

# 2 CHALLENGES FOR MANAGERS

## CHAPTER SCAN

This chapter focuses on the changes and accompanying challenges those changes will bring about in the coming decade. Four major challenges facing managers include globalizing the firm's operations, leading a diverse workforce, encouraging ethical behavior, character, and integrity, and fostering technological innovation. Globalization has created a boundaryless market in which all firms, large and small, must compete. Cultural diversity within the United States encompasses all forms of differences among individuals, including age, gender, race, and ability. Technological change is one of the keys to strategic competitiveness, but it is also complex and risky. Ethical issues compound the complex challenges of management, and involve things such as white-collar crime, computer use, employee rights, sexual harassment, romantic involvement at work, organizational justice, whistle-blowing, and social responsibility.

## LEARNING OBJECTIVES

PPT Slide 2

After reading this chapter, you should be able to do the following:

1. Describe the dimensions of cultural differences in societies that affect work-related attitudes.
2. Explain the social and demographic changes that are producing diversity in organizations.
3. Describe actions managers can take to help their employees value diversity.
4. Discuss the assumptions of consequential, rule-based, and character theories of ethics.
5. Explain six issues that pose ethical dilemmas for managers.

**KEY TERMS**

Chapter 2 introduces the following key terms:

character theory	masculinity
collectivism	power distance
consequential theory	procedural justice
distributive justice	rule-based theory
diversity	social responsibility
expatriate manager	time orientation
femininity	transnational organization
glass ceiling	uncertainty avoidance
<i>guanxi</i>	whistle-blower
individualism	

**THE CHAPTER SUMMARIZED**

## I. THINKING AHEAD: Ford: Thriving in Challenging Times

## II. MANAGEMENT CHALLENGES IN A NEW TIME

PPT Slide 3

Recent surveys indicate that U.S. firms are encountering unprecedented global competition. Chief executives note their primary challenges as (1) globalizing the firm's operations to compete in the global village, (2) leading a diverse workforce, and (3) encouraging positive ethics, character, and personal integrity.

*Globalization* has led to the emergence of the global village in the world economy. The Internet, along with rapid political and social changes, has broken down old national barriers to competition. *Managing a diverse workforce* is more challenging than ever before and requires going beyond the surface to deep-level diversity. *Good character, ethical behavior, and personal integrity* require managers to do the right thing in difficult situations.

Successful organizations respond to these challenges as opportunities instead of threats. The United States faces tough competition from countries such as Canada, Germany, Japan, and the United Kingdom.

## III. THE GLOBAL VILLAGE

PPT Slides 4, 5

The concepts of globalization have helped to define the terms organizations use to determine the level of activity in the global marketplace.

## 26 Chapter 2: Challenges for Managers

*Globalization* implies that the world is free from national boundaries, whereas *international* carries with it a connotation of nationality. **Transnational organizations** must assume global viewpoints that supersede national issues.

## A. Changes in the Global Marketplace

PPT Slide 6

Numerous global, social, and political changes have led organizations to change the way they conduct business and encourage their members to think globally. A few of these changes are the unification of East and West Germany, the European Union, the political changes in Russia and opening of business ventures in Russia and China, and NAFTA. Business ventures in China have helped to emphasize the importance of *guanxi*, or networking, in order to accomplish personal and business goals.

## B. Understanding Cultural Differences

Figure 2.1

In order to compete globally, and because cultural differences affect work-related attitudes, organizations must understand diverse cultures. Hofstede's research focused on the differences among cultures in work-related settings and found five dimensions of cultural differences that formed the basis for work-related attitudes.

## 1. Individualism vs. Collectivism

PPT Slide 7

People in **individualist** cultures have primary concern for themselves and their families. People in **Collectivist** cultures belong to tightly knit social frameworks and depend on extended families. Group decisions are valued and accepted.

## 2. Power Distance

PPT Slide 7

**Power distance** is the degree to which a culture accepts unequal distribution of power. High power distance cultures are more accepting of unequal power distributions; low power distance cultures are less accepting.

## 3. Uncertainty Avoidance

PPT Slide 7

**Uncertainty avoidance** is the degree to which a culture tolerates ambiguity and uncertainty. Cultures with high uncertainty avoidance place importance on security and tend to avoid conflict. People are more willing to take risks in cultures with low uncertainty avoidance.

## 4. Masculinity vs. Femininity

PPT Slide 8

In cultures that are characterized by **masculinity**, assertiveness and materialism are valued. Cultures that are characterized by **femininity** emphasize relationships and concern for others.

## 5. Time Orientation PPT Slide 8

The **time orientation** value determines the long-term or short-term orientation of a culture. Long-term orientation is toward the future, whereas short-term orientation is toward the past and present.

## 6. U.S. Culture PPT Slide 10

The United States scored the most individualistically of all the countries measured. The U.S. ranked low on power distance, and is a masculine culture with a short-term time orientation.

PPT Slides 11, 12

There is an increase in organizational cooperation for training employees for cultural sensitivity. Cross-cultural task forces or teams are increasing. Employees are more often being trained to be expatriates. Integrity, insightfulness, risk taking, the courage to take a stand, and the ability to bring out the best in people are key competencies for **expatriate managers** – managers who work outside their home countries.

International executives are executives whose jobs have international scope. Learning-oriented attributes of international executives include cultural adventurousness, flexibility, openness to criticism, desire to seek learning opportunities, and sensitivity to cultural differences.

## C. Developing Cross-Cultural Sensitivity Table 2.1; PPT Slide 13

As organizations compete in the global marketplace, employees must become more skilled at working with individuals from diverse cultural backgrounds. Cultural sensitivity training is a popular method for helping employees recognize and appreciate cultural differences. Human resource managers must prepare employees to live outside their native countries, and must also help foreign employees learn to interact with U.S. culture.

### The Real World 2.1: A Golden Opportunity?

Linda Myers thought she had landed her dream job when she became one of the first female American executives in a South Korean company. Being a trailblazer in a foreign land turned into a much more challenging job than she ever imagined. She felt shut out, experienced difficulty getting information from colleagues who spoke English, was unprepared for the rigidity of the hierarchy in which she found herself, and her ideas of cultural change and how to execute were dramatically different from her superiors' ideas. Still, she turned the situation into a learning opportunity from which she derived four lessons. 1) Cultural training may not always prepare you for reality. 2) Understand your mandate clearly. 3) Do not let day-to-day misunderstandings bother you. 4) Take time to think about new ways of working.

## 28 Chapter 2: Challenges for Managers

## IV. THE DIVERSE WORKFORCE

PPT Slide 14

**Diversity** encompasses all forms of differences among individuals, including culture, gender, age, ability, religion, personality, social status, and sexual orientation. Motivation and communication skills must be adapted to account for diversity.

## A. Cultural Diversity

PPT Slide 15

Cultural diversity is increasing due to the globalization of business. Demographic changes significantly affect diversity as well. Population shifts have dramatically increased the proportion of Hispanic and African-American workers in the labor force. The challenge for managers is to capitalize on the wealth of differences provided by cultural diversity.

## B. Gender Diversity

PPT Slide 16

Women made up over 60 percent of the labor force in 2004, and by the year 2020, a balance of genders is expected in the workforce. Women continue to receive less compensation than men for their work, at a level of 80 percent of their male counterparts. The transparent barrier referred to as the **glass ceiling** continues to keep many women (and minorities) from rising above a certain level in organizations. Women comprised only 13.6 percent of corporate board members in 2003.

One place women are making progress is in ownership of entrepreneurial companies. Women now own nearly 10.4 million American businesses, employing more than 12.8 million people and generating \$1.9 trillion in sales.

## C. Age Diversity

PPT Slide 17

The number of middle-aged Americans is rising dramatically, resulting in an older workforce. This will place emphasis on intergenerational work situations. This will also have an impact on benefits and policies relating to an aging workforce. By 2030, people over age sixty-five will comprise 20 percent of the population. Younger workers may have false impressions about older workers, viewing them as resistant to change, unable to learn new work methods, less physically capable, and less creative than younger employees. In reality, older workers are more satisfied with their jobs, more committed to the organization, and possess more internal work motivation than their younger cohorts.

## D. Ability Diversity

PPT Slide 18

The number of disabled individuals in the workforce has increased dramatically because of the passing of the Americans with Disabilities Act in 1992. This law stipulates that employers should make reasonable accommodations to assist disabled individuals to become contributing employees. McDonald's has trained and hired more than 9,000 mentally and physically challenged individuals through its McJOBS program since 1981.

## E. Differences are Assets

Managing diversity is one way in which organizations can become more competitive. Part of the challenge of managing diversity lies in attempting to combat prejudices and discrimination. Managing diversity is one way a company can become more competitive. As the workforce becomes more diverse in the next decade, it will be imperative that companies appreciate diversity.

## F. Diversity's Benefits and Problems

Table 2.2; PPT Slide 19

Diversity management can help organizations attract and retain human resources, enhance marketing efforts, promote creativity and innovation, improve problem solving, and enhance organizational flexibility.

There are five problems associated with diversity: resistance to change, lack of cohesiveness, communication problems, interpersonal conflicts, and decision making.

## V. ETHICS, CHARACTER, AND PERSONAL INTEGRITY

PPT Slides 20, 21

There is plenty of evidence that ethical problems are still a major concern in corporations. The toughest of these problems include employee theft, environmental issues, conflicts of interest, and sexual harassment. Managers have the responsibility of initiating programs to improve the ethical climate.

**Consequential theories** of ethics emphasize the consequences or results of behavior. In contrast, **rule-based** theories of ethics emphasize the character of the act itself rather than its effects. The third type of ethical theory, **character theory**, emphasizes the character of the individual and the intent of the actor.

## A. Employee Rights

PPT Slide 22

Employee rights encompass many current issues, such as drug testing, free speech, downsizing and layoffs, due process, smoking policies, AIDS/HIV disclosure, and even questions regarding activities away from the organization.

## B. Sexual Harassment

PPT Slide 23

Sexual harassment includes verbal or physical unwelcome sexual attention that affects job conditions or creates a hostile work environment, and consists of three types of harassment: gender harassment, unwanted sexual attention, and sexual coercion. Sexual harassment costs the typical Fortune 500 company \$6.7 million per year in absenteeism, turnover, and loss of productivity.

*Gender harassment* includes crude comments or sexual jokes and behaviors that disparage someone's gender or convey hostility toward a particular gender. *Unwanted sexual*

## 30 Chapter 2: Challenges for Managers

*attention* involves unwanted touching or repeated unwanted pressure for dates. *Sexual coercion* consists of implicit or explicit demands for sexual favors by threatening negative job-related consequences or promising job-related rewards. Sexual harassment costs the typical Fortune 500 company \$6.7 million per year in absenteeism, turnover, and loss of productivity.

### The Real World 2.2: Sex Plus

Office romances and affairs have survived no-fraternization policies, philandering chief executives, and even ambiguous contractors. Some see these informal or surreptitious relationships as humorous while others are well aware of the hidden dangers and risks, including the extreme risk of fatal attraction. The new threat in the office romance is legal liability and retaliatory lawsuits filed by third parties at work. The legal theory involved is “Sex Plus” in which employees claim discrimination based on gender “plus” another characteristic, such as a pregnant woman claiming that a manager’s failed office romance caused him to focus more on her work, thus increasing her work demands. Still, some companies encourage matchmaking with the idea that couples are more energized about coming to work.

## C. Romantic Involvements

As the number of women in the workplace increases, the resulting interaction between men and women means that organizations must address a number of issues related to the occurrence of romantic relationships at work. Hierarchical and utilitarian romances are especially problematic in the workplace.

## D. Organizational Justice

PPT Slide 24

Organizational justice includes both **distributive justice**, which deals with the fairness of outcomes received, and **procedural justice**, which involves the fairness of the outcome allocation process.

## E. Whistle-Blowing

PPT Slide 24

Employees who inform authorities of wrongdoing by their companies or coworkers are referred to as **whistle-blowers**. Whistle-blowers can be perceived as either heroes or villains depending on the circumstances.

### Science: From Inaction to External Whistle-blowing

Prevention is always the preferred approach to unethical behavior at work, but it is not always possible. Detecting and correcting wrongdoing are vital complements to prevention. In a study involving over 5,000 working adults, organizational cultures with ethical clarity, support for action, and sanctions for wrongdoing were more likely to foster employee internal actions of confrontation, reporting to management, and calling the ethics hotline. These same ethical culture dimensions discouraged inaction as well as whistle-blowing. Transparency in the ethical culture discouraged confrontation and report to management while it encouraged external

whistle-blowing as well as inaction. Creating an infrastructure for internal whistle-blowing via an ethics hotline is one way to encourage and support reporting.

#### F. Social Responsibility

PPT Slide 25

The obligation that an organization feels to behave in ethical ways within its social environment is referred to as **social responsibility**. Current concerns include protecting the environment, promoting worker safety, supporting social issues, and investing in the community, among others.

#### G. Codes of Ethics

Figure 2.2, Figure 2.3; PPT Slides 26, 27

Increasing numbers of organizations are implementing codes of ethics. One of the more concise tests of ethical and moral questions is the simple four-way test created by Rotary International in 1904. The four-way test asks the following questions of everything we think, say, or do:

1. Is it the TRUTH?
2. Is it FAIR to all concerned?
3. Will it build GOODWILL and better friendships?
4. Will it be BENEFICIAL to all concerned?

Beyond the individual and professional level, corporate culture is another excellent starting point for addressing ethics and morality. In some cases, the corporate ethics may be captured in a regulation. The Joint Ethics Regulation (DOD 5500.7-R) specifies the ethical standards to which all U.S. military personnel must adhere. In other cases, corporate ethics may be in the form of a credo. Johnson & Johnson's Credo helped hundreds of employees ethically address criminal tampering with Tylenol products in 1986.

#### VI. MANAGERIAL IMPLICATIONS: Beating the Challenges

PPT Slide 26

#### VII. LOOKING BACK: Ford: Opening Up, Focusing on the Ford Brand

## YOU

### 2.1 Planning For a Global Career

Careers in management have taken on a global dimension. Working in trans-national organizations may well give managers the opportunity to work in other countries. Expatriate managers, those who work outside their home countries, benefit from having as much knowledge as possible about cultural differences. Because managers are increasingly exposed to global work experiences, it is never too early to begin planning for this aspect of one's career. This exercise asks students to begin gathering information about a country in which they would like to work, including information on its culture.



## 32 Chapter 2: Challenges for Managers

Students choose countries they would like to work in, do business in, or visit, and find out all they can about the countries' cultures, using Hofstede's dimensions as guidelines. Then, students answer the seven questions provided in the exercise. Once the research is completed and the questions answered, students can be placed in small groups for discussion or the topic may be used as the basis for a full-class discussion on Hofstede's cultural dimensions.

### 2.2 How Much Do You Know About Sexual Harassment?

While somewhat ambiguous, sexual harassment is defined in the eyes of the beholder. This exercise offers ten True/False statements to students to determine how much they know about sexual harassment. Once students have completed the exercise, they can be placed in small groups for discussion of their results, followed by a class discussion about the topic, including many of the misconceptions that exist about sexual harassment in the workplace. This might also be a good opportunity to provide students with information about any educational and counseling resources available on campus with regard to sexual harassment.

## DIVERSITY DIALOGUE

### The U.S. Supreme Court: Another Good Ol' Boy Ivy League Network?

The U.S. Supreme Court is arguably the most diverse it has been in the history of the organization. Three of the nine justices are women and one is African American. However, eight of the nine justices have Ivy League educations. Some question whether this represents an obsession with Harvard-Yale pedigrees. Only two of the nine justices come from states other than New York, New Jersey, or California, and none of the nine are Protestants.

1. *If a recruitment source has been proven successful in the past for yielding highly qualified talent, what is the harm in continuing to draw from that source to recruit employees?*

A potential problem with continuing to recruit employees from the same source is the loss of diversity in ideas and approaches to issues. Drawing from a variety of sources can yield a greater variety of ideas as people from different backgrounds look at things differently. Of course, it is important to ensure that all new employees possess a similarly high level of quality.

2. *Is having a diversity of backgrounds in organizations as important as having demographic diversity? Why or why not?*

Diversity of backgrounds has the strong potential to increase innovation and creativity within organizations. While demographic diversity may also do the same, the likelihood is less because people of different sexes, ages, cultures, etc. may have the same backgrounds. It is not the differences in demographics that bring about diversity of ideas, but the differences in background within those demographics that results in such diversity.

## CHAPTER SUMMARY

- To ensure that their organizations meet the competition, managers must tackle three important challenges: globalization, workforce diversity, and ethical behavior.
- The five cultural differences that affect work-related attitudes are individualism versus collectivism, power distance, uncertainty avoidance, masculinity versus femininity, and time orientation.
- Diversity encompasses gender, culture, personality, sexual orientation, religion, ability, social status, and a host of other differences.
- Managers must take a proactive approach to managing diversity so that differences are valued and capitalized upon.
- Three types of ethical theories include consequential theories, rule-based theories, and character theories.
- Ethical dilemmas emerge for people at work in the areas of employee rights, sexual harassment, romantic involvements, organizational justice, whistle-blowing, and social responsibility.

## REVIEW QUESTIONS: SUGGESTED ANSWERS

1. *What are Hofstede's five dimensions of cultural differences that affect work attitudes? Using these dimensions, describe the United States.*

The dimensions are polarized concepts of the following: (1) individualism/collectivism, (2) high power distance/low power distance, (3) high uncertainty avoidance/low uncertainty avoidance, (4) masculinity/femininity, and (5) long-term orientation/short-term orientation.

The United States is extremely individualistic, tolerant of uncertainty, weak on power distance, masculine, and short term in regard to time orientation.

2. *What are the primary sources of diversity in the U.S. workforce?*

The U.S. workforce is characterized by diversity of all types: culture, gender, age, personality, sexual orientation, religion, ability, and social status.

3. *What are the potential benefits and problems of diversity?*

Diversity management may serve as a vehicle for attracting and retaining human resources, enhancing marketing efforts, promoting creativity and innovation, improving problem solving, and enhancing flexibility. Potential problems of diversity include resistance to change on the part of current employees, group cohesiveness may take longer to develop, and diversity may lead to communication problems, interpersonal conflict, and a slower decision-making process.

## 34 Chapter 2: Challenges for Managers

4. *What is the reality of the glass ceiling? What would it take to change this reality?*

The reality of the glass ceiling is that women are not promoted to top management positions at the same rates as men and often are not paid equitably. Efforts to change this reality should include training managers to be aware of biases and stereotypes, and other proactive stances toward the management of diversity.

5. *What are some of the ethical challenges encountered in organizations?*

Employee theft, environmental issues, issues of comparable worth of employees across job categories, conflicts of interest at work, and sexual harassment are just some of the ethical challenges encountered in organizations.

6. *Describe the difference between distributive and procedural justice.*

Distributive justice addresses the perceived fairness of outcomes, while procedural justice addresses the perceived fairness of procedures used to determine outcomes.

**DISCUSSION AND COMMUNICATION QUESTIONS: SUGGESTED ANSWERS**1. *How can managers be encouraged to develop global thinking? How can managers dispel stereotypes about other cultures?*

All managers can enhance their perspectives by participating in cross-cultural sensitivity workshops offered by organizations. Another way is to volunteer for cross-cultural task forces. Students have opportunities to meet and learn about other cultures on campus by attending the festivals and celebrations that are typically held each academic year for student groups.

2. *Some people have argued that offshoring jobs is un-American and unethical. What do you think?*

Some students will argue that a company's first responsibility is to protect its stockholders. Accordingly, if stockholders' wealth can be increased by offshoring jobs, then doing so supports free enterprise and is therefore both ethical and American. Others will argue that offshoring hurts Americans and the American economy and is therefore both unethical and un-American.

3. *How do some companies accommodate the differing needs of a diverse workforce?*

Workforce diversity is an important issue for organizations. The United States, as a melting pot nation, has always had a mix of individuals in its workforce. Diversity encompasses all forms of differences among individuals, including culture, gender, age, ability, religion, personality, social status, and sexual orientation.

Educational systems within the workplace are needed to supply minority workers the skills necessary for success. Companies such as Motorola are already recognizing and meeting this need by focusing on basic skills training.

Corporations that shatter the glass ceiling have several practices in common. Upper managers clearly demonstrate support for the advancement of women, often with a statement of commitment issued by the CEO. Leaders incorporate practices into their diversity management programs to ensure that women perceive the organization as attractive. Women are represented on standing committees that address strategic business issues of importance to the company. Women are targeted for participation in executive education programs, and systems are in place for identifying women with high potential for advancement.

One company that is succeeding in accommodating the baby busters is Patagonia, a manufacturer of products for outdoor enthusiasts. Although the company does not actively recruit twenty-year-olds, approximately 20 percent of Patagonia's workers are in this age group because they are attracted to its products. Personal leaves of absence are also offered, generally unpaid, for as much as four months per year. This allows employees to take an extended summer break and prevents job burnout. Patagonia has taken into consideration the baby busters' desire for more time for personal concerns and has incorporated that desire into the company.

4. *What effects will the globalization of business have on a company's culture? How can an organization with a strong "made in America" identity compete in the global marketplace?*

Globalization will help in understanding needs of current constituents, as well as future clients. By learning about various cultures, organizational members are able to understand that other companies' missions and objectives are not vastly different from their own, and that they need not surrender their company loyalty to interact and negotiate with others.

5. *Why is diversity such an important issue? Is the workforce more diverse today than in the past?*

The population is much more diverse than it has ever been. Whether the business is service- or product-oriented, the constituents and clients of the company must be understood in order to satisfy their needs. New ideas come from analyzing old problems differently. Diverse workforces assist in seeing traditional problems in a new frame of reference. Today's workforce is definitely more diverse than past workforces.

6. *How does a manager strike a balance between encouraging employees to celebrate their own cultures and forming a single unified culture within the organization?*

This is a difficult balance. Any organization that is referenced for a strong culture can be countered with an example of rigidity in their practices and views. The key seems to be separating the personalities from the missions and objectives of the organization.

## 36 Chapter 2: Challenges for Managers

7. *Do you agree with Hofstede's findings about U.S. culture? Other cultures? On what do you base your agreement or disagreement?*

This answer will vary by work experience and by cultural identity of the students. Often students will perpetuate stereotypes in their answers of other countries, yet rationalize the weaknesses of their own society. It is interesting to ask students from other cultures what their stereotypes were about the U.S. before arriving, and if those perceptions have been reinforced since being here.

One item worth mentioning to students is that Hofstede's study, although monumental, was completed almost 25 years ago. The study is currently being updated with cooperation from participating countries.

8. *Select one of the three challenges (globalization, diversity, ethics) and write a brief position paper arguing for its importance to managers.*

Encourage students to use specific answers in support of their position. This exercise can generate interesting discussion in class as students present potentially different perspectives on why an issue is important to managers.

9. *Find someone whose culture is different from your own. This could be a classmate or an international student at your university. Interview the person about his or her culture, using Hofstede's dimensions. Also ask what you might need to know about doing business in that person's culture, e.g., customs, etiquette. Be prepared to share this information in class.*

This provides an excellent opportunity for students to learn about another culture. During class discussion, have students share anything that surprised them in the information that they gathered. Discuss why they were surprised by this information.

## ETHICAL DILEMMA

Darcy has a number of options open to her, including firing either Ryan or his boss, Natalie, or taking some less drastic measure against them, or taking no action at all.

1. *Using consequential, rule-based, and character theories, evaluate Darcy's options.*

*Consequential* – Firing Ryan will appease Hisa, please Natalie, and is likely to facilitate future business between the two firms. However, reprimanding Ryan and reassigning him may accomplish the same things. Firing or reprimanding Natalie might please Ryan, but is unlikely to appease Hisa or allow for the possibility of future business between the two firms. Doing nothing won't make anyone happy and will almost certainly preclude future business dealings between the two firms. At the same time, firing Ryan may cause considerable problems among other project managers in the firm who could potentially find themselves being sent to a foreign country without adequate cultural training.

*Rule* – Ryan is directly responsible for insulting the Japanese business people, and Natalie is indirectly responsible. If Darcy fires or reprimands Ryan, her action will most readily be seen by Hisa as the right thing to do. Firing or reprimanding Natalie may also be seen as right by Hisa, but the failure to fire/reprimand Ryan will probably be seen as wrong and is likely to outweigh the rightness of actions taken against Natalie. Doing nothing will almost certainly be seen as wrong by Hisa and his staff.

*Character* – If accountability is an important character trait for Darcy, she will probably feel compelled to fire or reprimand Ryan, or possibly Natalie, and not doing so will seem unethical to her.

## 2. *What should Darcy do? Why?*

The best answer might be that Darcy should reprimand Ryan and reassign him back in the United States, and put in place a process to ensure that other project managers are not given foreign assignments without first receiving adequate cultural training. This course of action is likely to please Hisa and perhaps facilitate future business between the two firms. It is also likely to please Natalie, who believes Ryan is solely to blame for the current situation. Ryan will not be pleased, but will be better off than if he had lost his job altogether. This course of action seems to provide the greatest good for the greatest number of people, and is thus the most ethical course of action under the consequential theory.

This same course of action observes the moral rule of accountability by holding Ryan accountable for his lack of sensitivity to cultural differences. In this way, this course of action represents an ethical option under the rule theory.

Finally, holding Ryan accountable by reprimanding and reassigning him shows that Darcy possesses and acts in accordance with a character trait most people find positive. Moreover, putting in place a process to prevent similar situations from occurring in the future shows Darcy's intention to improve the company's way of doing business – another character trait most consider positive. Thus, this course of action represents the most ethical choice for Darcy under the character theory as well.

## EXPERIENTIAL EXERCISES

### 2.1 International Orientations

The exercise immediately following the case is a difficult one. The students are asked to rate a potential expatriate and his spouse with very little information about the couple. The key to this exercise is to assess the reasons why they made the choices they did. Are they justified, given the information provided? What follow-up questions could the student ask to make more confident ratings? There are many behavioral details the students may attend to in order to make their ratings. The details, however, do not provide the full picture about the couple. Here are some points the students may list:

## 38 Chapter 2: Challenges for Managers

*Jonathan:* He has never lived outside his hometown. He speaks a second language (i.e., German). He is familiar with some German ethnic traditions. OSI does not have a location in Germany. Jonathan is active and likes people. He organizes OSI's softball and volleyball teams - both of which are American sports.

*Sue:* She has studied English literature. She is a teacher by profession and a trainer at a city mission. At the mission, she interacts with people who are of a lower socioeconomic status. Given that she volunteers her time, she is probably a person who likes to help others. Her interests include ethnic cooking, which indicates that she likes to try new foods.

**Discussion Questions:**

1. This is an opportunity for the students to write questions that could map the international orientation of the couple. What types of questions are they asking? Some critical information they may include is a realistic preview of what the assignment may entail – allowing the couple to self-select out if they so choose. They could discuss the educational opportunities for the couple's daughter and career opportunities for Sue.
- 2 and 3. Do the students expect that the Australian culture would be an easier transition than would the French or Japanese transfers? The “country difficulty,” that is, the extent to which the foreign country differs from one's own, should be considered in all expatriate cases. The Australian transfer would have less of a language barrier than would the French or Japanese transfers.
4. There are many possible types of training. For example, the couple could listen to lectures, see films, read books, etc., about the host country. Likewise, the couple could take language and culture training, go visit the country for a short stay to “test the waters,” or talk to people who have been on expatriate assignments in the same country.
5. This gives the students an opportunity for some personal reflection on their own international orientations.
6. Dual-career couples will need to find placement for both members or make other arrangements for the spouse (e.g., the spouse could take a sabbatical from work, be transferred to the same country as well, take a break in his or her career). In an age when both men and women have careers, multinational companies must think of more creative ways to satisfy both the expatriate and his or her spouse.
7. In general, younger children have an easier time adapting to living abroad. Older children, especially teenagers, have a more difficult time adjusting. For example, they resent being moved so far from their friends. For this reason, multinational companies should allow the entire family (not just the expatriate) ample opportunity to self-select in or out of the foreign position. This needs to be decided as a family because any member may impact the success of the expatriate when he or she is abroad.

## International Orientation Scale

The International Orientation Scale is an index of behaviors that are related to one's acceptance of, and interest in, other cultures. From the criterion-related validity study conducted, it was found that International Orientation is related to how well individuals adjust to living abroad, and how much they will interact with host nationals. The International Orientation Scale has also been found to be related to tolerance of ambiguity, interpersonal orientation, optimism, personal need for structure, and openness to challenges. The IOS was not related to self-monitoring or time urgency.

There are two major limitations of the scale that should be addressed in class discussion. First, there are no established norms for the scale. For this reason, one cannot say, "he or she falls above or below normal" on the scale. As yet, the scale is only intended to guide one's thinking about international orientation and to generate awareness for self-assessment.

The second major limitation of the scale is that the items were generated with an American population. Likewise the reliability and validity evidence was established on an American population. The behaviors of Dimensions Two, Three, and Four were generated from experiences that Americans may either have or choose to have in their lives. As one can imagine, it would be inappropriate to assess (or even worse, interpret) non-Americans who have had little or no opportunity to have the types of experiences on the IOS.

The items of Dimension One (i.e., International Attitudes) are reverse scored. The rest of the scores can be added and used for personal reflection. As mentioned in the previous paragraph, there are no established norms, such that the scores cannot indicate some specific deficit or talent the student has. The scores can be used as a means to think about one's own international orientation (e.g., one's answers to the self-assessment discussion questions.)

\*Experiential Exercise 2.1 is by Paula M. Caligiuri, Department of Psychology, Pennsylvania State University. Used with permission. In Dorothy Marcic and Sheila Puffer, *Management International*, West Publishing, 1994.

## 2.2 Ethical Dilemmas

This is a simple, beginning overview of ethical issues. As students become more familiar with ethical issues, these could be revisited for elaboration. This exercise serves as an initial icebreaker, beginning orientation for group work, and an introduction to ethical issues. After discussing the questions provided, the five themes of the book could be discussed in terms of ethical issues related to these new challenges. Ask students to provide examples of ethical issues related to: technology, quality, workforce diversity, and globalization. You may want to help begin the conversation with the following issues: security and privacy with technology, promotion of a lesser qualified minority to meet requirements, providing entertainment for potential clients from another country, and altering the information for the Malcolm Baldrige Award.



**ALTERNATIVE EXPERIENTIAL EXERCISE****Nutty Buddy: An Exercise in Individual Differences**

This exercise requires a bag of peanuts-in-the-shell. Students do not need an additional handout to complete this exercise. This exercise may be used as a team-builder or an icebreaker for the beginning of the semester. The time necessary for the exercise and debriefing is about twenty minutes and is ideal for group sizes of 10-25, although it easily accommodates larger groups as well.

- (1) The instructor rummages through a bag of peanuts-in-the-shell, choosing peanuts most similar in shape and size. Peanuts having clearly evident defining characteristics, such as split shell, an attached stem, discoloration, three nuts rather than two, etc., should be discarded. The selection process should yield approximately one-fourth more peanuts than number of participants. The qualifying peanuts are placed in a large bowl that is then passed to each participant, who is asked to choose a peanut and to wait for additional instructions.
- (2) Each person has one minute to get to know his or her peanut. Students cannot mark on their peanut, open it, or alter it in any way. They may sniff it, talk to it, lick it, fondle it, argue with it, confess to it - in short, whatever will aid them in getting to know it better.
- (3) The peanuts are returned to the bowl along with those extra peanuts that had not been selected. The peanuts are then emptied onto a table or in the middle of the floor and participants are instructed to "find your peanut."
- (4) If anyone cannot locate his or her peanut, he or she is invited to check everyone else's peanut and to negotiate ownership. (A short intervention by the instructor on the vagaries of "peanut napping" may be appropriate here.)

**Instructor's Notes**

This exercise is an adaptation from the old Gestalt-learning exercise, "know your lemon," to help participants become more aware of nonverbal cues in perception. This exercise illustrates issues of individual differences and diversity in organizational life, as well as stereotypes and prejudice.

The following excerpt is a typical debriefing/application sequence of questions and discussion items. The purpose is to move students in a logical manner to a clearer, gut-level understanding and appreciation of differences among people and between themselves and others.

- (1) Ask students to analyze their peanuts carefully. How are they able to recognize it? What distinguishes it? How confident are you that this peanut is *your* peanut?

Amazingly, typically 90+% of participants are absolutely confident.

- (2) Next, ask students to compare their peanut with a neighbor's peanut. How are they similar? How are they different? Is one peanut more identifiable than another?

After all, kids have been comparing their peanuts for decades, maybe centuries. This question allows for a short discussion on surface traits versus substantive traits, and observable traits versus implied traits also works well here. Some people possess characteristics that make them more salient as employees, leaders, influencers, etc.

(3) Have students introduce their peanut to the other person and the other person's peanut should be introduced to them. Get to know their peanut, get them to know your peanut.

When Peter tells you about Paul, you often learn more about Peter than you do Paul. Sometimes it is easier for people to talk through another person than to be direct themselves. This characteristic has been used successfully in puppet therapy with children and in psychodrama with adults, in order to help clients more honestly express themselves.

(4) Ask students if anyone wants to trade peanuts, because they like someone else's peanut butter, or better.

(This is known in Freudian psychology as peanuts-envy.) Point out how attached we can get to something that is ours in such a short time. What might that tendency say about us as people? Themes of possessiveness, intolerance, and even attribution work well here.

(5) Ask students to relay what their peanut would say about them if it could talk. (It might say that they are tough nuts to crack, but what else might it say?)

Depending on the previous discussion, the facilitator may or may not want to encourage such self-disclosure.

Part of the debriefing hinges upon comments by the students. In fact, the instructor should be prepared to follow-up virtually any comment or side-comment with discussion. Most participants report that the experience is fun, energizing, light-hearted, and even charming. A brief warning before proceeding with debriefing: this exercise lends itself to words that are highly conducive to short gags and double-entendres. These flights into marginal humor provide part of the fun of this exercise and can be promoted or suppressed according to the composition of the group.

As can be seen from the questions, the discussion can unfold in a variety of directions over a broad range of issues. The richness and learning possible from this exercise often depends on the risk-taking level of the participants and the skill of the instructor. Even so, the exercise is almost goof-proof.

One interesting phenomenon often occurs, especially in extended workshops. Participants often carry their peanut around with them, refer back to it, make jokes including it, and truly personalize it. A few people eat their peanuts, much to the chagrin (and even disgust) of others. For most participants, the peanut becomes a "Linus' blanket."

## 42 Chapter 2: Challenges for Managers

\*Christopher Taylor, *Organizational Behavior Teaching Review*, Vol. 13, (4) 1988-89, 123-124. Used with permission.

### EXTRA EXPERIENTIAL EXERCISES

The following alternative exercises to supplement the material in the textbook can be obtained from:

Marcic, Dorothy, Seltzer, Joseph, & Vaill, Peter. *Organizational Behavior: Experiences and Cases*, 6<sup>th</sup> Ed. South-Western College Publishing Company, 2001.

**Personality Assessment: Jung's Typology.** p. 11-16. Time: 15-20 minutes

Purpose: To determine personality according to Jung's Personality Typology.

**The Owl: Cross-Cultural Sensitivity.** p. 253. Time: 50 minutes or more

Purpose: To experience and understand how cultural values influence behavior and relationships.

**Ethics in International Business.** p. 261-263. Time: 50 minutes.

Purpose: To examine ethical foundations of bribery in an international setting.

### TAKE 2

#### **BIZ FLIX: Lost in Translation**

PPT Slide 28

**Organizations Discussed:** Tokyo Train Station

Jet lag conspires with culture shock to force the meeting of Charlotte (Scarlett Johansson) and Bob Harris (Bill Murray). Neither can sleep after their Tokyo arrival. They meet in their luxury hotel's bar, forging an enduring relationship as they experience Tokyo's wonders, strangeness, and complexity. Based on director Sophia Coppola's Academy Award winning screenplay, this film was shot entirely on location in Japan. It offers extraordinary views of various parts of Japanese culture that are not available to you without a visit.

#### **Cross-Cultural Observations: Visiting Japan**

This sequence is an edited composite taken from different parts of the film. It shows selected aspects of Tokyo and Kyoto, Japan. Charlotte has her first experience with the complex and busy Tokyo train system. She later takes the train to Kyoto, Japan's original capital city for more than ten centuries.

#### **What to Watch for and Ask Yourself**

PPT Slide 27

1. *While watching this sequence, pretend you have arrived in Tokyo and you are experiencing what you are seeing. Do you understand everything you see?*

The complexity of the multilevel Tokyo Train Station overwhelms Charlotte. Notice her confused look as she tries to understand the subway map. She cannot read any signs in Japanese and none of the signs are in English. Your students, except those from Japan, should have an equally bewildering experience while viewing this scene. If your class has students from Japan, you can ask them to comment on the complexity of the station.

2. *Is Charlotte bewildered by her experiences? Is she experiencing some culture shock?*

Charlotte not only has bewildering experiences in the station but also with aspects of Japanese culture. She watches the young bride-to-be and her party walk toward the temple wearing clothing unfamiliar to her. She also experiences Kyoto's exotic beauty.

3. *What aspects of Japanese culture appear in this sequence? What do you see as important values of Japanese culture? Review the earlier section, "Understanding Cultural Differences," to gain some insights about these questions.*

The role of religion in Japanese culture comes through clearly in this scene. Charlotte observes monks praying in a Tokyo temple. When she gets to Kyoto, she again sees religious observance at a temple. She participates in this cultural tradition by buying and placing a prayer sheet on the branch of a bush.

## **WORKPLACE VIDEO: Theo Chocolate**

### **Video Case Synopsis**

As a boy growing up just hours from Hershey, Pennsylvania, Joe Whinney had a love of chocolate. In his teen years, while on a conservation trip, Whinney visited cocoa bean farms in the rainforests of Central America. The experience was life changing.

Motivated by his dual love of chocolate and the environment, Whinney dreamed of building the first organic fair trade chocolate factory in the United States. In 1994, he pioneered the import of organic cocoa beans to the United States, and in 2006, Whinney's company, Theo Chocolate, became the first and only sustainable chocolate maker in the nation.

Unlike leading candy manufacturers that deliver sweets in high volume, Theo produces award winning organic chocolate in small batches. The company boasts a bean-to-bar production method that uses cocoa beans grown without pesticides, and without harm to farmers or the environment. The result is a creamy, delectable milk chocolate bar that is as good for the ecosystem as it is for the palate.

Like other social entrepreneurs, Joe Whinney is a man with a mission. "After my experience in Central America, I saw that social and environmental degradation were really business problems, and I wanted to help save the world by making chocolate." The Philadelphia native adds that his business ethic is informed by the belief that all life on the planet is interconnected. "We need

## 44 Chapter 2: Challenges for Managers

consumers to be healthy and well, our farmers to be healthy and well, and the entire planet to be healthy and well in order for us to be successful and profitable,” Whinney states.

At Theo Chocolate, the terms *organic* and *fair trade* are no mere marketing buzzwords. Organic means that the cocoa beans are grown naturally and harvested in ways that preserve habitats and the balance of the ecosystem; fair trade is an economic business approach that ensures equity between buyers and growers in developing nations, as well as fair treatment of workers.

Leaders at Theo Chocolate are proud of the company’s status as a certified fair trade company. Debra Music, the vice-president of sales and a self-proclaimed chocoholic, claims that Theo is an example of “enlightened capitalism.” According to Music, Theo’s competitive advantage lies in its knack for combining artisan chocolate-making with sustainable business practices. “It’s about doing good while doing well,” Music says.

### Discussion Questions and Solutions

1. *What practices at Theo Chocolate illustrate the concept of social responsibility?*

Corporate social responsibility is the obligation of an organization to behave in ethical ways in the social environment in which it operates. For Theo Chocolate, social responsibility centers on protecting the environment and the farmers who produce cocoa beans. Socially responsible practices at Theo Chocolate include the following: sourcing ingredients that are grown organically without pesticides, ensuring that growers earn a living wage and have access to education for their families, promoting habitat preservation and reforestation in cocoa growing regions, using green energy sources to power the chocolate factory, purchasing sustainable packaging, and educating the public about social and environmental accountability. To implement a philosophy of sustainability, managers at Theo Chocolate weave environmental and social concerns into strategic decisions and measure progress toward sustainability goals.

2. *What does Vice President Debra Music mean when she says that Theo is a “triple bottom line” company? What happens if Theo’s social objectives conflict with the organization’s economic objectives?*

In the video, Debra Music says, “We see ourselves as a triple bottom line company, which means we value people, the planet, and profit in equal measure. None of those things suffer at the expense of something else.” The triple bottom line is a green corporate performance measure that evaluates a company’s success in terms of “people, planet, and profits.” Developed by corporate social responsibility leader John Elkington, the triple bottom line concept differs from the traditional bottom line in that it attempts to judge a company’s success by three measures, instead of by the singular measure of profitability.

Despite the idealism inherent in the triple bottom line, every company’s foundational social responsibility is to be profitable. Without economic sustainability, all other concerns of the company end in bankruptcy. For companies like Theo, the challenge is to find ways to effectively align social and economic objectives. Social entrepreneurs usually attempt to

organize strategic plans in such a way that the pursuit of profit simultaneously achieves the firm's social objectives.

3. *What does fair trade mean to the leaders at Theo, and how does this relate to workers' rights and organizational justice?*

Fair trade is a relationship between producers, sellers, and consumers that is based on the principle of equity. Joe Whinney says that fair trade is important in the chocolate industry because cocoa bean growers have often not received adequate pay; some have even been subject to slave labor. The social benefits of fair trade are far reaching. In particular, fair trade enables farmers to take their livelihoods to the next level by blending the benefits of modern techniques with artisan practices.

Theo Chocolate's dedication to fair trade shows dedication to two aspects of organizational justice: distributive justice, or the fairness of outcomes individuals receive, and procedural justice, or the fairness of the process by which outcomes are allocated. Whinney states: "What we're really doing is trying to give an alternative to practices that have contributed to social, economic, and environmental degradation. The average cocoa farmer earns less than a dollar a day for their entire family, and they have very little options in cocoa growing regions to grow other cash crops—as a result, they are beholden to an industry that is very oppressive. The cocoa price has been so low compared to the cost of their production that in West Africa cocoa farmers have had to resort to slavery."

## **CASE SOLUTION: Netflix: Push and Pushback in Streaming Video**

### **Linkage of Case to Chapter Material**

The case focuses on the efforts of Netflix to become a key player in the emerging video streaming market. Reed Hastings, the Netflix CEO, believes that Internet video streaming will substantially displace online DVD rentals; he forecasts that as soon as mid-2013, "the business that generates most of Netflix's revenue today [mid-2009] will begin to decline, as DVDs delivered by mail steadily lose ground to movies sent straight over the Internet." Consequently, Hastings is "quickly trying to shift Netflix's business—seeking to make more videos available online and cutting deals with electronics makers so consumers can play those movies on television sets."

The Netflix business transformation is occurring within the context of four major managerial challenges. First, Netflix is entering into deals with manufacturers of various video devices to deploy technology that enables user-friendly, ease-of-access to the Netflix streaming service. Second, Netflix faces growing competition from businesses such as Amazon.com and Google, Inc. in the video streaming market as all three companies race to dominate the digital delivery of TV shows and films, thereby encroaching on turf traditionally controlled by cable- and satellite-television providers. Third, Netflix is becoming involved in developing original programming; this threatens the pay TV industry, which is a key source of revenue for major media companies. The major media companies, not particularly happy with this Netflix initiative, are pushing back

## 46 Chapter 2: Challenges for Managers

to various degrees by restricting Netflix's access to their programming. Fourth, studios are increasing the fees they charge Netflix for access to the studios' content. This fee increase is occurring because studio executives believe that Netflix's pricing system is devaluing the studios' content; at least one studio executive characterizes Netflix as "cannibalistic."

The four specific managerial challenges faced by Netflix can be related to the three generic managerial challenges—globalization, managing diversity, and ethics—that are discussed in Chapter 2. *Globalizing the firm's operations to compete in the global village* challenges managers to deal with an evolving and changing global marketplace and to deal with the cultural differences and sensitivities that are inherent in the global marketplace. *Leading a diverse workforce* challenges managers to deal with the issues associated with all forms of individual differences including gender, age, sexual orientation, social status, religion, ability, personality, and culture. *Encouraging ethics, character, and personal integrity* should be involved in all managerial decisions and actions, thereby challenging people to do what is fair, right, and just in dealing with the organization's various stakeholders.

**Suggested Answers for Discussion Questions**

1. *Briefly describe each of the four major challenges that Netflix faces. Which of these four challenges will be the most difficult to address? Why? Which challenge will be the easiest to address? Why?*

The four major challenges facing Netflix are:

- Netflix is entering into deals with manufacturers of various video devices to deploy technology that enables user-friendly, ease-of-access to the Netflix streaming service.
- Netflix faces growing competition from businesses such as Amazon.com and Google, Inc. in the video streaming market as all three companies race to dominate the digital delivery of TV shows and films, thereby encroaching on turf traditionally controlled by cable- and satellite-television providers.
- Netflix is becoming involved in developing original programming; this threatens the pay TV industry, which is key source of revenue for major media companies. The major media companies, not particularly happy with this Netflix initiative, are pushing back to various degrees by restricting Netflix's access to their programming.
- Studios are increasing the fees they charge Netflix for access to the studios' content. This fee increase is occurring because studio executives believe that Netflix's pricing system is devaluing the studios' content; at least one studio executive characterizes Netflix as "cannibalistic."

Paying the increased fees is a challenge that should not be extraordinarily difficult to address. The higher fees could necessitate an increase in Netflix's own price structure, which, in turn, could have an effect on demand for its distribution services. Deploying technology that enables user-friendly, ease-of-access to the Netflix streaming service is another challenge that should be relatively easy to address. Netflix has already negotiated some deals with manufacturers to deploy this technology. Netflix should be able to readily continue in this direction. The other two challenges would be much more difficult to address. However, dealing with the growing competition in the video streaming market would not be as difficult as developing original programming. Netflix would need to invest considerable resources to maintain a dominant position in the video streaming market, but video streaming is already an area of Netflix

expertise. Netflix's development of original programming requires a major investment and is a major effort in a quite different direction from distributing video either through DVD rental or online streaming.

2. *How do each of the four major challenges faced by Netflix relate to the generic managerial challenges of dealing with globalization, diversity, and ethics?*

The three generic managerial challenges are globalization, managing diversity, and ethics. *Globalizing the firm's operations to compete in the global village* challenges managers to deal with an evolving and changing global marketplace and to deal with the cultural differences and sensitivities that are inherent in the global marketplace. *Leading a diverse workforce* challenges managers to deal with the issues associated with all forms of individual differences including gender, age, sexual orientation, social status, religion, ability, personality, and culture. *Encouraging ethics, character, and personal integrity* should be involved in all managerial decisions and actions, thereby challenging people to do what is fair, right, and just in dealing with the organization's various stakeholders.

Globalization, managing diversity, and ethics are linked to all of the challenges that confront Netflix; some links are more obvious than others. Technology deployment is occurring with manufacturers around the world. The growing competition in the video streaming market is going global as well; and the development of original programming in competition with major media companies transcends the borders of the United States. The fee increases to Netflix are not just for content produced in America, but for all of the studios' content—no matter where it is produced. Diversity is, by definition, inherent in any workforce and is therefore relevant to any challenge that Netflix faces. Moreover, with Netflix's global connections, the need to recognize and respond effectively to diversity issues is ever present. Finally, every managerial challenge has ethical implications and every response to every managerial challenge should be infused with ethics, character, and personal integrity.

3. *Explain how Netflix already has or might be able to convert the four major challenges into meaningful opportunities for the company.*

Netflix is addressing the technology deployment challenge head-on. "Among the large and expanding base of devices streaming from Netflix are Microsoft's Xbox 360, Nintendo's Wii and Sony's PS3 consoles; an array of Blu-ray disc players, Internet-connected TVs, home theater systems, digital video recorders and Internet video players; Apple's iPhone, iPad and iPod touch, as well as Apple TV and Google TV." Netflix needs to continue in this direction.

To meet the competition, Netflix must develop ways of attracting and retaining subscribers. Netflix needs to develop its brand as the preferred video streaming alternative. As a side note, Netflix's ill-fated decision in mid-2011 to alter its subscription pricing structure is not the way to develop a market advantage over the competition.

Perhaps Netflix should cease its pursuit of original programming. This would enable the company to concentrate on its core business of distributing digital media rather than stretching



## 48 Chapter 2: Challenges for Managers

itself thin by getting into a different, though related, business. In addition, such an action could help in repairing relationships with the major studios and perhaps help in resolving the fees issue.

4. *What advice would you give to Reed Hastings regarding handling the pushback from competitors and other affected businesses?*

Perhaps the best advice reflects the suggestion made in the last paragraph of the suggested response to the preceding question. In short, Netflix needs to focus on its core competency, which is the distribution of digital media, and not get distracted into pursuing other related businesses. Netflix also needs to work vigorously to repair damaged relationships with content suppliers.

The students should be encouraged to be creative as well as practical in providing suggestion as to what course of action Netflix could or should pursue. Of course, the students should be pushed to think through and logically justify their suggested course(s) of action.

SOURCE: This case solution was written by Michael K. McCuddy, The Louis S. and Mary L. Morgal Chair of Christian Business Ethics and Professor of Management, College of Business, Valparaiso University.

**COHESION CASE: DonorsChoose.org: An Online Charity Helps Public Education in America (A)**

1. *What lessons about leading people and managing organizations are provided by DonorsChoose.org and its founder and CEO, Charles Best?*

Charles Best was very astute in identifying an important challenge that was not being addressed effectively by existing organizations or methods. According to Best, “[t]eachers spend an insane amount of their own money on supplies, but mostly we just saw our students going without the resources that they needed to learn.” Best sensed that this was a challenge that many people could identify with and would have an interest in helping to solve. He devised an innovative way in which this challenge could be addressed by bringing together the people who wanted to help provide resources with the public educators who needed the resources. “In a move that redefines traditional philanthropy, DonorsChoose uses the Internet to connect teachers directly to donors. Teachers who once spent their own money for supplies, or simply went without, can now turn to donor support to roll out creative lesson plans. Meanwhile, rather than writing checks blindly, donors of any scale can decide which projects they wish to support.”

Identifying a challenge, formulating a vision, and getting people to vigorously support that vision are valuable lessons that others can learn from Charles Best. Further, Best’s approach is instructive with regard to a person being willing to take a considerable risk to pursue a dream of making a difference in society. Moreover, Best is a model of enthusiasm for and commitment to achieving significant goals.

2. *What do you like about DonorsChoose.org? What do you dislike about DonorsChoose.org? Explain your answer.*

This question provides students with the opportunity to explore their attitudes and beliefs about involvement with a not-for-profit organization that managerially operates much like a for-profit organization with respect to functions such as planning, organizing, and controlling. The students should be encouraged to consider the value of working for a not-for-profit organization, and what the personal advantages and disadvantages would be of doing so. The reasons underlying their expressed attitudes and beliefs should be discussed as well.

3. *What challenges did DonorsChoose face as a start-up organization?*

**As a social studies teacher** at Wings Academy, a public charter high school in the Bronx, New York City, Charles Best became aware that “[t]eachers spend an insane amount of their own money on supplies, but mostly we just saw our students going without the resources that they needed to learn.” Best says he “figured that there were people...who wanted to improve public schools but were skeptical about writing a check for \$100 and not seeing where their money was going.” But how to connect the people who might want to make financial contributions with the teachers who could use those resources? Therein resides the most fundamental challenge confronting Charles Best. He had to devise a system that effectively and efficiently connected donors and teachers in need. Charles Best also faced the challenge of persuading teachers to submit requests to the DonorsChoose Web site. Additionally, he faced the challenge of generating sufficient financial resources to get his “brainstorm” operational to the point that it could attract donors—and to that end he drew on his own funds.

4. *What challenges does DonorsChoose face in today’s environment?*

DonorsChoose is committed to an ambitious mission and vision. Its mission: “DonorsChoose.org engages the public in public schools by giving people a simple, accountable and personal way to address educational inequity.” Its vision: “We envision a nation where children in every community have the tools and experiences needed for an excellent education.”

The vigorous pursuit of this vision and mission invokes the challenges that DonorsChoose currently faces. A fundamental challenge is the growing need for financial support of public education in American in light of the funding reductions that have occurred in many states due to the Great Recession, declining state revenues, and multiple pressures on limited governmental resources. Another current challenge concerns maintaining and enhancing the quality of public education when there are numerous signs that quality is being compromised in many public school systems throughout the nation. A third current challenge is the need to grow the donor base in order to accommodate the growing needs for funding projects.

5. *How do the challenges that you discussed in questions 3 and 4 relate to the management challenges – globalization; leading a diverse workforce; and ethics, character, and personal integrity—that are discussed in the text?*

Globalization is related to the specific challenges that DonorsChoose has faced in the past and is

## 50 Chapter 2: Challenges for Managers

currently facing in that public education in America is falling behind other nations in preparing its youth to function well in an increasing complex and competitive world. Because of these global pressures America must improve the quality of the education—particularly in science and mathematics—provided to its youth. DonorsChoose can help teachers to address this performance gap.

Leading a diverse workforce is related to all of the past and current challenges facing DonorsChoose. DonorsChoose has a diverse workforce to manage. Plus it encounters diversity among the teachers submitting project requests and among the donors contributing money to fund projects, not to mention the diversity that exists among the American students who it is trying to benefit.

Ethics, character, and personal integrity is infused throughout the DonorsChoose organization. This is evident in the process by which DonorsChoose operates, the role model that Charles Best is, and the behavioral expectations for DonorsChoose staffers.

6. *DonorsChoose describes its mission as follows: “DonorsChoose.org engages the public in public schools by giving people a simple, accountable and personal way to address educational inequity.” Its vision is articulated as follows: “We envision a nation where children in every community have the tools and experiences needed for an excellent education.” How does this mission and vision guide DonorsChoose in addressing the challenges that you discussed in the preceding three questions?*

The vision and mission of DonorsChoose guides all that it does in responding to its challenges and in conducting its ongoing operations. The DonorsChoose mission is supported by a strategy of “harness[ing] the Internet to connect teachers with donors.” Charles Best’s long-term hope is that people who become involved with DonorsChoose will realize the magnitude of public school underfunding, and as a result “will become grass-roots advocates for steering more resources to schools.”

The day-to-day operations of DonorsChoose also indicate how it is responding to the aforementioned challenges. Specifically, the operating paradigm is as follows:

- “[P]ublic school teachers from every corner of America post classroom project requests on DonorsChoose.org. Requests range from pencils for a poetry writing unit, to violins for a school recital, to microscope slides for a biology class.”
- “Then, you can browse project requests and give any amount to the one that inspires you. Once a project reaches its funding goal, we deliver the materials to the school.”
- “You’ll get photos of your project taking place, a thank-you letter from the teacher, and a cost report showing how each dollar was spent. If you give over \$100, you’ll also receive hand-written thank-you letters from the students.”
- “At DonorsChoose.org, you can give as little as \$1 and get the same level of choice, transparency, and feedback that is traditionally reserved for someone who gives millions. **We call it citizen philanthropy.**”

7. *What particular aspects of DonorsChoose.org would other organizations—either nonprofit or for-profit organizations—do well to emulate? Explain your answer.*

Possible aspects to emulate would include clearly understanding the challenges the organization faces, being adept at finding ways of addressing those challenges, establishing a clear vision and mission, and working vigorously to fulfill that vision and mission. The students should be encouraged to identify other possible aspects for emulation.

**SOURCE:** This case solution was written by Michael K. McCuddy, The Louis S. and Mary L. Morgal Chair of Christian Business Ethics and Professor of Management, College of Business, Valparaiso University.