. The measures can then be formulated into a combined approach to effectiveness. Students may also argue for the stakeholder approach since the police department is a social organization. The satisfaction of employees, city government, community members,

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minorities, and other groups, may be a good indicator of police department effectiveness; each of the stakeholders identified should be asked for indicators important to them, and then they should be asked to assess the department on the relevant indicator.

8. What are the advantages and disadvantages of the resource-based approach versus the goal approach for measuring organizational effectiveness?

ANSWER: The advantage of the resource-based approach is that it can be used to evaluate effectiveness when organizations pursue different kinds of goals, if they are using similar resources. Organizations can be compared on the ability to acquire scarce and valued resources needed to provide products and services that will eventually enable them to realize their goals. The resource-based approach considered the organization in relationship to the external environment. The advantage of the goal approach is that it examines what the organization is trying to do, which in some respects is the preferred criterion of effectiveness. The goal approach becomes problematic when the effectiveness has to be measured for multiple goals, or when organizations are compared that pursue different goals, or when the only indicators are subjective. In these cases an accurate assessment may be difficult. Sometimes a combination of the system resource and goal approach is best. Both inputs and outputs can be evaluated. The two approaches can lead to a reasonably accurate measure of effectiveness.

9. What are the similarities and differences between assessing effectiveness on the basis of competing values versus the strategic constituents approach? Explain.

ANSWER: The similarity is that both approaches acknowledge that effectiveness has many indicators. . The strategic constituents approach argues that effectiveness is a complex, multidimensional concept and has no single measure. The competing values approach combines several indicators of effectiveness into a single framework. One difference is that the strategic constituents approach measures effectiveness by focusing on the satisfaction of key stakeholders whereas the competing values model tries to balance a concern with various parts of the organization rather than focusing on one part. A second difference is that the competing values model is based on the assumption that there are disagreements and competing viewpoints about what constitutes effectiveness whereas the strategic constituents approach takes a broader view of the environment and examines inputs, internal processes, and outputs. A third difference is that the competing values model examines the value

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dimensions of structure and focus whereas the strategic constituents approach does not.

10. A noted organization theorist once said, "Organizational effectiveness can be whatever top management defines it to be." Discuss.

ANSWER: This question can facilitate discussion of where goals come from and top management's role in the process. Generally speaking, students will agree with this statement. Managers define the goals of the organization and they define the extent to which the organization is performing well. These factors are not fixed or given from the environment. One of the important roles of management is to define goals and effectiveness, and these factors are then taken by other people at lower levels within the organization. Some students may disagree. Students may argue that society's view is paramount, and the organization should do what is best for the larger culture. This point of view reflects a constituency criterion, and can also be accepted as legitimate. Many managers working within organizations, however, would not accept this approach to effectiveness as superior to their own definition. Some students who disagree with the given statement may feel that managers often have too narrow a view of effectiveness, and that much as the students who had not yet read this chapter, managers may have thought of effectiveness as little more than goal attainment.

WORKBOOK ~ IDENTIFY YOUR GOAL PREFERENCES

The Workbook activity presents an opportunity to identify goal preferences. Students are to assume that they could design the perfect organization that reflected their values. What goals receive priority in that organization? Students can look at the integrated effectiveness model in Exhibits 2.11 and 2.12. They can allocate each goal to the quadrant they think it fits. They can decide which quadrant reflects their highest goal values and which ranks the lowest? Students can compare their rankings to those of other students and look for similarities and differences.

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Goals

- Employee Development
- Organization Stability
- Market Share Leader
- Creativity-Innovation
- Social Contribution
- High Morale/Satisfaction
- High Productivity

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- Rapid Growth/Adaptability
- Profit Maximization
- Within the Law/Ethical

CASE FOR ANALYSIS ~ THE VENABLE MUSEUM OF ART

Ask students to assume the role of a candidate invited to interview for the position of museum director. They must now consider how they would answer questions that might arise during the interview process and how they would move the museum forward after taking the job. They should generate two or three alternatives in answer to each of the first two questions. You can use the third question as the basis for class discussion.

1. **What are the possible purposes of the Venable Museum of Art?**

   ANSWER: [a] It could serve as a laboratory for the graduate art history faculty and the doctoral students in the field; [b] it could serve as major "enrichment" for the undergraduate who is not an art history student, but wants both a liberal education and a counter-weight to the "bookish" diet fed to him in most courses; [c] it could serve the metropolitan community, including schools, outside the campus gates.

2. **Who are or should be its customers?**

   ANSWER: [a] The first purpose above would serve graduate students in professional training to be teachers of art history; [b] the second purpose above serve all undergraduates; [c] the third purpose above would serve the community and especially the teachers and students in public schools.

3. **What implications for the structure of the museum, the qualifications of its director, and its relationship to the university follow from the above defined purposes and customers?**

   ANSWER: The structure of the museum might include different positions and different qualifications for the people to fill those positions, depending on the purpose of the museum. The qualifications of the director might vary from more academic if the purpose is to serve as a laboratory for graduate faculty and students, to more marketing-oriented if the purpose is to serve the metropolitan community. Its relationship to the university will be close if the museum's program is integrated with the academic program; when their purposes are mutually intertwined; personal relationships thrive along with financial interdependence. Its relationship to the university will be more limited to impersonal financial links if the museum abandons the faculty and

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its students for external groups. With independence between the departments, conceivably the seeds could even be planted for an "us" against "them" mentality to set in between the art history academicians and museum staff.

CASE FOR ANALYSIS ~ COVINGTON CORRUGATED PARTS & SERVICE

This case illustrates a company whose stable environment is becoming dynamic and chaotic. Covington's market share is slipping fast due to new competitors and industry changes. Covington is at a crossroads, but its managers cannot agree on the best way to achieve growth

1. What strategy does each manager propose to achieve growth?

ANSWER: The finance manager proposes a low-cost strategy. He believes that the plant needs to become more efficient, even lay off employees, and offer customers the lowest cost. As the granddaughter of the founder, Larisa wants a strategy that benefits Covington's employees. The marketing manager proposes a differentiation strategy. He believes that Covington should pursue new products and services, move into other industries, and become an all-around provider through mergers and acquisitions The manufacturing manager wants to expand globally through exporting.

2. Using Exhibit 2.10, Four Approaches to Effectiveness Values, which emphasis does each manager have?

ANSWER: Larisa has a human relations emphasis. She is concerned with the well-being of Covington's employees, especially their cohesion and morale. The marketing manager and the manufacturing manager have an open-systems emphasis. They are concerned with growth and resource acquisition. The finance manager has a rational- goal emphasis. He is concerned with efficiency and profit.

3. In your opinion, which approach should Covington take?

ANSWER: The competing values model tries to balance a concern with various parts of the organization rather than focusing on one part. This approach to effectiveness acknowledges that organizations do many things and have many outcomes. It combines several indicators of effectiveness into a single framework. The model is based on the assumption that there are disagreements and competing viewpoints about what constitutes effectiveness.

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