

The Extracted MBA

The Extracted MBA

The extracted mba

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A topical reference for the contemporary MBA

Kelly Vinal

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EXTRACTED ACKNOWLEDGEMENTS

To my fellow MBAs out there who tirelessly manage the industries and organizations that have made the American economy the most powerful in the history of the world.

To the professors, staff, students, and alumni of the University of Phoenix. An innovator in the field of continuing education, the success of UOP graduates is proof that the UOP's high standards and programs make their cutting-edge educational philosophy a template for others to follow.



Finally, to my peers, subordinates, and superior officers of the United States Army. The greatest asset of any organization is its people. Those who serve in the defense of our way of life are the clearly best that America has to offer.

MAINTAIN!

Questions, comments, or suggestions? Visit the companion site to this book at www.extractedmba.com, or e-mail the author at author@extractedmba.com. All inquiries will receive a response by the author, and all accepted suggestions will be acknowledged in future editions.

Cover by Matt Sorenson

For Henry G. Vinal

My Extracted Father

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EXTRACTED INTRODUCTION

The Extracted MBA represents the culmination of a decade's worth of undergraduate and graduate study, as well my practical management experiences, both in my work and in the courses I teach. Upon being awarded my MBA in 1998, I searched for a book that could concisely provide a reference, a recap if you will, of what I had learned in my years of study. Sure, there were books out there that professed to make MBAs out of lay folk, but they were the literary equivalent of snake oil. There simply wasn't a book written for MBAs that provided what I desired, and what I truly believed that the MBA community needed. I sat at my computer one night and began transcribing the four boxes of notes I had accumulated in the course of my studies. It would be three weeks before I completed the first section of the first management course I had ever taken. Aptly, that was *Extracted Management!* I read through it and realized that I had an opportunity to create a reference that myself and my fellow MBAs could really use! *The Extracted MBA* was born. I hope these series of extractions serve you well as you recount the topics that whizzed-by in the torrent of information to which we were exposed. With this tool, may your MBA skills remain as fresh as the day you walked across the stage and received your degree!

Please note that the extracts are organized in a quasi-outline format, with indentations that expound on preceding notes.

Kelly A. Vinal, MBA
May 15th, 2000
Fayetteville, North Carolina

Extracted MANAGEMENT

www.extractedmba.com/mgt.html

The Extracted MBA

Defined

Planning, organizing, leading and, controlling resources for the purpose of achieving organizational goals.

Management functions

- Conceived by Henri Fayol in 1917.

Planning: Defining the goals as directed by executive management; developing strategy; conceptualizing coordinated efforts.

Organizing: Establishing the tasks that will achieve the goals; defining lines of leadership; determining where decisions will be made.

Leading: Motivating and directing subordinates; establishing effective communications; resolving conflicts quickly and equitably.

Controlling: Ensuring tasks are accomplished as planned and correcting deviations.

The optimized organization

Organization: A collective social unit that is goal oriented and formally structured.

Performance: An organization's actions that measurably contribute to the achievement of organizational goals.

Efficiency: The achievement of organizational goals with the minimal consumption of resources.

Effectiveness: The extent to which an organization achieves established goals.

Management skills

Technical Skills: The ability to apply specialized expertise.

Human Skills: The ability to work with and motivate individuals or groups of individuals.

Conceptual Skills: The ability to mentally analyze abstract and/or complex challenges.

Core concepts

Organization: A coordinated group of individuals that functions on a continuing basis for the purpose of achieving one or more goals.

Executives: Individuals who set organizational goals and policies.

Managers: Individuals in an organization who achieve goals through subordinates. Commonly referred to as *administrators* in non-profit organizations.

Supervisors: People who provide direct leadership over line employees for the purpose of achieving management's goals. Supervisors are typically individuals with expertise in all of the tasks of their subordinates, and are generally promoted from the ranks of the employees they oversee.

Workers: Individuals employed to accomplish specific tasks for the purpose of achieving the organizational goals set by executive management.

Management roles

- Conceived by Henry Mintzberg in 1973.
- Also known as *Mintzberg's Managerial Roles*.

Interpersonal Roles

Figurehead: Symbolic chief; performs routine ceremonial functions and solicitations.

Leader: Directs and motivates subordinates.

Liaison: Maintains internal and external contacts of individuals and groups that are of benefit to the functioning of the organization.

Informational Roles

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Monitor: Serves as central figure in obtaining and categorizing internal and external information relating to the organization.

Disseminator: Communicates information obtained from outside sources, as well as from subordinates, to appropriate members of the organization.

Spokesperson: Transmits information relating to the organization to external entities; is an expert in virtually all aspects of the organization, as well as its respective industry.

Decisional Roles

Entrepreneur: Scours the organization in search of opportunities to bring about positive, if not profitable results.

Disturbance Handler: Implements corrective action to counter important and unexpected turmoil within the organization.

Resource Allocator: Makes or approves important decisions, and ensures they are adequately staffed and funded.

Negotiator: Represents the organization in negotiations.

Activities of successful managers

- Conceived by Fred Luthans in 1988.

Luthans determined that a study of 450 managers showed that the successful ones all engaged in the following activities:

Traditional Management: Decision-making, planning, and controlling.

Communication: Exchanging information and processing paperwork.

Human Resource Management: Motivating, disciplining, staffing, training, and resolving conflict.

Networking: Socializing, politicking, and interacting with outsiders.

The learning organization: An organization in which problem solving is encouraged at all levels that results in increased operational capability.

Interwoven characteristics:

- Conceived by Peter Senge in 1990.
- Leadership
- Empowered employees
- Shared information
- Horizontal structure
- Emergent strategy
- Strong culture

Paradigm: A widespread and ingrained conceptualization of the operational environment.

Paradigm shift: A change in environmental circumstances that leads to an altered understanding of the world.

Evolution of the learning organization

Classical perspective: Management philosophies that emerged in the late 19th and early 20th century, embracing scientific and rational approaches to forging efficient and productive organizations.

Scientific management: Management perspective that relied upon early research and emphasized scientifically demonstrated measures to change management and increase productivity.

- Conceived by Frederick Taylor in 1898.
- Significantly refined by Lillian and Frank Gilbreth in the early 1900s.

Bureaucratic organizations: Concept that touts impersonal and rational management that is characterized by clearly defined authority, meticulous record keeping, and separation of management and shareholders.

- Conceived by Max Weber in 1927.

Administrative principles: Focused on the organization as a whole by delineating planning, organizing, coordinating, and controlling.

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- Conceived by Henri Fayol in 1930.

Humanistic perspective: Management philosophies that emerged concurrently with the classical perspective that focused upon employee needs, behavior, and attitudes.

The human relations movement: Sparked by the Hawthorne studies in 1924 and involved management in focusing upon the basic needs of employees as the primary factor in increased productivity.

The human resources perspective: Philosophy that embraces designing jobs that challenge employees to maximize their potential.

Maslow's Hierarchy of Needs: A hierarchy of five needs that represent human drive, based on the premise that once a need is met, the next higher need becomes dominant.

- Conceived by Abraham Maslow in 1954.

1. **Physiological:** Includes hunger, thirst, and shelter.
2. **Safety:** Includes security and defense from physical and emotional harm.
3. **Social:** Includes affection, acceptance, friendship, and belonging.
4. **Esteem:** Includes self-respect, autonomy, achievement, status, recognition, and attention.
5. **Self-actualization:** Is reached when an individual become what he or she or she is capable of.

Theory X and Theory Y

- Conceived by Douglas McGregor in 1960.

Theory X: Is the assumption that employees are inherently lazy, abhor work, and must be coerced into performing.

Theory Y: Is the assumption that employees enjoy working, desire responsibility, and can work without direction.

The management environment: All factors that exist within and beyond an organization's boundaries that can affect the organization.

Internal environment: The environment within an organization's locus of control.

- Employees
- Management
- Organizational culture

General environment: The environmental layer that indirectly influences the organization's operations

- Technological
- Sociocultural
- Economic
- Legal
- Political
- International

Task environment: The external layer of the management environment that directly affects the organization.

- Customers
- Labor market
- Suppliers
- Competitors

Ethics in management

Ethics: Code of moral values that govern the fundamental behaviors of individuals, groups, and organizations.

Ethical dilemma: A condition that arises when a decision must be made, and the alternatives are ethically undesirable, causing difficulty in determining right from wrong.

Utilitarian approach: The ethical principle that morally positive actions invariably result in overall good.

Moral-rights approach: States that moral decisions are best made by those affected by them.

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Individualism approach: The concept that acts are moral when they serve in the best interest of the individual's long-term interests.

Justice approach: The concept that moral acts must be based on equity and impartiality.

Distributive justice: States that people should be treated according to the differences between them.

Procedural justice: All ethics should be derived from clearly defined rules that are consistently applied.

Entrepreneurship: The process of engaging in business ventures that require acquiring and organizing resources, assuming risks, and reaping rewards.

Entrepreneur: An individual who recognizes a business opportunity and acts to capitalize upon it.

Intrapreneur: An individual who seeks and acts upon opportunities within an organization.

Organizational planning

Goal: A future state an organization desires to achieve.

Plan: A design of the actions, resources, and personnel that will achieve a goal.

Planning: Determining actions that will achieve an organization's goals.

Organizational goalsetting

Mission: An organization's purpose.

Mission statement: A broadly stated expression of an organization's unique business scope and operations.

Strategic goals: Broad statement of the desired future position of an organization as a whole.

Strategic plans: Actions an organization intends to take to achieve its strategic goals.

Tactical goals: Goals set for major departments in an organization designed to achieve strategic objectives.

Tactical plans: Actions that major departments must accomplish to achieve tactical goals.

Operational goals: Specific results expected from departments, groups, and individuals within an organization.

Operational plans: Specific actions developed to support tactical goals.

Management by Objectives: A system by which specific goals are set by the entire workgroup, a timeline is established, and feedback on progress is ongoing.

- Also known as *MBO*.
- Conceived by Peter Drucker in 1954.

Shewhart cycle: Quality management planning cycle used for organizational improvement that includes:

- **Plan:** Determine desirable changes and prepare for implementation.

- **Do:** Execute the changes.

- **Check:** Observe the result of the changes.

- **Act:** Perform analysis of the changes and implement broadly.

Single-use plans: Plans developed for goals that will only be set once.

Standing plans: Plans developed for guiding tasks that are performed repeatedly.

Contingency plans: Plans that spell-out an organization's response to specific, pre-determined events.

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Strategic management: Actions and guidance that serve to formulate organization-level strategy for the purpose of achieving competitive success.

Strategy: Plan of action that details resource allocation, labor, marketing, and capitalization required to achieve organizational goals.

Core competence: A business aspect upon which an organization identifies itself.

Synergy: Occurs when the elements of an organization produce an outcome that is greater than all of the elements acting independently.

Situation analysis: The evaluation of strengths, weaknesses, opportunities, and threats affecting the organization.

- Also known as *SWOT* analysis.

Differentiation: Competitive strategy whereby an organization strives to distinguish its products from its competitors'.

Cost leadership: Cost-control strategy an organization undertakes to maximize efficiency and minimize costs to increase competitiveness.

Focus: Competitive strategy that is characterized by concentration on a particular group of potential customers.

Product life cycle: The stages a product endures, from development and introduction, through maturity and growth, and finally to decline.

Decision-making and problem solving

Decision: A choice made from various alternatives.

Decision-making: The process of identifying problems and plausible solutions.

Programmed decision: A decision made as a result of a situation that occurs on a regular basis.

Nonprogrammed decision: A decision made as a result of a unique situation.

Risk: The possibility that a decision may prove to be the wrong one, as well as the possibility that the potential gain plus additional resources may be lost as a result.

Certainty: The level of confidence the decision-maker has in the information available to him or her.

Uncertainty: The level of confidence a decision-maker lacks as a result of incomplete or suspected inaccurate information.

Ambiguity: The goals or problems are unclear, with uncertain alternatives, and incomplete information.

Classical model: A decision-making model that assumes that managers make decisions in the best interests of their organizations.

Normative: The approach that shows how a manager should make decisions, with guidelines for reaching solutions in the best interest of the organization.

Administrative model: A decision-making model in which managers make decisions in situations involving ambiguity and uncertainty.

Bounded rationality: States that individuals are limited in their decision-making abilities due to their cognitive capacity to process only a certain amount of information.

Intuition: An understanding of a decision situation based unconsciously on past experience.

Organizational structure

Organizing: Employing resources for the purpose of attaining organizational goals.

Organization life-cycle: An organization's progress from inception through decline.

Birth stage: The creation of the organization.

Youth stage: Characterized by rapid growth and market success.

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Midlife stage: Characterized by substantial size and prosperity.

Maturity stage: The decline of the organization due to inefficiency, excessive size, and an overly mechanistic structure.

Structure: Framework whereby an organization clearly defines roles, leadership, resource allocation, task division, and departmental coordination.

Organization chart: The visual depiction of an organization's structure.

Division of labor: The subdivision of labor into specialized tasks and individual jobs.

- Also known as *work specialization*.

Authority: The legitimate power accorded managers to make decisions, allocate resources, and otherwise act within his or her authorized purview.

Chain of command: An unbroken supervisory link that connects all employees within an organization, from the line worker to the CEO.

Accountability: The requirement for those subject to authority to justify outcomes to superiors.

Responsibility: The implicit duty of an employee to perform an assigned task.

Delegation: The transfer of authority from a manager to a subordinate.

Span of management: The number of employees reporting to a manager.

- Also known as *span of control*.

Centralization: Decision authority is concentrated at the top of the organizational hierarchy.

Decentralization: Upper management pushes decision-making authority to lower organizational levels.

Tall structure: Characterized by a large number of hierarchical levels and a relatively narrow span of management.

Flat structure: Characterized by few hierarchical levels and a broad span of management.

Organizational change: The adoption and implementation of innovations and new behaviors by an organization.

Reactive change: Changes that occur after external forces have affected organizational performance.

Proactive change: Changes initiated in anticipation of future events and opportunities.

Sequence of organizational change

- Environmental and internal forces → Need for change → Initiate change → Implement change

Performance gap: The gulf between desired and actual performance.

Initiating change

Search: Discovering developments internally and externally that can satisfy a need for change.

Creativity: The creation of innovative solutions for organizational problems.

Idea champion: An employee who determines a need exists within an organization and actively strives to satisfy it.

New venture team: A temporary task force assigned to solving organizational problems and developing innovations.

New venture fund: A fund established to provide resources for individual and group-developed innovations.