Unit 4 Management and Operations
Unit 5 Leadership and Management for Service Industries

WEEK 8 CLASS TOPICS

- Complex business demands and alignment
- Complex financial and investment management
- Internal relationships
- Multicultural and international workforce
- Employee engagement and commitment

ORGANIZATIONAL ALIGNMENT

Organizational Alignment

Most executives today know their enterprises should be aligned. They know their strategies, organizational capabilities, resources, and management systems should all be arranged to support the enterprise's purpose. The challenge is that executives tend to focus on one of these areas to the exclusion of the others, but what really matters for performance is how they all fit together.

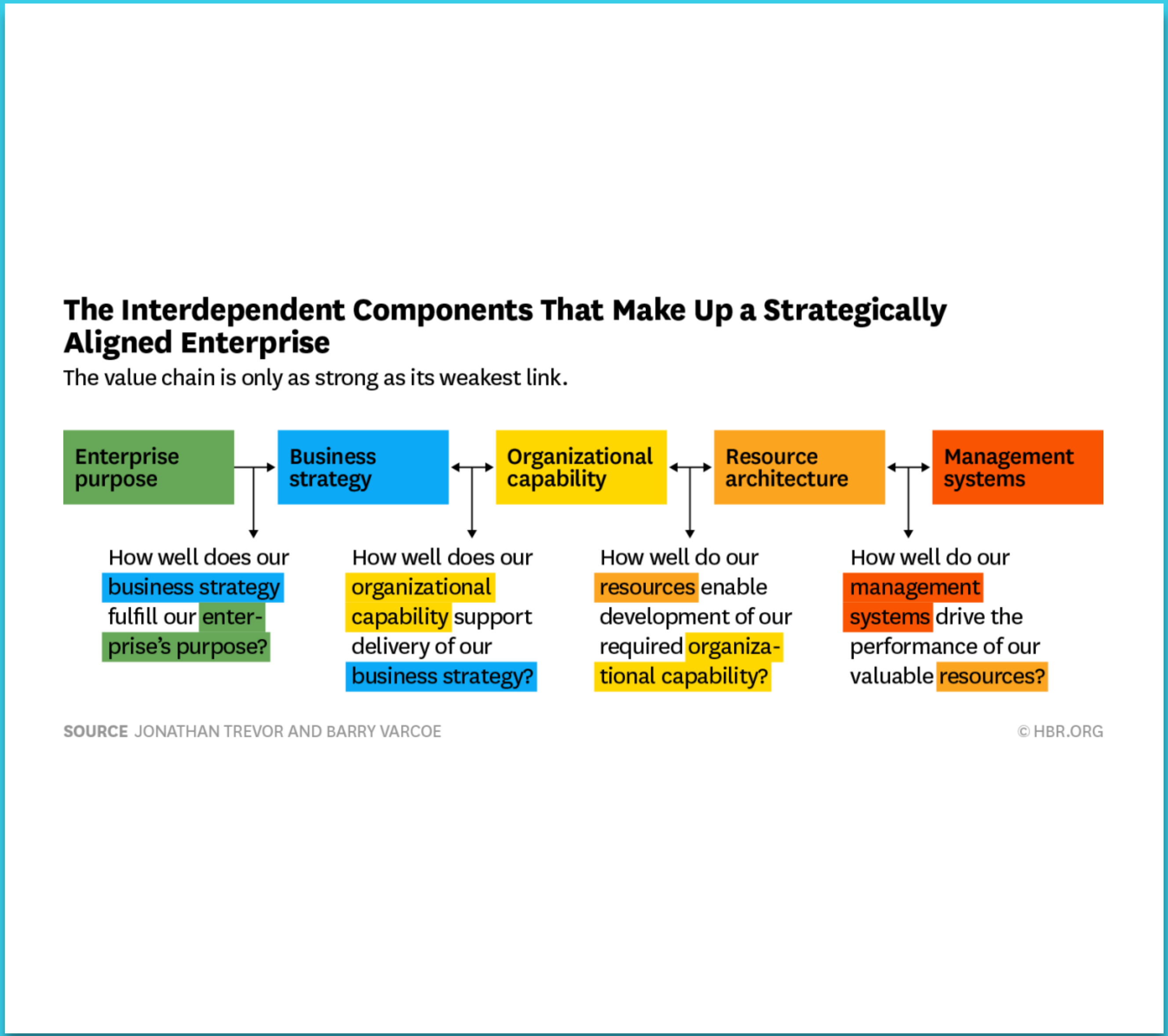
Consider McDonald's. What does it take to be able to serve over 1% of the world's population — more than 70 million customers — every day and in virtually every country across the world? Fanatical attention to the design and management of scalable processes, routines, and a working culture by which simple, stand-alone, and standardized products are sold globally at a predictable, and therefore manageable, volume, quality, and cost. Maximizing economies of scale lies at the heart of McDonald's product-centric business model. Efficiency is built into the design of its winning organization in the form of formalized hierarchies of performance accountability, a high division of labor, routinization of specialist tasks, and teamwork at the point of sale. McDonald's has been the market leader in its sector for decades.

This is what enterprise alignment looks like. It means winning through a tightly managed enterprise value chain that connects an enterprise's purpose (what we do and why we do it) to its business strategy (what we are trying to win at to fulfill our purpose), organizational capability (what we need to be good at to win), resource architecture (what makes us good), and, finally, management systems (what delivers the winning performance we need). The enterprise value chain is only as strong as its weakest link.

Organizational Alignment

ENTERPRISE PURPOSE: *What do we do and why do we do it?* Purpose is the loadstone upon which every enterprise is built. Financial success is the consequence of commercial enterprises fulfilling their purposes well, but it is not to be confused with enterprise purpose itself. Profit, for example, is rarely a positive focus for people's effort.

Ask Yourself: What is the enduring purpose of your enterprise? Why would it matter if you went out of business tomorrow, and who would care? Is your purpose clear enough that your investors, employees, partners, and customers could articulate it?

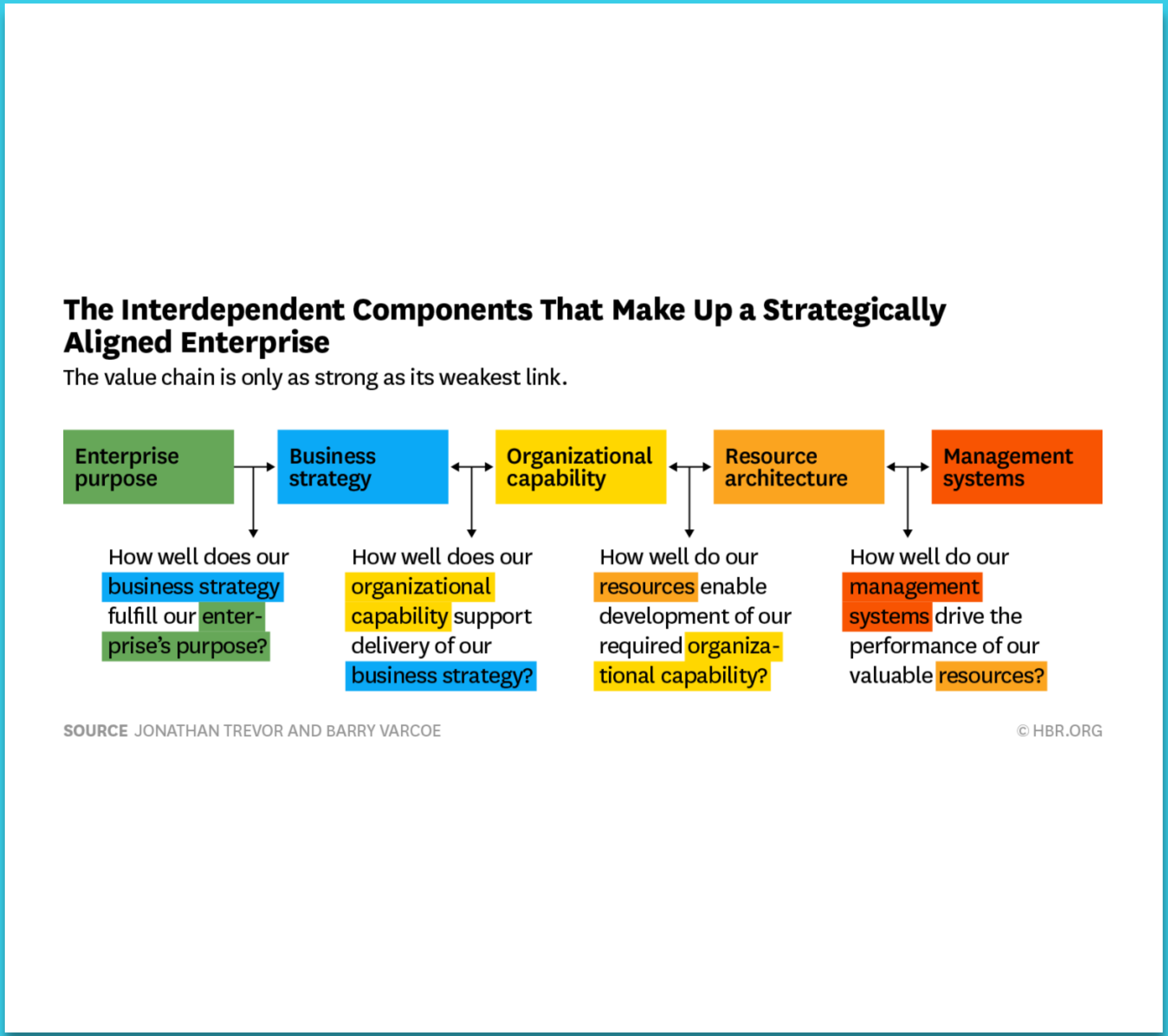


Organizational Alignment

BUSINESS STRATEGY: *What are we trying to win at to fulfill our purpose?* If purpose is what the enterprise exists to achieve and why it matters, then business strategy is planning for what the enterprise must win at to fulfill its purpose. Unlike its purpose, an enterprise's strategy should flex and morph in response to future opportunities and threats. The degree to which your enterprise's business strategy fulfills its purpose is the measure of its effectiveness.

The Walt Disney Company's purpose is to "create happiness by providing the finest in entertainment for people of all ages, everywhere." How Disney creates happiness is by offering a range of consumer products (Disney Store, publishing, licensing), entertainment (Walt Disney Studios, Pixar, Marvel), and experiences (parks and resorts). It wins by pursuing high performance in each area and by using each to support the others.

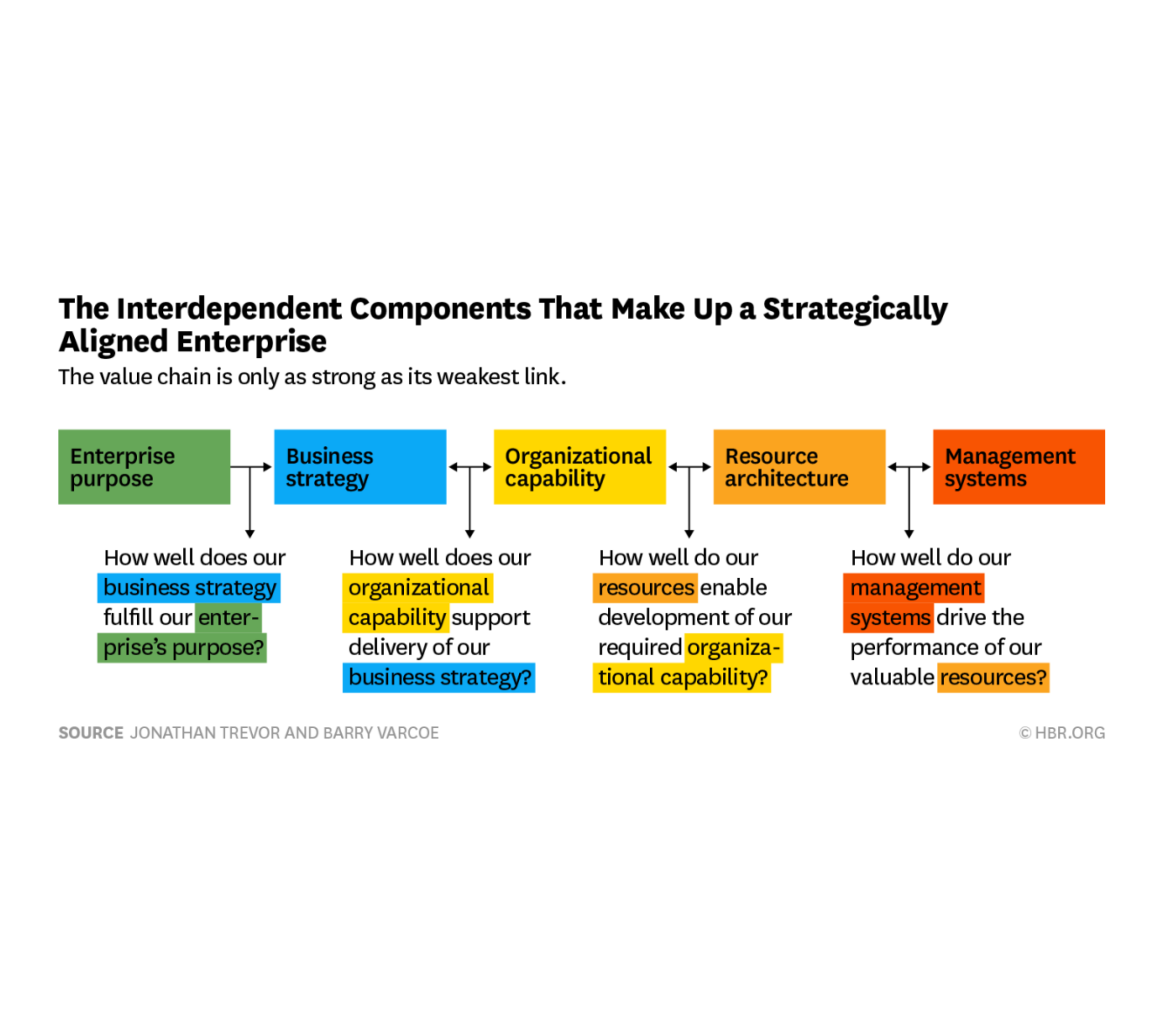
Ask Yourself: What are your offerings to customers, in the form of products and services, and are they consistent with your purpose? What's missing? What do you do or offer that you shouldn't? Who are your customers, and what are they demanding of the products and services you offer, now and in the future? Who are your competitors, and what are they capable of offering that you aren't? How do you need to be different to compete and win?



Organizational Alignment

ORGANIZATIONAL CAPABILITY: *What do we need to be good at to win?* Business strategy receives the lion's share of executives' attention, but even the best strategy is useless unless supported by appropriate organizational capabilities. It is a reckless leadership team that commits to a business strategy without knowing whether they can achieve it. Traditionally, businesses competed on their ability to execute their planned strategies for matching supply to demand as efficiently as possible. Many enterprises will continue to operate this way in future, but additional capabilities are increasingly important: the strategic value of organizational capabilities such as agility (around the customer), connectivity (between complementary offerings), and innovativeness (to explore novel opportunities).

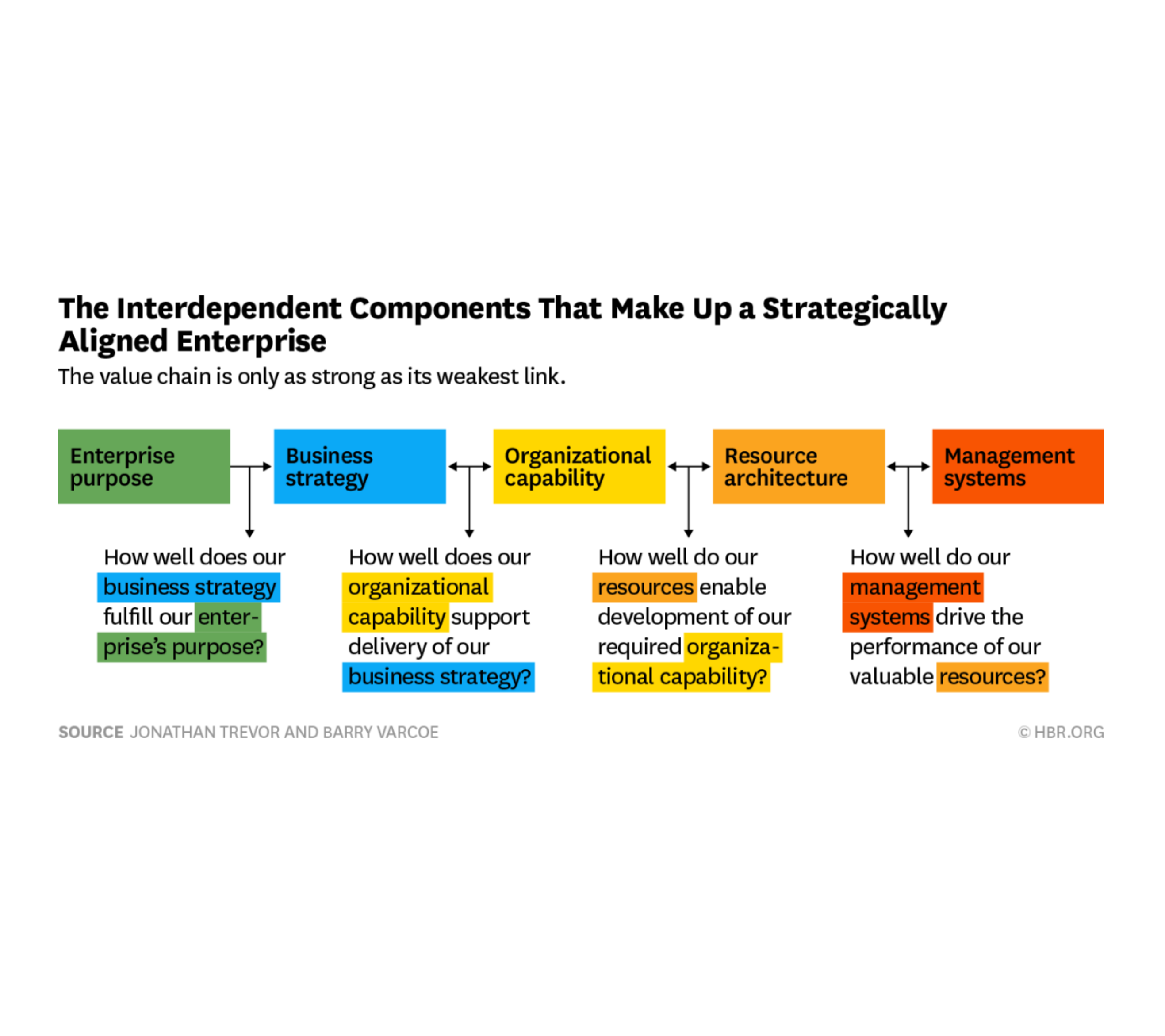
Ask Yourself: What do you need to be really good at to successfully achieve your winning strategy? What are you capable of organizationally that your rivals are not? How do you become uniquely capable of fulfilling what markets and customers are demanding of you, now and in the future?



Organizational Alignment

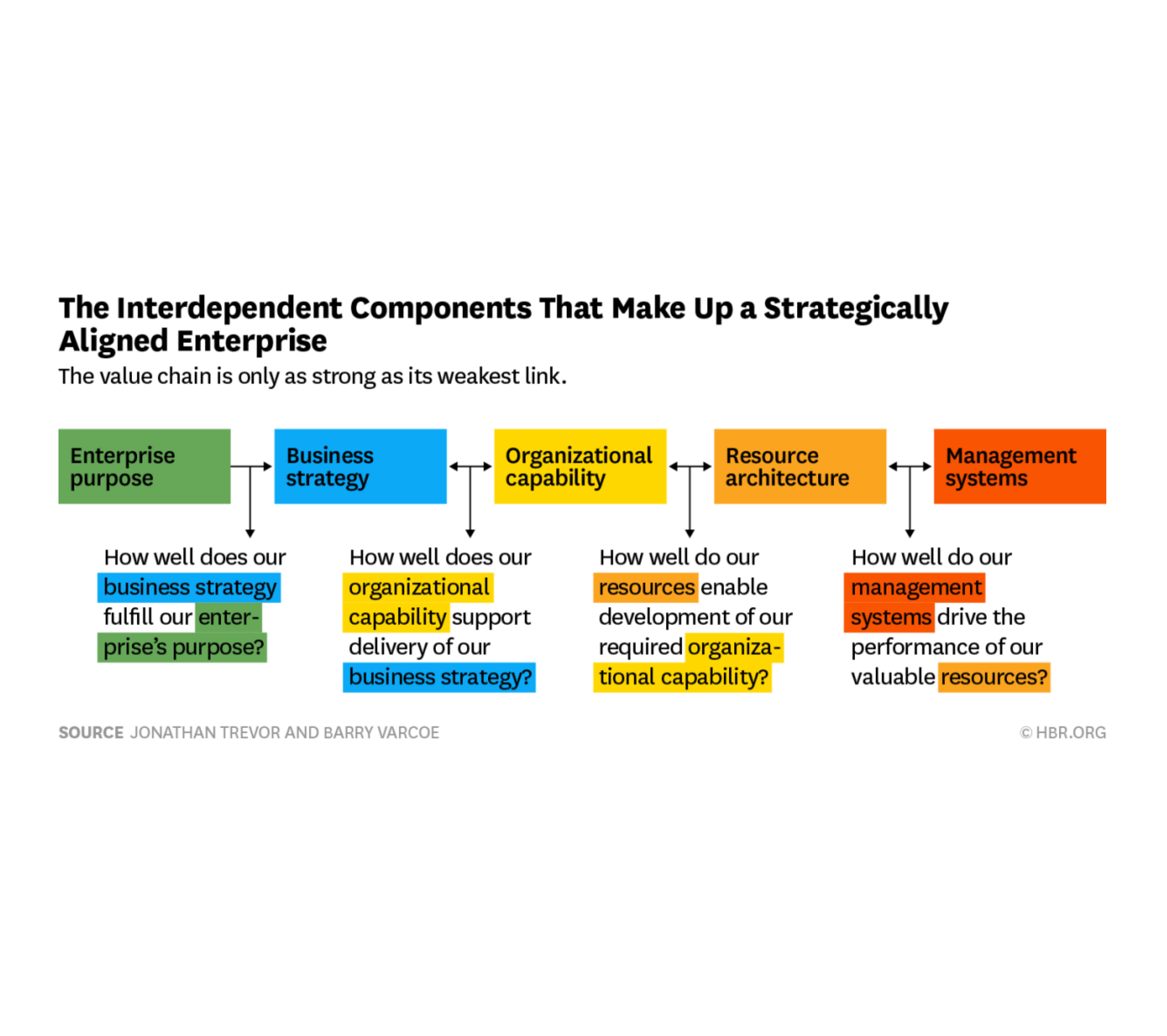
RESOURCE ARCHITECTURE: *What makes us good? (And how good are we?)* Strategically aligned enterprises are made capable by their organizational resources, including people, structures, cultures, and work processes, and by the degree to which they are configured to be strategically valuable. People reflect the value of skills, experience, and knowledge required to perform the enterprise's work; structure reflects the value of formal and informal relationships, networks, and functional connections through which work is structured; processes reflect the value of planned and ad hoc work processes and routines through which work is performed, and in which valuable knowledge is retained organizationally; and culture reflects the values, beliefs, and attitudes that guide everyday working behavior.

Ask Yourself: What type of people are core to you being superior at the things you need to be good at to win? What type of culture might support collaboration between complementary lines of business, if your business strategy depends upon it? What types of work processes are critical to your ability for inventiveness? What type of structure will enable you to be agile enough to compete for and win fickle customers repeatedly?



Organizational Alignment

MANAGEMENT SYSTEMS: *What delivers the winning performance we need?* Management systems include all aspects of management infrastructure, operations, and tactics, from information systems to employee performance management. What management practices, systems, and technologies best fit your winning strategy for fulfilling your enterprise's purpose? What are appropriate measures of success, both short and long term? Where is the focus of effort and attention managerially in your enterprise, and is it aligned to how you plan to win?



Four Reasons for Misaligned Enterprises

1. Enterprise leaders are unaware of the risks of misalignment. Many senior executives we talk to do not think of their enterprises as connected and coherent value chains. Their primary focus is all too often on their enterprise’s structure as articulated by the org chart. The main operating units described there are seen as being the primary components of “value.” Alignment thinking requires all decision makers to view their enterprise as a value chain, not merely a set of more or less valuable boxes and wires on an easy-to-forget, ever-changing chart. What are the typical alignment debates in your enterprise? How often you have them, and with whom, relates to our second reason for misaligned enterprise.

2. Nobody “owns” enterprise alignment. Generally, no individual or group is functionally responsible for overseeing the arrangement of the enterprise from end to end. Multiple individuals and groups are responsible for different components of the enterprise value chain, and usually they are not as joined up as they should be. All too often individual leaders seek to protect and optimize their own domains and components, rather than align and improve across the entire enterprise. Who is responsible for ensuring your enterprise is as strategically aligned as it should be? The answer cannot be “nobody” or “I don’t know.” Neither can the answer be “the CEO” (or equivalent). Modern enterprises are too complex for their design and management to be left to chance or to rely solely on the wisdom of one individual.

Four Reasons for Misaligned Enterprises

3. Complexity makes enterprise alignment that much harder. Achieving and sustaining high enterprise alignment is hard, especially in a rapidly changing operating environment. Complexity usually arises as the result of four primary factors: number of employees, variety of business lines, variety and expectations of differing customer groups, and geographical dispersal. Large, diversified, and geographically dispersed enterprises, in whichever sectors they compete, require the greatest amount of strategic effort by their leadership to be aligned. How complex is your enterprise, and how well-equipped is your leadership team to beat the alignment challenge?

4. Activity is mistaken for progress. The killer questions outlined in the previous section require sound judgment, courage, time, and energy to answer. The frantic activity of business as usual can get in the way of the in-depth discussions and tough choices that need to take place regularly to lead a strategically aligned enterprise (and maintain it). Ensuring that the whole of the enterprise is as aligned as possible should be business as usual for enterprise leaders. Without an idealized vision and understanding of their best selves, many enterprises lack the direction, scale of ambition, or impetus required to fulfill their potential.

Organizational Alignment

In summary, strategically aligned enterprises have a much better chance of winning in today's challenging business environment. To win, enterprise leaders must find their own distinctive approach to aligning their business strategies, organizational capabilities, valuable resources, and management systems to fulfill their enterprise's purpose. However, when confronted by the scale of their enterprise alignment challenge, we believe many leaders balk at the opportunity for positive but difficult change because of the unrelenting pressure for short-term results. The penalty is unsustainable performance and an uncertain future.

ENTERPRISE LEADERS

ENTERPRISE LEADERS

The best performing companies are often the best aligned. But who in your company is paying attention to how well aligned your strategy is with your organization's purpose and capabilities? The answer should not be "the CEO" or "the Chairman" or the equivalent. The job of aligning the modern corporation is too complex to be added on to the slate of someone whose job it is to consider hundreds of other things, no matter how talented or powerful they are.

If there are no obvious answers to these questions, then there is a good chance that nobody is paying enough attention to strategic alignment in your company. If that's the case, you urgently need to address this gap in leadership focus and capability. Achieving sustainable competitive advantage through superior strategic alignment does not happen by accident – it happens by design, or not at all, and it requires a special breed of leadership, which is called enterprise leadership.

ENTERPRISE LEADERS

Unlike mainstream ideas about personal leadership, which at their core are concerned with mobilizing people, enterprise leadership is concerned with mobilizing the resources of an entire company as a system of many moving and interconnected parts, of which people (or “human resources”) are just one element, and not even necessarily the most important for developing strategically important organizational capabilities. Enterprise leaders are not people leaders in the traditional sense; they are the system architects of their company’s long-term success.

The purpose of enterprise leadership is to make strategic interventions to ensure the most important components of the company’s fundamental design align seamlessly. These components include the company’s business strategy (how the company is trying to win at fulfilling its long-term purpose), its organizational capabilities (what it needs to be good at to win), its resources (what makes it good enough to win, including its structures, cultures, people and processes) and its management systems (what delivers the day to day performance it needs to win). These critical components form a value chain through which companies perform their long-term purpose, more or less well. The value chain is only as strong as its weakest link.

ENTERPRISE LEADERS

Principally, enterprise leaders are responsible for:

1. Envisioning: Crafting a robust vision of what strategic alignment looks like at their company, and communicating that vision in a meaningful way to others, including investors, staff, business partners and customers. The vision outlines the essential principles that will guide the company's detailed strategic planning, organizational design, operational priorities, and performance goals.
2. Designing: Following those principles, enterprise leaders should carefully design each component of the company's value chain to be highly complementary of each other, and supportive of the firm's long-term purpose. Tweaks to the organization's design may happen only episodically, but the leader's concern with strategic alignment should be constant. The design and management of the company as a complex and adaptive system of many moving and interdependent components should be revisited regularly, based upon robust diagnosis, to ensure it remains fit for purpose despite changes in the external environment.

The challenge is there is no one-size-fits-all choice of business strategy or related organizational design that results in superior strategic alignment. Organizational structures and cultures, for example, should be as distinctive as the strategies they support and make possible, which in turn depend upon the organization's long-term purpose. For instance, to become more innovative, many companies are attempting to redesign themselves as agile, highly connected and open networks of teams and partners in which knowledge is highly dispersed. The cost to this is that network-based organizations are complex to manage and hard to control. For product-centric companies, where cost management is the strategic priority, the relatively simple, stable and closed-system hierarchy characteristic of "bureaucratic" thinking remains in principle the best organizational design.

FINANCIAL MANAGEMENT

FINANCIAL MANAGEMENT

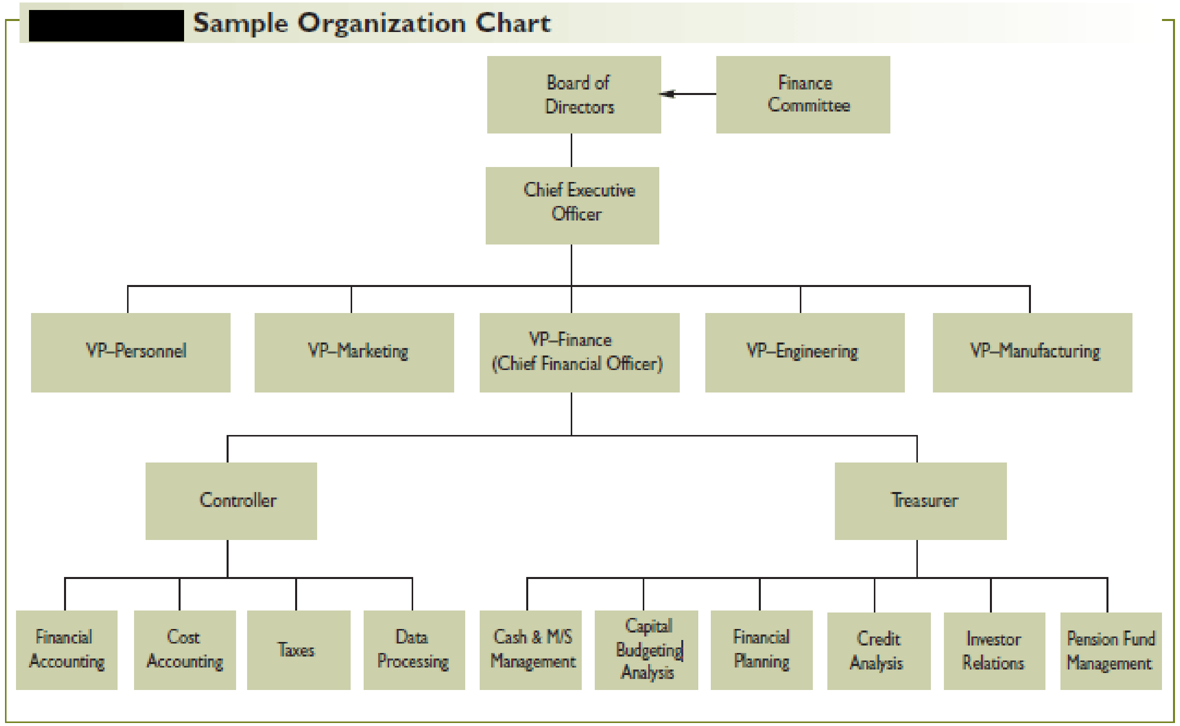
The finance function is usually headed by a vice president of finance, or chief financial officer (CFO), who reports to the president.

In some corporations the CFO may also be a member of the board of directors. In addition to overseeing the accounting, treasury, tax, and audit functions, today's CFO often has responsibility for strategic planning, monitoring and trading foreign currencies, managing the risk from volatile interest rates, and monitoring production and inventory levels. CFOs also must be able to communicate effectively with the investment community concerning the financial performance of the company.

FINANCIAL MANAGEMENT

The chief financial officer often distributes the financial management responsibilities between the controller and the treasurer. The controller normally has responsibility for all accounting-related activities. These include such functions as;

- **Financial Accounting** This function involves the preparation of the financial statements for the firm, such as the balance sheet, income statement, and the statement of cash flows.
- **Cost Accounting** This department often has responsibility for preparing the firm's operating budgets and monitoring the performance of the departments and divisions within the firm.
- **Taxes** This unit prepares the reports that the company must file with the various government (local, state, and federal) agencies.
- **Data Processing** Given its responsibilities involving corporate accounting and payroll activities, the controller may also have management responsibility for the company's data - processing operations.
- The treasurer is normally concerned with the acquisition, custody, and expenditure of funds. These duties often include
- **Cash and Marketable Securities Management** This group monitors the firm's short -term finances forecasting its cash needs, obtaining funds from bankers and other sources when needed, and investing any excess funds in short-term interest -earning securities.
- **Capital Budgeting Analysis** This department is responsible for analyzing capital expenditures that is, the purchase of long -term assets, such as new facilities and equipment.
- **Financial Planning** This department is responsible for analyzing the alternative sources of long-term funds, such as the issuance of bonds or common stock, that the firm will need to maintain and expand its operations.
- **Credit Analysis** Most companies have a department that is responsible for determining the amount of credit that the firm will extend to each of its customers. Although this group is responsible for performing financial analysis, it may sometimes be located in the marketing area of the firm because of its close relationship to sales.
- **Investor Relations** Many large companies have a unit responsible for working with institutional investors (for example, mutual funds), bond rating agencies, stockholders, and the general financial community.
- **Pension Fund Management** The treasurer may also have responsibility for the investment of employee pension fund contributions. The investment analysis and portfolio management functions may be performed either within the firm or through outside investment advisors.



FINANCIAL MANAGEMENT

It should be emphasized that the specific functions of the controller and treasurer shown in Figure are illustrative only and that the actual functions performed vary from company to company. For example, in some companies, the treasurer may have responsibility for tax matters. Also, the board of directors of the company may establish a finance committee, consisting of a number of directors and officers of the firm with substantial financial expertise, to make recommendations on broad financial policy issues.

How Finance Impacts the Organizational Structure

Finances fuel all businesses, whether they are on the upswing or a downturn. An organization making good money is more likely to add employees and managers to accommodate future growth, while a financial crisis forces top management to trim the organizational structure. Whichever direction the financial picture steers a company, it must smoothly adapt to changing needs.

When Finances Look Good

An upturn in business signals a time of expansion for many companies. Growth, new acquisitions and new product or service lines mark a business on its way up. This also affects the organizational structure, with new positions created and new departments springing up to meet increasing demand.

When Finances Look Bad

A financial crisis forces companies into survival mode. Instead of planning for growth, staying solvent becomes the biggest issue. Saving money will be the order of the day. Business management may panic during a financial crunch, concentrating on short-term answers instead of building for the future. A stunted economy, mismanagement or strong competition will cause financial crises, forcing large and small businesses to change their organizational structures to streamline operations as necessary.

How Finance Impacts the Organizational Structure

Structural Changes in an Upturn

Business owners take financial issues into account when deciding the best time to grow and expand the workforce. Maintaining that success and pushing forward is the main emphasis during good times. Increasing customer demand not only creates the need for more employees, but more departments and upgraded equipment.

Structural Changes in a Downturn

Financial problems will cause business owners to rethink which departments are essential. Some will be eliminated entirely, and others absorbed by other departments. Even in a small business, the first cuts are often seen in departments geared toward the future. If the cuts are made blindly, the departments most geared toward future growth may be the first to go. If departments have natural rivalries between them -- such as sales vs. production, these rifts will widen. Financial worries will cause management to cut back on production jobs, laying off some workers. Those who stay will find their duties increased to keep pace. Even if business improves, the company may be slow to rebuild its staff and continue to have employees doing double duty.

Anticipating Change

Seeing impending financial concerns well before they happen give an organization a better chance of building a plan and systematically meeting these challenges. If an organization is caught unaware, the changes will be more reactive with less thought going into solutions. Conventional wisdom suggests cutting across the board and removing more future-oriented departments during a downturn, but in some cases this may the best time to increase the customer base.

INTERNAL RELATIONSHIPS

INTERNAL RELATIONSHIPS

Internal relations means building and maintaining relationships with all the publics inside an organization, including production line workers, managers and supervisors, administrative staff, and facilities and maintenance support, to name but a few. For example, a former CEO of General Motors (GM) identified internal communication as a "top three priority" because it is so vital to organizational success. As one practitioner put it, "an organization's most important audience is, has been and always will be its employees."

Another explained: "When your employees aren't advocating for you, you're in trouble. There's no amount of advertising to overcome someone saying, 'I work at that hospital and it's got problems.

IMPORTANCE OF INTERNAL RELATIONSHIPS

An organization's most important relationships are those with employees at all levels. The terms internal publics and employee publics refer to both managers and the people being supervised. These publics represent an organization's greatest resource-its people. According to Alvie Smith, former director of corporate communications at General Motors, two factors are changing internal communication with employees and enhancing management's respect for this part of the public relations function:

1. The value of understanding, teamwork, and commitment by employees in achieving bottom-line results. These positive aspects of worker behavior are strongly influenced by effective, way-of-life interactive communications throughout the organization.
2. The need to build a strong manager communication network, one that makes every supervisor at every level accountable for communicating effectively with his or her employees. This needs to be more than just job-related information and should include key business and public issues affecting the total organization.

Organizations miss out on a sizable share of their human resource potential because they do not put a high priority on effective, two-way communication-the foundation for management - employee relations and overall job performance.

INTERNAL RELATIONSHIPS

Ideally, working relationships are characterized by at least seven conditions:

1. Confidence and trust between employer and employees
2. Honest, candid information flowing freely up, down, and sideways in the organization
3. Satisfying status and participation for each person
4. Continuity of work without strife
5. Healthy or safe surroundings
6. Success for the enterprise
7. Optimism about the future

Multicultural And International Workforce

Multiculturalism in the Workplace

Multiculturalism brings together a diverse set of cultures and ethnic backgrounds in the work environment. Whether people are from various socio-ethnic backgrounds or different countries, employers should seek a diverse business culture because it offers many advantages. As a business owner, consider how you can incorporate more diversity and multiculturalism into your recruiting efforts and management style.

The Definition of Multicultural in the Workplace

A multicultural workforce is one in which a wide range of cultural differences exist among the employees in the organization. While a number of major and minor traits are used to describe cultural differences, the most common traits used to identify the level of multiculturalism evident in a given workforce often boils down to "age, sex, ethnicity, physical ability, race and sexual orientation, according to the "Encyclopedia of Business."

Multicultural Basics

In general, a multicultural workforce is one in which employees are heterogeneous, many dissimilar in certain traits. Practically speaking, any workforce with two or more employees has some level of multiculturalism based on the basic assumption that no two people are exactly the same. Companies vary in level of multiculturalism. Those that have easily detectible and wide-ranging cultural differences within their workforces are more often described as multicultural companies or workforces.

Multicultural Benefits

People with differences have natural barriers in communication and relationships. "Opposites attract" is a popular relationship adage, but people with differences also tend to find more conflict in communication than people with shared backgrounds and life paradigms. However, diversity management can draw out strong benefits of a multicultural workforce, including a broader and deeper pool of ideas and creative development, stronger connections to a global marketplace and better ability to adapt to marketplace changes.

- **THE BENEFITS & CHALLENGES OF MULTICULTURALISM IN THE WORKPLACE**

The Advantages Of Multiculturalism In The Workplace

More Ideas and More Creativity

Different cultures have different ways of approaching problems. When you have a group of diverse cultural backgrounds, everyone is looking at situations through a different lens, a unique perspective. The wealth of viewpoints brings in a wide array of ideas that benefit any team. Encouraging employees to provide input or feedback during meetings empowers them to be part of the process and develops an engaged workforce.

Builds Respect Among Employees

People often say things or do things that are disrespectful of others out of old-school beliefs and ignorance. When employers hold diversity training and teach team members about diversity, positive things can result. Role-playing puts workers in one another's' shoes to provide perspective. Potluck lunches use the love of food to engage employees in a dialogue about family or cultural history. These small things lead to increased conversations. The resulting communication leads to respect among employees who have a better understanding of appropriate interactions and an appreciation of their co-workers and the viewpoints they bring to the team.

Improves Customer Service

Your customers come from all walks of life regardless of how you target your company's marketing efforts. Having a multicultural workforce shows a different face to the public. Customers have a chance to speak with someone who knows their native tongue or understands certain customs. Whether it is language or understanding specific holidays, a multicultural workforce engages even a small business in a global marketplace.

Enhances Work Environment

Embracing multicultural concepts at work helps people feel appreciated for who they are and the unique skills they offer. Many of those skills might have nothing to do with cultural background, but the fact that diversity is embraced lets employees know they are valued. Valued employees tend to be happier, and happier employees tend to be more productive. A diverse corporate culture has a direct impact on getting things done well and is a huge advantage for business owners.

WHERE MULTICULTURALISM GOES WRONG

Cultural barriers can get in the way of a truly integrated, multicultural workforce. You can overcome these by maintaining clear diversity policies and explaining what is, and what is not, acceptable behavior. Set protocol for dealing with problems. Take the time to build employee diversity skills to improve understanding and awareness to reap the benefits.

13 KEY BENEFITS AND CHALLENGES OF CULTURAL DIVERSITY IN THE WORKPLACE

BENEFITS:

1. Diverse cultural perspectives can inspire creativity and drive innovation
2. Local market knowledge and insight makes a business more competitive and profitable
3. Cultural sensitivity, insight, and local knowledge means higher quality, targeted marketing
4. Drawing from a culturally diverse talent pool allows an organization to attract and retain the best talent
5. A diverse skills base allows an organization to offer a broader and more adaptable range of products and services
6. Diverse teams are more productive and perform better
7. Greater opportunity for personal and professional growth

CHALLENGES:

8. Colleagues from some cultures may be less likely to let their voices be heard
9. Integration across multicultural teams can be difficult in the face of prejudice or negative cultural stereotypes
10. Professional communication can be misinterpreted or difficult to understand across languages and cultures
11. Navigating visa requirements, employment laws, and the cost of accommodating workplace requirements can be difficult
12. Different understandings of professional etiquette
13. Conflicting working styles across teams

Employee Engagement and Commitment

Employee Engagement and Commitment

Employee Engagement and Commitment are the two of the necessary endeavors in which organization must invest its time and effort. Both are different, as engagement drives commitment, whereas the reverse is not possible, commitment cannot be achieved without employee engagement.

Employee Engagement

Employee engagement is the extent to which employees feel passionate about their jobs, are committed to the organization, and put discretionary effort into their work. Employee engagement drives performance. Engaged employees look at the whole of the company and understand their purpose, where, and how they fit in. This leads to better decision-making. Engagement is a key differentiator when it comes to growth and innovation.

An Engaged employee is someone who shows affection and dedication to the job he/she performs with no particular interest in the organization except as the provider of the opportunity to carry out the job.

A company that has an effective employee engagement strategy and a highly engaged workforce is more likely to retain top performers as well as attract new talent. Successful organizations are value-driven with employee-centric cultures.

Employee Commitment

Commitment on the other hand is about identification with the organization, feeling proud to go to work, and might not be prepared to go that extra mile for the job if the employee is high on commitment and low on engagement however a highly committed and high engaged employee would be excited about the job, put best effort into his/her duties and fully identifies wit the organization.

Commitment is the attachment and loyalty to the firm. It is about how strongly one associates its feelings with the organization. Porter et al (1974) found commitment as "relative strength of the individual's identification with, and involvement in, a particular organization".

A few characteristics of a committed employees as identified by Mowday et al (1982) are:

1. A potent desire to continue as a member of the business.
2. A strong belief in, and acceptance of, the values and goals of the Business.
3. A willingness to go that extra mile on behalf of the organization.

It is important to note that committed employee is driven through one who is engaged, otherwise employee may be high on commitment but low on engagement, and might not be that beneficial for the organization as the business desires him/her to be.

Employee Engagement and Commitment

In Summary,

- Engaged and committed employees are both engaged in their work and committed to the organisation. Employees love their work and the company they work for.
- Engaged employees are engaged in their work, but not committed to the organisation.
- Committed employees are committed to the organisation, but not engaged in their work.
- Employees that are neither engaged nor committed are neither engaged in their work, nor committed to the organisation.

Q&A

1. What does the term ‘Organizational Alignment’ refer to?

2. (a) What are the 5 Interdependent Components that make up a strategically aligned organization?
   (b) Briefly summarize each of the 5 Interdependent Components.

3. Who are Enterprise Leaders?

4. How does Finance positively and negatively affect organizations?

5. What are some of the benefits and challenges of a culturally diverse workplace?

6. Define; (a) Employee Engagement (b) Employee Commitment

7. What is the main difference between Employee Engagement and Employee Commitment?