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ЭКОНОМИЧЕСКИЙ ФАКУЛЬТЕТ

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The Core of Management. Marketing — Management

Part 1

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Text 1

1. Pre-reading exercise

Skim through Text 1 and identify which paragraph deal with the following subjects:

a) Management is still partially an art;
b) Management is really an art;
c) The emphasis of twentieth-century management thought;
d) Managers deal not just with individuals but with groups;
e) Management is becoming a science;
f) Management could become a true science;
g) The incredibly complicated world of the organization.

Management: A Science or an Art?

1. The emphasis of twentieth-century management thought has been on making management a science. At every step toward this goal there has been a continuing debate over whether this is, in fact, possible.
2. Management scholar Luther Gulick states that management is becoming a science because it has systematically studied phenomena that have been organized into various theories and it "seeks to systematically understand why and how men work together systematically to accomplish objectives and to make these cooperative systems more useful to mankind."
3. On the other hand many experts contend that management is really an art, something that can only be learned by experience and performed well by those with a talent for it. Some practicing managers, including a number who are very successful, feel that scientific theories of management belong to the ivory towers of academia, not the real, everyday world of organizations.
4. The basis of science is the ability to measure objectively the phenomena being studied. The difficulty of doing this has haunted management, since it first became a discipline. Some aspects of organizations can be quantified, measured, and analyzed precisely. For example, it is not too difficult to determine the most efficient procedure for performing a mechanical task. The scientific management writers analyzed mechanical tasks with great success; this led some to believe management could become a true science.
5. The optimism was short-lived. Practicing managers discovered that while you could design a job for maximum efficiency, you could not always get somebody to performin that way. People, it was discovered, are not as simple as machines. One cannot stick a meter in a person's mind to objectively measure his or her response to a proposed method of work. Moreover. managers deal not just with individuals but with group. There are so many possible social factors operating in a large group that it is difficult even to identify them, let alone to measure precisely their strength and importance.
6. The same is true of the myriad factor in the external environment that affect an organization and compound potential interactions to the point where it is often impossible to identify clear-cut relationships. Therefore, in our opinion, management is still at least partially an art. Management should learn from experience and accordingly modify practices suggested by theory. I this does not mean, however, that management theory is useless. Rather, the manager must recognize the limitations of theory and research and use them appropriately.
7. Management theories and research findings should not be considered as absolute truths but as tools to help us understand the incredibly complicated world of the organization. Used correctly, theories and research help the manager predict what probably will happen, thereby helping the manager make decisions more effectively and avoid needless errors.

(from *Luther Gulick "Management is a Science, " Academy of Management Journal*)

2. **Scanning exercise**

Scan the text to find information on three aspects:

a) The scientific management writers' point of view;
b) Management theories and research findings;
c) The discovery of the practicing managers.

3. **Vocabulary Study exercise**

Glossary

the emphasis of management thought
to make management a science
a continuing debate
to study phenomena systematically
to accomplish objectives
to make cooperative systems more useful to mankind
to learn by experience
to perform with a talent for it
practicing managers
scientific theories of management
ivory towers of academia
the ability to measure objectively
to become a discipline
to perform a mechanical task
to analyze mechanical tasks
to become a true science
to be simple as machines
to deal with individuals
social factors
myriad factors
external environment
to affect an organization
compound potential interactions
to identify clear-cut relationship
to be partially an art
to learn from experience
to modify practices suggested by theory
management theories and research findings
to recognize the limitations of theory and research
to consider as absolute truths
to understand the incredibly complicated world of the organization
to make decisions more effectively
to avoid needless errors

a) give the Russian equivalents for the following collocations:

short-lived optimism; to stick a meter in a person's mind; to measure someone's response; a proposed method of work; the basis of science; useless management theory; to work together systematically; to measure objectively the phenomena being studied; to modify practices suggested by theory; to make cooperative systems more useful to mankind.

b) find in Text 1 English equivalents for the following:

возможность объективно измерить изучаемые явления; сложное взаимодействие среды и организации; избегать ненужных ошибок; являться искусством хотя бы частично; систематически изучать явления, сгруппированные в различные теории; сделать системы сотрудничества более полезными для человечества; учиться на опыте; модифицировать последующую практику с учетом выводов теории; точно и неуклонно выполнять всё предписанное; рассматривать не как абсолютную истину, а как инструменты, помогающие; рационально спроектировать работу для наиболее эффективного её выполнения; оформиться в самостоятельную дисциплину; описать количественно; измерить и точно проанализировать некоторые аспекты организации; признать ограниченность теории и научных исследований.

4. Discussing exercise

a) Answer the question posed in the title of Text 1 and give your reasoning. Provide the examples to substantiate it.
b) Agree or disagree with the statement: "Management should learn from experience and accordingly modify practices suggested by theory".
c) Make a list of advantages and disadvantages of management being a science.

5. Summarizing exercise

a) Summarize the main points of Text 1.
b) Write the plan of the Text 1 in the form of statements.
c) Develop your plan into a summary.

6. Précis Writing exercise

a) Underline the key words and topic sentence in each paragraph of Text 1.
b) Analyze how each paragraph is connected with the previous one.
c) Find the least important sentences and eliminate them.
d) Write a precis of Text I, using the author's style, his point of view, and delete the unnecessary detailed explanation.

Text 2

1. Pre-reading exercise.

Skim through Text 2 and identify how many logical parts there are in it. Enumerate them. Formulate the topic of each logical part.

Managing for Success

The desire to be successful is one most people share. But to decide whether success has been achieved or what we must do to create success, we must first define what success is. If asked which organizations are successful, most people would mention the familiar business giants. But if we think about our definition, we see that size and profitability are not always criteria for an organization's success. An organization exists for a purpose: to attain its objectives. If becoming enormous is not one of its objectives, a small business might, in its own way, be considered as successful as a giant. For example, the McDonald brothers sold the rights to their name and system to Ray Kroclargely because they did not want to make the personal sacrifice required for large-scale expansion. Having gotten what they wanted in life along with a few million dollars, the McDonalds can hardly be considered failures, even though the current McDonald's Corporation sales are several thousand times greater. Therefore, an organization is successful if it accomplishes its objectives.

Survival. Some organizations deliberately plan to disband after accomplishing a specified set of objectives. An example of this is a government commission created for a specialized task, such as the Warren Commission, which investigated President Kennedy's, assassination. But though often unwritten, surviving as long as possible is a primary objective of most organizations. That may be long indeed because organizations have the potential to exist indefinitely. The current record is held by the Roman Catholic Church, which has operated continuously for nearly 2000 years. Several governmental organizations in history survived hundreds of years. Some businesses, such us the great French wineries, still strong balance over a century. However, to remain strong and survive, most organizations periodically must select new objectives consistent with the changing needs of the outside world. The English monarchy for example, survived as an institution because it eventually accepted a drastic reduction in power in response to social pressure for democracy. Almost all businesses periodically offer new products or services to their customers.

Effectiveness and Efficiency. For an organization to succeed in the long term—to survive and accomplish its objectives—it must be both effective and efficient. According to popular management writer Peter Drucker, effectiveness results from "doing the right things." Efficiency results from "doing things right." Both are equally important.

All the successes described in our opening situations "did the right thing" by choosing an objective that filled some important need in the world. With Federal Express this was fast, reliable package delivery. Apple provided inexpensive, "friendly" computers. These organizations also "did things right." Federal Express management figured out how to deliver efficiently. McDonalds found ways of making hamburgers that minimize cost and still maintain consistency inequality. RCA, in contrast, did the right thing by deciding to build computers because the demand for them clearly was increasing. However, primarily due to the failure to attract high-quality people and to find the correct market niche, RCA was not efficient enough to compete against IBM.

Productivity. Effectiveness, in the sense of "doing the right thing." is sometimes intangible and difficult to determine, especially if the organization is inefficient. Efficiency, on the other hand. usually can be measured and expressed quantitatively because a monetary value can be assigned to both inputs and outputs. The relative efficiency of an organization is referred to as productivity. Expressed quantitatively, productivity is units of output divided by units of input.

The more efficient an organization, the higher its productivity. A restaurant that produces a hamburger selling for $l at a cost of 60 cents has higher productivity than one producing the same-quality $1 burger for 80 cents. Similarly, a hospital with a cost-per-bed of $100 per night is more productive than one providing the same level of care at a cost-per-bed of $125. A marketing department that increases sales and profits without spending more has improved productivity. So has an assembly team that increased its hourly output of products without defects. If the output is of poorer quality or there is a high level of defects, productivity is correspondingly lower. Quality is a key element of productivity.

Productivity at all levels of the organization is critical to an organization's survival and success in a competitive environment. Potential customers with freedom of choice will naturally prefer the output of more productive organizations simply because it is a better value. Higher sales give the more productive organization more money to invest in resources such as better plants and technology, which may further increase its productive advantage. If the gap becomes large, the less productive organization will eventually fail. This is exactly what happened to low-priced hamburger chains like Wetson's that were unable to match the extremely high productivity level of McDonald's and Burger King.

Until relatively recently American industrial and governmental productivity was the highest in the world. Because of high industrial productivity, the United States exported far more than it imported. Governmental productivity made inflation low, and Americans got more services for fewer tax dollars than people in most other countries. Now nations such as Japan have increased industrial productivity to the point of gaining a major share of the U.S. market for cars and electronics despite high protective import taxes. And for the first time in history Americans have begun to rebel against increased taxes because they feel that due to governmental inefficiency they are getting too much. Declining productivity, despite enormous advances in technology, has become a major problem in America and Europe.

The seriousness of this productivity decline is magnified by the increasingly global nature of competition. Each year advances in technology make the world a smaller place, and political factors make it increasingly harder to shelter local business from foreign competitors. When General Motors loses a customer to Chrysler, the American people as a whole do not suffer. When the customer buys a Datsun or Toyota, jobs and tax revenues decline. It is not an exaggeration to say that the very survival of American industry, and therefore the nation, depends on making the productivity of our private and public organizations higher.

Managers decide what the organization's productivity objectives will be. Managers decide what the organization's methods of producing output will be. Managers decide on the incentives the organization will use to motivate workers to improve their productivity. By statements of policy and personal example, managers set tone of the organization determine whether it will be quality and customer-oriented to sloppy and indifferent.

Implementation. Perhaps the most crucial point to keep in mind about managing for success is one a student and scholar of management often forgets. Management decisions, however well grounded in theory and research, are only ideas, but the purpose of managing is getting work done through other people. A successful decision is one that is actually implemented— converted into action - effectively and efficiently. There are many potential pitfalls between making decision and implementing. One measure of success is peer regard for a company.

(from "*Management"* by *M.H. Mescon, M. Albert. F. Khedouri*)

2. Scanning exercise

Scan Text 2 to find the following:

a) Common elements of organizational success;
b) The definition of productivity;
c) The difference between effectiveness and efficiency;
d) A key element of productivity;
e) The example explaining the notion of efficiency and productivity.

3. Vocabulary Study exercise

Glossary

to create success
to be criteria for an organization's success
to attain the objectives
to make the personal sacrifice
a specified set of objectives

survival
effectiveness
efficiency
productivity
units of output
units of input
to represent in management positions
primary objective of most organizations
the relative efficiency of an organization
competitive environment
declining productivity
global nature of competition
statements of policy and personal example
implementation
to convert into action
peer regard for a company

a) *the following words are used in Text 2 to describe elements of organizational success*

- survival
- effectiveness
- efficiency
- productivity
- implementation

Provide the explanation of each term in your own words. Then consult a dictionary to find a definition of these terms. Supply the necessary examples.

b) *study the following collocations and give the Russian equivalents for them:*

to mention the familiar business giants; with the changing needs of the outside world; by reaching out to qualified members of groups; to succeed in the long-term; to be both effective and efficient; to motivate workers to improve their productivity; tax revenue; to be grounded in theory and research; to be well-represented in management positions; to be measured and expressed quantitatively; to rush into the future; to use any available talent; to shelter local business from foreign competitors: to be quality and customer oriented.

c) *find in the Text 2 equivalents for the following:*

приносить личные жертвы, сопутствующие расширению предприятия; достигать целей; ориентация на самых квалифицированных членов группы; невысокая себестоимость; постоянно высокое качество; найти свою нишу на рынке; денежная оценка входов и выходов организации; относительная эффективность организации; ключевая составляющая производительности; защита интересов местного бизнеса от внешней конкуренции; задавать тон в организации на личном примере; быть обоснованной с точки зрения теории; результативность и эффективность.

d) *fill in the terms from the left-hand column into the corresponding definition or phrase on the right.*

1. efficiency	a) Size and ___________are not always criteria for an organization's success.
2. survival	b) An___________is successful if it accomplishes its objectives.
3. competitive environment	c) ___________results from "doing things right".
4. success	d) ___________results from "doing the right things".
5. quality	e) ___________as long as possible is a primary objective of most organizations.
6. effectiveness	f) ___________is units of output divided by units of input.
7. profitability	g) ___________is a key element of productivity.
8. implementation	h) Productivity at all levels of the organization is critical to an organization's survival and success in a___________.
9. productivity	i) One measure ___________is peer regard for a company.
10. organization	j) A successful decision is ___________that is effectively and efficiently converted into action.

4. Discussing exercise

a) To succeed - to attain its objectives - an organization must survive by being effective and efficient. Provide some examples of specific organizations, showing how they are both effective and efficient.
h) The Text2 states that productivity, the relative efficiency of an organization, is quantitatively defined as units of output divided by units of input. What is a key element of productivity? Explain your point of view.
i) Can you agree with the view-point that an effective manager, taking different situational variables into account, realizes that there is no "right" way? Is there any optimal choice which is most appropriate to the situation at hand? Express your opinion.

5. Summarizing exercise

a) Sum up the main points presented in Text 2. Write the plan of the text in the form of statements.
b) Develop your plan into a summary.
c) Look through your summary. Find the least important sentences and eliminate them. The remaining sentences should present the most important ideas of the text. Produce a well-written, clear, and concise summary.

6. Abstract Writing exercise

Write an abstract of Text 2 paying attention to the major points under discussing. Keep the abstract short (a 200-word limit). Focus on the basic aspects under analysis.

Text 3

1. **Pre-reading exercise**

Skim through Text 3 which is divided into several logical parts. Define the topic of each logical part.

Managers : what they are and what they do

All organizations have several characteristics in common, including the need for management. Not surprisingly, managerial work also has many common characteristics. A manager is a manager. Though their organizations and responsibilities are different, the work of the president of the United States has much in common with that of an assembly line supervisor at Honda's plant in Ohio. The aspects of managerial work shared by all managers in all organizations are far less obvious than the differences.

The Nature of Managerial Work. A good example of a hard-to-perceive commonality is the nature of managerial work: what the work of managing is like on a day-to-day basis. Most people, practicing managers included, assume that the work routine of a plant supervisor is not very different from that of the operations supervised. This seems reasonable since the supervisor and operatives interact continually and earn about the same amount of money. But research studies show that managerial work is radically different in nature from nonmanagerial work. In fact, the work of a plant supervisor has much more in common with that of a company president than it does with the work of the people supervised. Commenting on this, Mintzberg, who synthesized previous research and in-depth, original studies of five chief executives in his book *The Nature of Managerial Work*, states:

“Most work in society involves specialization and concentration. Machine operators may learn to make one part, and then spend weeks doing so; engineers and programmers often spend months designing a single bridge or a computer program; salesmen often spend their working lives selling one line of products. The manager can expect no such concentration of efforts. Rather, his activities are characterized by brevity, variety, and fragmentation. Guest. whose foremen averaged 583 incidents each day comments; "interestingly enough, the characteristics of a foreman's job— interruption, variety, discontinuity—are diametrically opposed to those of most hourly operator jobs, which are highly rationalized, repetitive, uninterrupted, and subject to the steady, unvarying rhythm of the moving conveyor”.

Roles of the Manager. Tackling the question of what managers do, Mintezberg describes another area of commonality in managerial work, the *roles of the manager*. A *role*, as he defines it, "is an organized set of behaviors belonging to an identifiable office or position." Just as characters in a play have specific parts that call for them to behave in certain ways, managers have an identifiable position as designated head of an organizational subunit that specifies their work behavior. "Individual personality may affect *how* a role is performed, but not *that* it is performed. Thus, actors, managers, and others play roles that are predetermined, although individuals may interpret them in different ways."

Through his studies Mintzberg identified 10 roles that he believes all managers play at various times to varying degrees. He classified them within three broad categories: *interpersonal roles, informational roles, and decisional roles.*

As Mintzberg points out, these roles are not independent of one another. Instead, they are *interdependent* and interact to form an integrated whole. The interpersonal roles arise out of the manager's authority and status in the organization and involve interactions with people These interpersonal rotes may make the manager a focal point of information, enabling and compelling the manager to play the informational roles and act as an information-processing center. By playing interpersonal and informational roles, the manager is able to play the decisional roles: allocating resources, resolving conflict, seeking out opportunity for the organization, and negotiating on behalf of the organization. Taken together, the 10 roles comprise and define the work of the manager, whatever the organization.

For example, a department manager at a Sears store interacts with sales-people every day. The workers come to their supervisor for specific instructions about customer problems, with work problems, and often simply to socialize. The supervisor receives a great deal of information on how the department is running. Much of this information, such as a customer's comments about merchandise, could not be obtained from formal sources, such as sales reports. This information helps the supervisor make sound decision to resolve existing or potential problems. When the department manager sees the store manager, he or she will pass on particular important parts of this information. This provides a basis for managerial decisions on upper levels.

Managerial Functions: Management Defined. Mintzberg's well-received analysis of managerial work is a useful explanation of what managers do. However, not all writers agree with Mintzberg's definitions and categories. There is, in fact, no description of the manager's job, roles, and functions that is. universally accepted. Even in the seemingly simple matter of defining what management is, there are no answers in management.

However, it is widely accepted that there is a *process* of management, applicable to *any* organization, consisting of functions that *every* manager should perform. The current trend in management literature is to define management in terms of these functions.

There is no uniform agreement on exactly what these functions are, but much of the disagreement is semantic. The following definition is acceptable in principle to most management experts:

Management is the process of planning, organizing, motivating and controlling in orderto formulate and attain organizational objectives.

Peter F. Drucker, whom many consider to be the world's leading thinker on management and organization, offer another definition. "*Management* is the specific practice that converts a crowd into an effective, purposeful, and productive group.As such, management is both an agent for social change and an example of a major social innovation.

Finally, it is management that in large measure accounts for this century's most extraordinary social phenomenon: the education explosion. The more highly schooled people are, the more depended they then became on organizations."

Although all managers perform certain, general roles and functions, the many managers of a large organization obviously do not all do the same work. Organizations large enough to make a clear distinction between managers and nonmanagers usually have so much managerial work that it, too, must be divided. One form of dividing managerial labor is horizontal—placing a specific manager charge of each major subunit. For example, many businesses designate department heads of Finance, Production, and Marketing. Like the horizontally divided work at the task level, this managerial work must be coordinated for the organization to succeed. Some managers must spend time co-ordinating the work of other managers, who in turn co-ordinate the work of yet more managers, until one reaches the manager who co-ordinates the task of nonmanagers who actually produce goods or provide services. This extension of vertical division of labor results in *levels of management*.

There are many examples of highly successful organizations with far fewer levels, than some much smaller ones. The Roman Catholic Church, an organization with millions of members, has only four levels between the pope and the parish priest. Both Sears and Mitsukoshi, the world's largest retail firms, also are famous for having just a few levels of management. In contrast, another successful organization—the U.S. Army—has about 7 distinct levels and as many as 20 ranks between general and private in a battalion of 1000 people.

No matter how many actual levels there are, managers are traditionally classified within three categories. Talcott Parsons, a sociologist, described these levels in terms of functions they fulfill for the organization. According to Parsons, people at the *technical level* are primarily concerned with day-to-day operations and activities required for efficient, smoothly flowing production or services. Those at the *managerial level* are primarily concerned with internal administration and coordination of diverse organizational activities and subunits. Managers at the *institutional level* concern themselves primarily with making long-range plans, formulating objectives, adapting the organization to change, and monitoring the relationship between the organization and the community and society in which it operates.

A more common way of describing the levels of management is to call them *supervisory* or *operating management*, *middle management*, and *top management*.

(from "*Management*" by *M.H. Mescon, M. Albert, F. Khedouri*)

2. Scanning exercise

Scan the text to find the following information:

a) Roles of the manager defined by Mintzberg;
b) Levels of management;
c) Peter F. Drucker's definition of management;
d) The nature of managerial work.

3. Vocabulary Study exercise

Glossary

to have several characteristics in common
need for management
assembly line supervisor
hard-to-perceive commonality
nature of managerial work
interact continually
organized set of behaviors
designated head of an organizational subunit
individual affect
interpersonal roles
informational roles
decisional roles
to be interdependent
manager's authority and status in the organization
to involve interactions with people
focal point of information
to act as an information-processing center
on behalf of the organization
to socialize

basis for managerial decisions
current trend in management literature
to define management in terms of
functions
to attain organizational objectives
to be an agent for social change
major social innovation
educational explosion
general roles and functions
to make a clear distinction between managers and nonmanagers
horizontally divided work
task level
vertical division of labor
levels of management
technical level
internal administration and coordination
institutional level
long-range plans
operating management, middle management and top management

a) *find in the text English equivalents for the following:*

отличаться от неуправленческой работы; в повседневной практике; постоянное взаимодействие; получать вознаграждение за работу; кратковременность, разнообразие и фрагментарность; набор определенных поведенческих правил; влиять на характер исполнения роли; взаимодействовать для создания единого целого; обеспечивать основу для управленческих решений; формировать непрерывную цепь взаимосвязанных действий; процесс управления, применимый к любой организации; являться стимулирующим элементом социальных изменений; взрыв образования; быть примером значительных социальных перемен; играть определенные роли и выполнять определенные функции; расстановка конкретных руководителей во главе отдельных подразделений; определить, сколько уровней управления должна иметь компания; достижение оптимальных результатов; быть занятым управлением и координацией внутри организации; адаптация организации к различного рода переменам; управлять отношениями между организацией и внешней средой.

b) *Give the Russian equivalents for the following phrases:*

to be radically different in nature from non-managerial work; concentration of efforts; a day-today basis; to describe another area of commonality in managerial work; an organized set of behaviors; to play at various times to varying degrees; to form integrated whole; to make sound decisions; to resolve existing or potential problems; to provide a basis for managerial decisions; to be universally accepted; a process; a process of management applicable to any organization; the current trend in management literature; series of interrelated activities; to perform certain general roles and functions; to place a specific manager in charge of; to make long-range plans between the organization and the community and society; to tackle the question of what managers do; to negotiate on behalf of the organization; the current trend on management literature; horizontally divided work.

c) *match the following notions with the correct definition or phrase:*

1. education explosion	a. ___________is both an agent for social change and an example of a major social innovation.
2. management	b. Managers at___________concern themselves primarily with making long-large plans, formulating objectives, adapting the organizations to change.
3. negotiator	c. ___________is symbolic head, obliged to perform a number of routine duties of a legal or social nature.
4. technical level	d. It is management that in large measure accounts for this century's most extraordinary social phenomenon___________
5. monitor	e. ___________transits information to on organization's plans,outsiders policies, actions, results; serves as expert on organization's industry.
6. entrepreneur	f. ___________seeks and receives wide variety of special information (much of it current) to develop thorough understanding of organization and environment: emerges as nerve center of internal and external information of the organization.
7. institutional level	g. ___________is the process of planning, organizing, motivating; and controlling in order to formulate and attain organizational objectives.
8. liaison	h. ___________is responsible for the allocation of organizational resources of all kinds in effect the making or approval of all significant organizational decisions.
9. managerial level	i. People at the ___________are primarily concerned with day-to-day operations and activities required for efficient, smoothly flowing production or services
10. leader	j. Managers at the ___________are primarily concerned with internal administration and coordination of diverse organizational activities and submits.
11. management	k. ___________is responsible for the motivation and activation of subordinates; responsible for staffing, training, and associated duties.
12. disseminator	l. ___________searches organization and its environment for opportunities and initiates "improvement projects" to bring about change.
13. figurehead	m. ___________transmits information received from outsiders or from other subordinates to members of the organization; some information factual, some involving interpretation and integration of diverse value positions of organizational influences.
14. recourse allocator	n. ___________is responsible for the organizations at major negotiations.
15. spokesperson	o. ___________is responsible for corrective action when organization faces important, unexpected disturbances.
16. disturbance handler	p. ___________maintains self-developed network of outside contracts and informers who provide favors and information.

4. Discussing exercise

a) The text states that "the more highly schooled people are, the more dependent they then become on organizations." Provide some examples. Compare the situation in Russia with that in the U.S.

b) Express your opinion concerning the viewpoint that "managerial work is radically different in nature from nonmanagerial work."

c) All managers perform different roles in organizations, such, for example, as processor, leader, decision maker. Define what roles a supervisor, a middle manager, and a top manager play in an organization.

5. Summarizing exercise

a) Sum up the main points presented in Text 3. Write the plan of the text in the form of statements.
b) Develop your plan into a summary.

6. Abstract Writing exercise

Write an abstract of Text 3. Briefly summarize the main results, indicating whether they are significant.
Write the abstract as one paragraph.

7. Study exercise

"The 10 Managerial Roles as Identified by Minzberg."

Role	*Description*
	Interpersonal
Figurehead →	Symbolic head; obliged to perform a number of routineduties of a legal or social nature
Leader →	Responsible for the motivation and activation of subordinates; responsible for staffing, training, and associated duties
Liaison →	Maintains self-developed network of outside contacts and informers who provide favors and information
	Informational
Monitor →	Seeks and receives wide variety of special information (much of it current) to develop thorough understanding of organization and environment: emerges as nerve center of internal and external information of the organization
Disseminator →	Transmits information received from outsiders or from other subordinates

	to members of the organization; some information factual, some involving interpretation and integration of diverse value positions of organizational influences
Spokesperson →	Transmits information to outsiders on organization's plans, policies, actions, results, etc.; serves as expert on organization's industry
	Decisional
Entrepreneur →	Searches organization and its environment for opportunities and initiates "improvement projects" to bring about change; supervises design of certain projects as well
Disturbance handler →	Responsible for corrective action when organization faces important, unexpected disturbances
Resource allocator →	Responsible for the allocation of organizational resources of all kinds—in effect the making or approval of all significant organizational decisions
Negotiator →	Responsible for representing the organizations at major negotiations

(from *Henry Minzberg "The Nature of Managerial Work")*

a) Analyze the role of the manager as disseminator in the process of transmitting information to subordinates.
b) Describe the manager as monitor of external information through liason role.
c) Identify the manager as monitor of internal information through leader role.

Text 4

1. Pre-reading exercise

Skim through the text and say which logical part deals with each of the following subjects:

a) Planning for productivity;
b) Motivating for productivity;
c) Communicating for productivity;
d) Organizing for productivity;
e) Controlling for productivity;

Managing for productivity

I. ______________________________

Managing for productivity is the same as effective management in every other context. Achieving consistent, high productivity involves every management function and the linking processes of communicating, decision making, and leading. Most important, it requires the full understanding and application of the concept that all these processes are interrelated and that the best decision varies with the situation.

One of the most important lessons of the Japanese success is that achieving sustained high productivity cannot be done by responding in knee-jerk fashion to problems. Managers need to incorporate productivity throughout the planning process. Without specific objectives for productivity, it would not be possible to determine whether productivity is high or low. Objectives provide a guideline for deciding what work is productive and what is counterproductive. This helps members of the organization coordinate their efforts, which is itself one of the primary factors in organizational productivity. This is why Riggs and Felix state in capitals:

PRODUCTIVITY IS THE MEASURE OF HOW SPECIFIED RESOURCES ARE MANAGED TO ACCOMPLISH TIMELY OBJECTIVES STATED IN TERMS OF QUANTITY AND QUALITY.

Productivity-Oriented Mission and Objectives. Unlike many American businesses, the Japanese rarely define their mission in terms of profit. This concept is neither new nor uniquely Japanese. Long before productivity and crisis became linked in the vocabulary of American business, Peter Drucker observed that the mission of an organization should always revolve around the needs of its customers. Clearly, an organization cannot be productive if it does not determine what its intended customers really need in relation to the outputs the organization is capable of producing. This means that the strategic planning process has to include a systematic analysis of market, competition, and the relative strength of the organization.

Long-term Planning for Productivity. When American businesses do formally state objectives for productivity, all too often the time frame is short. A specific improvement is sought for next quarter or within a year. The Japanese, in contrast, have long-term objectives. They often invest in research and development and human productivity programs that are intended to pay off five and ten years in the future. They are doing so well at present partly because, as is its habit, the future has arrived.

A long-term perspective is vital to sustained productivity growth because it is common for productivity to decline temporarily for reasons that have no bearing on the effectiveness of an improvement program. For example, seasonal sales variations or short-lived recessionary periods may reduce consumption of output, even though quality has improved. Also, almost every introduction of new technology or procedures is characterized by a training period during which productivity falls because people are not yet familiar with their new tasks. During the learning period labor costs rise because the benefits of the program have not been realized. If there is a lot of pressure on management to maintain short-term profits, they have an incentive to dump programs that will not have immediate results.

For sustained productivity over many years, the mission of the large organization needs to be broad and oriented to the future. Earlier we attributed the failure of the massive

Penn Central to its concept of its business as railroads rather than transportation. This tied it to a technology that was fading in relative importance and effectiveness. A good example of a future-oriented statement of mission is the 1981 announcement by Xerox that it was in the "automated office business," even though 95 percent of its current sales were still from copiers.

Fortunately for America, business leaders in increasing numbers are becoming aware of the counter productiveness of a short-term profit orientation and the need for a long-term: perspective. In a survey of almost 1000 top executives by the Heidrick and Struggles management research company. 76 percent said that immediate financial goals have been overemphasized to a damaging degree.

Integrated Productivity Planning. A long-term perspective is needed from top to bottom in the planning process. Long-range strategic plans for productivity have to be fully supported by shorter-range plans, subunit objectives, and even rules and procedures. Top management cannot claim it wants continued, long-term productivity gains, while it penalizes a middle manager for spending money on equipment that has not yet realized its full potential. Management has to show its support by putting its money behind productivity; improvement programs must be formally incorporated in the budget.

Formal planning for productivity is felt throughout the management process. It facilitates motivating people to perform in ways that contribute to productivity by clarifying what the organization wants and by setting a basis for tying rewards to productivity. Naturally, planning for productivity is the basis for controlling for productivity.

II. ______________________________

The organizing process is the means by which management merges the key inputs of labor, materials, technology, information, and people to attain objectives. Effective organizing makes optimal use of resources and minimizes the loss of productivity caused by confusion over responsibility, lack of coordination between subunits, and tangled communication channels. The organizing process has historically made some of the most dramatic improvements to productivity. The concept of specialized division of labor improved the productivity of manufacturing so much that it changed the nature of society and the global balance of power. But American managers have to realize that specialization is no longer new and no longer the property of a few industrialized nations.

The components of organizing most relevant to productivity are technology, task design, and structure.

Task Design. Like technology, task design has historically been a major contributor to improved productivity. Industrial engineers and job improvement specialists have enjoyed a high level of employment ever since the scientific management school dramatically increased productivity by systematically analyzing and redesigning tasks. In some cases task design even surpasses technology as major factor in productivity. But Adam Smith, whose vivid description of pin manufacturing popularized division of labor, doubtless would be dismayed by how we have specialized tasks to the point of diminishing returns. Even managerial work has become so fragmented and diffused that in far too many instances the prevailing attitude is "If it's not part of my description, it's not my responsibility. Let someone else worry about it." The result is that subunits do not mesh into an effective, efficient organization.

To increase productivity, task design must be both efficient and well suited to the needs of the work force. Due to social changes, modem workers tend to respond less well to simple, narrow tasks than workers of Frederick Taylor's day. The current trend in designing tasks to increase overall productivity is toward more flexible task assignments and work rules. This often means that even methods that have proven themselves over decades may no longer be the most productive. For example, Frederick W. Taylor's "scientific management" concept of job specialization - breaking jobs into the simplest possible components - led to the moving assembly line and helped make U.S. manufacturing operations the most effective in the world during the first half of 20th century.

More flexible job designs and assignments can have significant benefits in the form of higher productivity. They are enabling some U.S. companies to compete effectively once again in the global market place.

Structure. The appreciation of structure's impact on productivity is more recent than that of task design. The way an organization is structured establishes the relationship between managers and subordinates on every level and between the major subunits of an organization. One direct way this affects productivity is the ratio of managers to nonmanagers. Managers arc a major cost factor. If an organization's structure allows it to use fewer managers without an adverse affect, it clearly will increase productivity. A 40 percent reduction in middle-management size is a major reason for the dramatic improvement in Chrysler Corporation's profitability under Lee Iacocca. When analyzing the high productivity of Japanese auto manufacturers, it is significant to note that they have 5 levels of management compared to the 11 or 12 levels typical of U.S. auto makers. One reason for recent productivity improvements is that American companies have become a lot learner. The Fortune 500 companies alone employed 2.2 million fewer people at the end of 1985 than at the beginning of 1980.

Structure affects productivity in other, more subtle ways as well. Studies show that certain groups, such as professionals and scientists, tend to respond poorly to rigid structures with a high degree of supervision. In such a structure their needs may not be satisfied by their work and their performance level may decline. Organizations with less centralized structures also tend to be able to introduce change more quickly. In a volatile, high-technology environment those organizations whose structure fosters creativity sometimes acquire an enormous competitive advantage. Being first to market with a state-of-the-art computer product, for example, may greatly increase the revenue side of the productivity equation.

However, in other situations a highly centralized structure may be more productive. For example, it has historically proven the most effective approach for large-scale military operations. By minimizing confusion in communication and maximizing precision of response, it facilitates coordinating the activites of many thousands of men.

The recessionary economy of the late 1970s also caused many organizations to take a hard look at how big certain parts of their structure really ought to be. A recent study of management practices of successful American companies found that corporate staff was kept small to avoid "bureaucracies." Peters and Watermannoted that the best managed companies, even those employing 35,000 to 55,000 employees, rarely had a corporate staff of over 100 people.

Responsibility. Experience shows that if top management wants the organization to do something, it must assign responsibility for the task to a specific person or subunit and delegate adequate authority to accomplish the task. More and more organizations concerned with productivity are creating teams and task forces for productivity that transcend subunit and level lines. Small teams tend to work more quickly and efficiently than large units of people. Including people from several subunits and levels helps obtain a better range of information and ideas related to problems and solutions, facilitates coordination between subunits, and should make it easier to gain cooperation from all units during implementation. The authority delegated to any individual or group with responsibility for productivity must include authority to spend money. The group's funds and money for implementation must be budgeted during the planning process and not penalized during control.

III. ______________________________

Quality ofWorklife. We have noted often that failure to take into account human response to change and technology and to develop the organization's human resources is a major reason for poor effectiveness and efficiency. There seems to be a relationship between quality. productivity and quality of work life. Peters and Waterman found that a common characteristics of the best managed American companies "is the completeness of the people orientation in the excellent companies. " Willaim Ouchi and RichardPascale and Anthony Athos reached similar conclusion. According to Ouchi , such successful American companies as IBM, Eastman Kodak, Procter &Gamble , and Hewlett Pachard practice the theory Z approach to management. Their includes such practices as: (1)a policy of no layoffs, (2) involving both managers and nonmanagers in decision making that affects their job, (3) career development programs that rotate people through different functional areas, rather than advancing them only within a specialized functional area , and (4) showing trust and a broader concern for the welfare of all employees.

Robert Patchin, Northgroup's director of productivity improvement programs, suggests that today's employee is better educated than his counterpart in the past and actually wants to be involved. In Patchin's judgment the authoritarian management approach is not as effective with today's employee, who tends to be inquisitive and unwilling to accept things that are not explained. Northgroup put these views into action at its Hawthorne, California plant, which manufactures the Tigershark filter plane. There, engineers work on the production line. This removal of the physical barriers between engineersand production workers helps get problems resolved much more quickly. As a result, the second Tigershark was made in 30 percent fewer work-hours than the first and, even more dramatic, the third had zero defects on the fuselage.

Payand Promotion. Fringe benefits and quality of worklife play an important role in building an organizational ambiance that favors productivity. However, the organization's traditional motivators - pay and promotion - are still the dominant influences on performance. For management to create sustained improvements in productivity, it may clearly tie pay and promotion to productivity rather than short-term output.

This requires commitment and consistency at all levels of the organization. Measurable objectives for productivity are needed along with objective controls that measure degree of performance toward these objectives to form a basis for deciding who should be rewarded. Management has to ensure that the reward system does not penalize long-term productivity efforts because of short-term negative consequences. This is especially true of top-management incentives. As economist Lester Thurow said, "What short-term CEO will take a long-run view when it lowers his own income? Only a saint, and there aren't very many saints."

Riggs and Felix offer the following suggestions for modifying performance to encourage productivity:

Wages can act as disincentives for productivity. Slow work performance is frequently rewarded by overtime pay. Departments that go over their budget in one year are likely to be awarded a higher budget the next year. Salary goes up for an empire builder who hires more people than are really needed. Just spending more time or dollars is not an automatic indicator of more work accomplished, but compensation arrangements too often treat it so.

The behavior to encourage is that which contributes most to productivity. If products are rolling out the door at a satisfactory rate but material costs are frightening, no genius is needed to concentrate on material waste reduction. Yet inflexible incentive plans may continue to award only faster output.

Rewards should be tied to well-understood activities. If you do *this,* then *that* will happen. For instance, if a worker is neither absent nor tardy for a month, *then* the worker's name is dropped in the hat for a monthly $100 lottery.

Scheduling is a critical factor in behavior modification. The reward, whether a pat on the back or a bonus, should be provided as soon as possible after the desired event has occurred. Rewards should be frequent enough to sustain interest. Fast feedback is important.

IV. ______________________________

Controlling plays a major role in productivity both directly by evaluating progress toward objectives and indirectly by influencing behavior. Objective productivity measurement, a function of the control process, is needed both to ensure that objectives are being met and to provide a fair basis for rewarding people for productivity improvements.

Quality Control. Quality management has been one of the most rewarding areas for improving productivity in Japanese and now American organizations. American quality control typically has been limited to inspecting for defects in finished products and, sometimes, inspecting for defects in key supplies when they arrive. Both the expense of inspection and the fact that the defective unit has already used resources lower productivity. Also, inspection often simply doesn't work well, so that products with defects reach the consumer. The experience of successful firms shows that effective quality control requires an integrated approach that goes far beyond the traditional focus of production management

Highly productive Japanese firms and U.S. companies like IBM try to manage quality before and during the production process to avoid squandering resources on defects. One way they do so is by intervening in the external environment to control the quality of inputs before they reach the organization. Often, these big firms have their own quality control people on the premises of their major suppliers. Communicating with customers to identify the needs before a product is built is a form of preliminary control that improves productivity by improving effectiveness.

Instead of trying to catch defects after they occur by inspection, successful Japanese and American firms usually rely on workers to assess quality throughout the production process.

V. ______________________________

Informational Society. According to *Megatrends,* the best-seller on trends transforming society, we are in the process of moving from a postindustrial society to an informational society. The information sector and the percentage of total work involving information is becoming an increasingly greater percentage of the whole. The exact size of the information sector is difficult to determine because so many jobs, especially in the service sector, have an information component. But it clearly is growing rapidly.

Growth of the information sector is only one reason why effective management of the communication process is becoming even more critical to productivity. Technological innovations in information processing—computers, satellites, global telephone, and television—have radically increased the quantity of information in circulation and drastically decreased the information float. *Information float* is the term Naisbitt uses to describe the interval between the transmission of a message and its reception. For example, it took the East India Company many months to find out whether its trading vessels had arrived safely at their destination; the modem multinational's headquarters receives such information in seconds.

More information and a shorter information float are a mixed blessing. They clearly increase the potential for management to make sound, timely decisions by improving the quality of information available for decision making. Immediate communication of detailed information about activities facilitates coordination of physically separated subunits. However, the mountain of information now in circulation makes it increasingly difficult to locate and segregate that which is needed and relevant. Collapse of the information float means that managers have less time available to get this critical information and use it.

Communication productivity is as subject to the output fallacy as manufacturing. More information does not improve productivity — quality information does. Information is one of the key inputs of productivity. Making effective and efficient use of information is increasingly crucial to the overall productivity of the organization. Doing so is typical of the need to consider interactions between technology, people, structure, and the external environment.

Communication Technology. The application of technology to information processing has resulted in productivity gains comparable to those of standardization and assembly lines at the beginning of the Industrial Revolution. Just as those organizations that continued to use older methods were unable to compete with those using new manufacturing technologies, organizations that do not use information technology will eventually be unable to compete in an informational society.

Communicating with the Environment. Because of the dependence on external forces, communicating effectively with entities in the environment is needed for productivity. By communicating with customers before even building a new product, a firm helps ensure that it will meet quality criteria in the true sense. Communicating with suppliers helps maintain quantity and quality of supplies and other key inputs. Communicating with government can lead to informal accords that make expensive regulation unnecessary. Making organizational communication with the environment as productive as possible has been made even more critical by the general rate of change and collapse of the information float.

Communicating with People. More and more organizations are learning that the best place to find ideas for productivity improvement is at the task level. To get these ideas and to implement decisions for productivity improvement, management needs an effective system for upward and downward communication. This can be partly accomplished through formal devices, such as suggestion boxes with rewards for useful ideas and meetings. But, most important is building an ambience of trust so that subordinates will not be afraid to speak of problems that affect their work and will not fear that every innovation is a management plot to eliminate their job.

Making formal communication channels and procedures efficient and effective is a well-recognized need. In recent years the role informal communication channels can play in productivity has become equally appreciated The increasing importance of informal communication is party a function of the enormous increase in the quantity of information being generated and the shortening of the time available in which to make effective use of it. Informal communication — both vertically and horizontally — speeds the flow of information to where it is needed. Also, it fills holes in the information system, which is necessary because even the best-designed cannot satisfy all management's information needs in a changing environment. Informal communication, too, helps organizational leaders create the sense of high touch needed to get small and informal groups to channel their efforts productive.

(from "*Management"* by *M. H. Mescon, M. Albert, F. Khedonri)*

2. Scanning exercise

Scan the Text 4 to find information on three aspects:

a) Definition of productivity by Riggs and Felix;
b) Integrated productivity planning:
c) Informational society.

3. Vocabulary Study

Glossary

to achieve consistent high productivity
to be the linking process of communicating, decision making and leading
productivity-oriented mission
integrated productivity planning
task design
long-term planning for productivity
to be stated in terms of quantity and quality
to compete effectively in the global market plan
to acquire an enormous competitive advantage
group with responsibility for productivity
quality of worklife
to be inquisitive and unwilling
to accept things that are not explained
the organization's traditional motivations
to penalize long-term productivity efforts
quality management
to be a form of preliminary control that improves productivity by improving effectiveness
informational society
to get small and informal groups to channel the efforts productively

a) find Russian equivalents for the following;

the linking processes of communicating, decision making, and leading; responding in knee-jerk fashion to problems; to incorporate productivity throughout the planning process; define missing in terms of profit; introduction of new technology or procedures; pressure on management to maintain short-term profits; an incentive to dump programs: a future-oriented statement of mission; tangled communication channels; the concept of specialized division of labor: the point of diminishing returns; to be both efficient and well suited to the needs of the workforce; to compete effectively; in the global marketplace; to rigid structures with a high degree of supervision; high-technology environment; to foster creativity; competitive advantage: to increase the revenue side of the productivity equation: to facilitate coordinating the activities; the recessionary economy; transcend subunits and level lines; organization ambience; requires commitment and consistency at all levels; short-term negative consequences; top-management incentives.

b) find Russian equivalents for the following:

связь между потребляемыми ресурсами и выпускаемой продукцией; определять свои задачи,учитывая прибыль; включать в себя систематический анализ рынка, конкуренции и относительной силы организации; комплексное планирование производительности; необходимость учета долгосрочной перспективы; мотивировать на выполнение работы, которая способствует росту производительности; оказывать влияние на производительность через отношение численности административно-управленческого персонала к численности остальных работников; получить значительные преимущества в конкурентной борьбе; увеличить доходную составляющую в формуле расчета производительности; включить в группу представителей различных уровней и подразделений; получить более широкую информацию.

4. Discussing exercise

a) Discuss how you would measure productivity of the marketing staff.
b) How does the definition of productivity apply to the product promotions'? Discuss and give your reason.
c) Write 4 questions that you think an expert might ask about the text.

5. **Summarizing exercise**

a) Sum up the main points presented in the text.

b) Write the plan of the text in the form of statements. Develop your plan into a summary.

6. Precis Writing exercise

Write a Precis of Text 4 in your own words.

7. Translation exercise

1. Вместо того, чтобы при помощи инспекции выявить уже возникшие дефекты, передовые японские и американские фирмы обычно полагаются на своих рабочих, которые следят за качеством продукции в ходе производственного процесса.
2. В современной динамичной среде высоких технологий те организации, структура которых способствует развитию технических начал, иногда могут получить значительные преимущества в конкурентной борьбе. Своевременно выйти первым на рынок, - например. предлагая наиболее современный компьютер - это значит резко увеличить доходную составляющую в формуле расчет производительности.
3. Весьма частое пренебрежение вопросами, касающимися отношения работников к нововведениям или технологии, к вопросу развития трудовых ресурсов организации, является основной причиной низкой производительности труда и экономической эффективности. Есть определенная связь между качеством продукции, производительностью труда и уровнем жизни.

4. Всё больше и больше организаций, озабоченных вопросами производительности, создают временные и постоянные специальные подразделения, ответственные за повышения производительности труда. Небольшие группы из представителей различных уровней работают быстрее и эффективней, чем крупные объединения.
5. Как и технология, правильно спроектированная работа является одним из важнейших факторов роста производительности. Инженеры по организации производства и специалисты по организации труда стали пользоваться большим спросом после того, как школа научного управления способствовала резкому росту производительности путем систематического анализа и проектирования работы.
6. Именно организационные процессы исторически привели к наиболее важным достижениям в развитии производительности. Концепция специализации и разделения труда привела к такому повышению эффективности производства, которое изменило саму природу нашего общества и мировой баланс сил. Но американские менеджеры должны понять, что концепция специализации и разделения труда теперь уже не нова и ею владеют не только промышленно развитие страны.
7. Менеджеры должны постоянно помнить, что не всегда более прогрессивная технология ведет к росту производительности. Поскольку организация представляет собой систему взаимосвязанных элементов, достоинства более эффективной технологии иногда могут не дать положительных результатов из-за отрицательного отношения рабочих. Чтобы быть уверенным, что технология действительно приведет к росту производительности, руководство должно сбалансировать требования технологии с потребностями применяющих её людей.

Text 5

1. Pre-reading exercise

Skim through the text to find the following:

a) the concept of value, quality and production;
b) the concept of positive and negative outputs of an organization and the link between inputs and outputs.

An integrated approach to productivity

At the start of our journey toward understanding organizations and managing, we illustrated productivity as a direct flow from inputs through a transformation process to outputs. This simple model could be interpreted to mean that increasing productivity is just a matter of finding a way to decrease the consumption of any key input while maintaining or increasing output. Install a faster assembly machine or find a way to further specialize and simplify labor— productivity goes up—is in fact the way managers in the United States have tended to approach productivity.

American management's initial response to the productivity decline and loss of market share was to blame others. Japan competed unfairly because it had cheap labor and government subsidies. Excessive government regulation was crippling American industry Labor unions had too much power. Inflation. Rising energy costs. There was, as usual, some validity to all these arguments. However, when the problem was studied objectively in depth, some interesting facts emerged. For example, energy costs, regulation, and labor power were often less erroneous for U.S. companies than for their foreign counterparts. Hardest to swallow were market-research studies showing that American consumers were buying Japanese cars and electronics not because they were cheaper but because they were better.

American management consultants flew to Tokyo in droves to unearth the Japanese secret to productivity. They met Dr. Deming, an American quality control expert who had been unable to find much work in Detroit. They found that many of the innovative Japanese techniques were well-implemented adaptations of ideas taken from old American management books. The technology of robotics was freely available to any American company who wanted it, but the use of robots in industry was higher in Japan.

Japanese industry was found, however, to have one major advantage over most U.S. businesses. Japanese management approached productivity from a much broader perspective. In contrast to U.S. managers, they did not often seek quick "fixes" to production and profit shortfalls. They fully grasped that increasing raw output does not ensure higher productivity, that quality is equally important. Nor did Japanese managers develop productivity improvements behind the closed doors of executive suites and then plop them on an unsuspecting work force. They implemented planned change carefully.

The reason for Japan's productivity leadership and the key to improving U.S. productivity is no mysterious secret. The effective manager knows that because of the high degree of interaction between the parts of an organization and between the organization and its environment, few problems have simple, cut-and-dried solution. Like all important organizational problems, improving productivity over the long term requites an integrated approach. A Systems View of Productivity. To begin, it is important to visualize productivity as more than a simple, direct conversion of inputs and outputs. Though this does in fact occur, many factors influence productivity. The formula, productivity equals value of outputs divided by value of inputs, is a ratio. From even a purely mathematical perspective, anything that affects either inputs or outputs will change productivity. This means that inputs, outputs, and environment factors that affect either one must be considered along with the transformation process.

Figure depicts productivity from a systems perspective. We see from it that numerous factors in both the environment and the transformation process affect productivity. Because all of these factors affect one another, there are no clear, absolute paths to improving productivity. Many well-intentioned attempts to improve productivity have failed because managers did not recognize this reality of organized endeavor. More positively, as we shall elaborate on in this text, the model suggests ways of improving productivity that American managers have tended to overlook or at least underestimate. One of these is the relationship between quality and productivity.

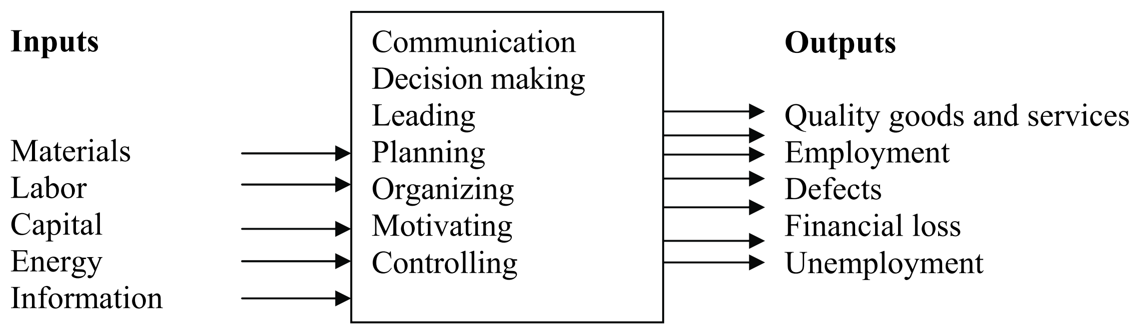


Fig. 1. *Productivity from a systems perspective*

Quality and Productivity. The concept of quality, one of the most important factors in overall productivity, illustrates the necessity of an integrated, systems perspective. The most common mistake managers make in evaluating the productivity of their organization is to measure only the *volume* of output For example, one CEO experiencing productivity problems checked the number of units his factory produced daily and daily exhorted his people to up the volume. After observing this ritual for a month, a consultant suggested he might be better off asking some questions: How many perfect units were produced? How long did the units remain serviceable? How many units required premature service calls? How many units, by the most demanding standards, were absolutely first class? Does the product really meet the needs of customers as well as possible?

The point is that we are often so obsessed with quantity that we ignore quality of the two factors affecting productivity, revenues and costs, we have tended to focus on revenues most and costs only in the direct sense. Yet, the experience of the most successful organizations—which invariably are the most productive—shows again and again that quality is a major element of the cost component

The saying "Success breeds success" has considerable truth when applied to organizational productivity. Consistent high quality has a snowball effect. High quality directly lowers costs by improving the saleable output and minimizing returns of defects and guarantee work; this gives the company more money to spend on improvements that increase its competitive advantage. It reinforces perception of quality for new products, which boosts sales, which helps realize the advantages of economies of scale, which boosts profit margins. A striking example is the IBM personal computer's rise to number one with a market share of over 30 percent in under two years. There is no question that several other microcomputers performed as well or better, were just as reliable, and cost a lot less. But for decades IBM had, by consistent performance. driven into the consciousness of business buyers that those three letters stood for quality, reliability. and service when you needed it. In the tumultuous, confusing marketplace of the early 1980s, with even successful new companies like Osborne failing, many buyers were willing to pay about a 30 percent premium for the security of dealing with IBM. Thus, IBM not only sold more units than anyone else, it also doubtless had the highest percentage of profit per unit. Comparisons with American business show that Japanese managers tend to stress quality much more. Why this is important and has had so significant an effect on productivity goes beyond the obvious. To grasp the impact of quality on productivity, let us describe it in systems terms, as illustrated in Figure 1.

Quality has both an internal and an external component. Internal components of quality are inherent characteristics of the output. For goods they might include durability, freedom from defects, performance level, workmanship, and design esthetics. For services quality characteristics include reliability, high standards of performance, speed, availability, and low cost for comparable benefits. This aspect of quality is well understood by U.S. managers. However, they have not always acted on this knowledge as well as the Japanese because they overlooked or underestimated the external component of quality.

Like everything related to organizations, quality is contingent upon rectors, outside the organization. First and foremost, what matters is not pure performance of the output, but how well the output meets the needs of the organization's customers. This, in turn, is a function of many interacting forces. Who the customer is and how the output will be used are perhaps the most significant and obvious factors. A digital, computerized mixing system used by modern recording studios reproduces sound to a degree approaching perfection. Not even the most enthusiastic Hi-Fi consumer would consider spending their extra $1 million such perfection costs when a good cassette deck with no audible distortion can be purchased for a few hundred dollars. A recording company, in contrast, would not consider the simple home deck a saving because the epitome of quality is needed to survive in its highly competitive business.

Productivity, Value, and Quality. Consumers of both goods and services, whether they are individuals or as large as General Motors, are concerned not with perfection, but with value. Value is a function of appropriate performance and price. It is value that defines quality. Therefore, as Riggs and Felix state: "Sacrificing quality is an easy way to boost the quantity, of output, but it seldom increases the *value* of the output Productivity is a measure of value".

Value, in the sense of quality, is relative. The consumer compares the output to that of competing organizations, to alternative goods or services that meet the same need, and to output of the organization itself in the past. Nor are consumers objective in determining value. Perception, which may be affected by such intangibles as what enhances status, plays an important role. A Mercedes Benz, judging from its consistent popularity increases, is considered a good value, even though its performance and durability are not objectively superior to that of some less expensive luxury cars. Perceived quality can actually boost objective value. The perceived value of a Mercedes, for example, causes its resale price as a percentage of original cost to be higher than average. A poor perception of quality, as American auto makers have discovered to their chagrin, can be difficult to overcome, however much inherent quality has been improved.

Related to the concept of perceived value is the issue of detect level In general, American business tried for an "acceptable" level of defects, a reasonably low percentage of units produced. But to the individual buying a product there is only one acceptable level: no defects. Moreover, people are far more likely to complain to anyone who will listen about a problem than they are to speak well of a product that gave no hassles. Thus, even a relatively small percentage of defects can snowball into a negative image. That most successful Japanese companies have long had a policy of striving for zero defects has surely played an important role in building the image of perceived quality now enjoyed by Japanese electronics and autos. Even though perfection is probably unobtainable, striving for it seems to be worth the added cost.

Productivity and Organizational Interdependence. One of the most important and most overlooked aspects of our model of productivity is the link between inputs and outputs. The outputs of one organization pass through the environment and eventually become the inputs of other organizations. In a world which, in the words of Drucker has become a "society of organizations," this has enormous ramifications. Because our organizations are interdependent low productivity in a major component of the economy causes lower productivity in many areas. The more direct the environment connection, the more direct the impact on productivity. Low-quality components from a supplier directly reduce the productivity of the purchasing organization. Losses instead of profits mean that less capital is available for even successful businesses to invest in productivity. Low productivity in government leads to higher than necessary taxes, which drain funds that could be used to improve productivity.

The transformation process always has *both* negative and positive outputs. Positive outputs include quality goods or services, profit and employment. Potential negative outputs include defects, losses, and unemployment, which maybe positive for the organization but negative for the community. Almost all important managerial decisions, even though highly positive overall, have some negative consequences. Improving productivity within a specific organization, for example, sometimes results in the elimination of jobs either within the organization or in related industries as a whole. In determining relative productivity, managers have to deduct the direct costs of negative outputs to determine true output. Obviously, defective goods or services cannot be counted as part of "output" in computing the productivity ratio. Less obvious are the indirect affects of negative outputs.

International Competition. Business today is increasingly multinational. Many of the countries with which U.S. companies compete are not experiencing all of the problems affecting productivity described above to the same degree. In addition, their labor costs may be lower and their technology as good as. if not better than, that of U.S. firms. Because of the resulting higher productivity, the foreign firms may have a significant competitive advantage. When coupled with a recessionary economy, in which overall demand is down, the less productive organizations may suffer serious losses. A good example is the comparison of U.S. and Japanese car manufactures.

American organizations present concern with managing productivity was strongly stimulated by the combination of increased international competition and the recessionary economic cycle. The recession naturally meant an overall decrease in demand for new cars. At the same time foreign auto makers had a significant productivity advantage. Toyota, for example, used only 1.6 days of labor per car, the Germans 2.7 days, and the Americans 3.8 days. The overall production advantage of the Japanese over General Motors was $1000to $1700 per car. Only about $450 of this was due to wage and benefit differences. Most of the increased productivity came from efficient use of statistical process control, automation, robotics, superior inventory control, and a more committed work force. The advantage was felt both in terms of price and improved quality, and the foreign share of the U.S. auto market increased dramatically, magnifying the already bad effects of the recession.

Productivity and the Internal Environment. Managers whose organizations suffered productivity declines, lost market share to foreign competition, were unable to earn profits, or were forced into massive layoffs or even bankruptcy during the late 1970s blamed outside forces "out of their control." Some stopped waving the banner of private enterprise long enough to ask government for protection against "unfair" foreign competition, subsidies, bans, "irrational" levels of competition due to deregulation of their industries. Were these excuses justified? Not very often.

These external factors certainly had a negative impact on productivity. Some organizations did suffer more than others. But in general, though the environment may be harsh it is quite fair: organizations and their direct competitors are equally subject to forces in the external environment. The way management responds to these forces, however, makes organizations unequal in productivity.

The external environment only determines the ground rules of the productivity game. The internal environment—created by countless management decisions (and indecision) — determines who wins.

Japanese industry was hurt much more by rising energy costs than U.S. industry because it is totally dependent on imported oil and has to transport most of its products and raw materials across thousands of miles of oceans. Japan may be enjoying the competitive advantages that come with being the market leader, but U.S. business had the edge for decades longer. It also started the world Monopoly game with a lot more money than Japanese business. Yet, despite these disadvantages, Japan somehow managed to achieve the highest rate of productivity growth in the world.

The key word in the preceding sentence is managed. It is not "unfair" that Japanese businesses now have a big head start in the race for higher productivity. Their managers heard the starting gun two decades ago and started running as fast as they could. Far too many of their American counterparts, assuming they had already won the race, thought the noise was just a backfire and ignored it. Embarrassing as it is to admit, American managers have to accept the fact that their Japanese counterparts beat them at their own game, often using concepts and technologies developed in the United States.

Do the changes in the external environment described above mean that American business is doomed to decline? Hardly. What makes the excuses for its failure even less convincing is that the Japanese are not the only ones to have improved productivity rapidly during that period. And, although average productivity declined relative to other countries, some American firms achieved spectacular productivity gains during that period. Not even the stars of Japanese industries surpass such American firms as IBM, McDonald's, Hewlett-Packard, and Procter &Gamble, whose achievements are analyzed in Peters and Waterman's "*InSearch of Excellence* ". The many successes of American organizations in bucking the tide of low productivity prove that sustained productivity growth can be achieved through good management

If management is to provide the leadership necessary to increase productivity and quality of life in these, changing times, it cannot view itself as simply a catalytic agent that alters other elements while remaining unchanged itself. For the organization to be proactive, rather than reactive or merely adaptive, management must also change. To increase productivity and survive in a world where the competition keeps getting better, management must comprehend that yesterday's best way might be today's anachronism.

This does not mean change for change's sake or abandoning all the basic practices that worked in the past. Surprisingly, in many cases the types of changes that result in organizational effectiveness often involve management philosophies and styles that are not really new. For example, the student of management will recognize, that Japan's emergence as a pacesetter in productivity and quality is in many ways due to a highly successful application of findings of Western management theorists such as F. W. Taylor, Elton Mayo, Chester Bernard, Fritz Roethlisberger and Mary Parker Follett.

With these observations philosophical point of departure, let's examine how managers may be able to meld the social and technical dimensions of the organization so that productivity will increase and lead to organizational success.

(from "*Management"*by *M. H. Mescon, M. Albert, F. Khedouri)*

2. Scanning exercise

Scan the text to find information on three aspects:

a) a systems view of productivity;
b) international competition;
c) interconnection between productivity and environment.

3. Vocabulary study

Glossary

an integrated approach;
initial response;
productivity decline;
excessive government regulation;
productivity leadership;
the key of improving productivity;
a system view of productivity;
to grasp the impact of quality;

at productivity performance level;
the direct costs of negative outputs;
to determine true output;
to visualize productivity;
volume of output

a) find Russian equivalents for the following word-combinations:

important factors in overall productivity; the volume of output; the advantage of economies of scale; profit margins; to grasp the impact of quality on productivity; both an internal and external component; include reliability; high standards of performance, speed, availability, and low cost for comparable benefits; underestimated the external component of quality; function of many interacting forces; a digital, computerized mixing system, hi-fi; to compare the output to the competing organizations; "acceptable" level of defects; a policy of striving for zero defects; to play an important role in building the image of perceived quality; a significant competitive advantage; recessionary economic cycle; external environment: ground rules of the productivity game; internal environment; to achieve the highest rate of productivity growth in the world; abandoning all the basic practices that worked in the past; with these observations as a philosophical point of departure; social and technical dimensions of the organization.

b) find Russian equivalents for the following:

рассматривать не только как переработку поступающих в систему ресурсов в конечный продукт; отношение стоимости входных ресурсов к стоимости выходной продукции; процесс, имеющий множество внешних воздействий; с точки зрения системного подхода; рассматривать показатели объема производства; являться важным элементом «затратного» компонента; концентрировать внимание на доходах и затратах в прямом смысле; уменьшение случаев возврата изделий покупателям вследствие имеющихся дефектов; преимущества масштабности производства, позволяющего увеличить долю прибыли в доходах; положительные и отрицательные результаты на выходе; концепция восприятия ценности; обеспечение «приемлемого» уровня дефектов; низкий процентный показатель дефектности от общего объема произведенной продукции; связь между потребляемыми ресурсами и выпускаемой продукцией.

4. Discussing exercise

a) Discuss what happens if the forecasts are in erroneous and how important the results are for the productivity of each part of the company - marketing, production, finance, planning, etc.
b) Discuss how you would evaluate the performance of individual plant managers in the future.
c) Discuss what changes you would make in the production planning process to improve productivity and give your reasons.

5. Summarizing exercise

Write the plan of the text in the form of statements.
Develop your plan into a summary.

6. Abstract Writing exercise

Write an abstract of Text 5 (a 200-word limit).

Text 6

1. Pre-reading exercise

*The text headlined **"The Control Process"** consists of five logical parts, each part is clearly structured. Study the list of sub-headings covering the composition of the text which are given in an arbitrary sequence. Skim through the text and relate each sub-heading to the correspondingpart of the text:*

a) Setting standards
b) Taking necessary corrective action
c) Why control is necessary
d) Revise standards
e) Comparing performance to standards

The Control Process

Control, like power, is a word that control connotes restraint-the leash on a dog, contrary to our ideal of individual liberty. Because of this preconception, controlling is one of the most misunderstood management function. If asked to guess what control means to a manager, people often respond with something like keeping workers in line. This is correct in a sense. One aspect is control is indeed ensuring conformity of a sort. However, to think of controlling is simply restraining negative behavior and making everyone toe the line is to miss its primary purpose in management As a management function:

Controlling is the process of ensuring that the organization is attaining objectives.

Managers begin performing the control function the very moment they formulate objectives and establish an organization. This control is essential if the organization is to succeed. Without it chaos would reign, making group effort of any complexity virtually impossible to unify. Even more important , goals, plans, and structure give the organization direction by channeling and guiding work. Thus, control is an inherent outgrowth of organization. This is a major reason why Peter Drucker states, "The synonym for control is direction".

There are three distinct stages in the control process setting standards, comparing performance to standards, and taking necessary corrective action. Each stage involves several activities.

The first phase of the control process, setting standards, highlights how closely intertwined the planning and control functions are. **Standards** are specific objectives against which progress can be measured. They are an outgrowth of the planning process: All control standard ought to be derived from the organization's multiple objectives and strategies.

Two essential characteristics distinguish objectives that can be used as standards namely, a time limit and a*specific criterion* against which accomplished *work* can he compared To earn aprofit of $1 million during 1987 or to reduce absenteeism below 3 percent by 1987 are examples of objectives that serve as control standards. The specific, measurable criterionof$1 million and the time limit of one year are called performance indicators.

A**performance indicator** defines exactly what must be achieved to attain an objective. This enables the manager to compare actual work to planned productivity and to answer the crucial questions "What do we have to do to reach our objective?" and "What remains to be done?" For instance, if management finds that the firm has earned only $400,000 during the first six months, it knows that the company will have to step up productivity greatly to meet the planned goal of $1 million by year's end.

It is relatively easy to establish performance indicators in such areas as profit, sales, and cost of materials because they are quantifiable. But several crucial organizational goals cannot readily be expressed numerically.

Improving morale, for example, is an objective that often seems difficult or impossible to quantify. One cannot rate morale accurately on a scale or reduce it to dollar equivalents. But effective organizations try to overcome the quantification difficulty. For example, one can obtain information about the mental state of workers through attitude surveys and interviews. Furthermore, some of these apparently immeasurable objectives can be quantified *indirectly* by measuring manifestations of the indicator. Low labor turnover for instance, is usually a manifestation of high satisfaction. Therefore, the turnover rate may be used as a performance indicator for setting standards in the area of satisfaction. For example, top management could establish an objective for the coming year of reducing turnover from 10 percent to 6 percent.

The danger in using manifestations instead of direct measurement is that other variables may affect the manifestation being measured. Low turnover, to continue our example, could reflect generally poor economic conditions rather than high satisfaction. In other words people stay not because their needs are genuinely being met, but because they believe it would be hard to get another job. The manager must always be careful to distinguish between symptoms and true causes. It is essential for management to recognize that many factors in the situation affect the outcome of a managerial action.

Inability to express a performance indicator directly in quantifiable terms should not, as it often is, be used as an excuse to avoid setting a control standard in the area. Even a subjective indicator, provided its limitations are recognized, is better than none at all. Without some form of performance indicator there can be no effective managerial control. The inevitable consequence of this is management by reaction, which is not really management but rather a knee-jerk response to situations already out of hand. Some otherwise excellently managed organizations have suffered severe problems because they failed to establish performance indicators in the difficult-to-measure areas of social responsibility and ethics.

One area where it is particularly difficult to establish performance indicators is research and development. Attempts to establish objective measures have frequently proved inadequate. Traditional measures include numbers of patents, publications, reports, and project completions. All of these indicators focus on the productivity and efficiency of R&D. None of them focuses on the direction of R&D effort and the usefulness of the effort to the organization. Are all of the patents, publications, and completed projects focused on diversification efforts or market penetration efforts? If the company has a preference—and it usually does—the focus of efforts is of critical importance.

In recent years managers in research and development have realized that the intangibility of the work is no excuse for relying on intuition or for using inadequate indicators as the sole basis for performance appraisal. A survey of 400 R&D managers representing 40 industries showed that some of the more commonly used measures of overall -R&D performance are "attainment of organization goals" and "percentage of work adopted by company. These indicators, combined with the indicators that focus on efficiency, work to insure that R&D efforts are not only efficient but effective.

The second stage of the control process is comparing actual performance to the standards established. In this phase the manager determines how well results have lived up to expectations. He or she also makes another crucial decision: how much variation from standards is permissible or relatively safe. The second stage concludes with an evaluation that should lead to an action decision. The several activities involved in the second phase often are the most visible aspect of a managerial control system. They are the establishment of the range of deviation, measurement, communication, and evaluation.

Range deviation and the Exception Principle. A performance indicator provides the members of an organization with a clear, distinct target for their efforts. However, except in a few specialized instances, it seldom is necessary for the organization to hit the target precisely. In fact, one of the characteristics of a good control standard is a realistic safety margin.

Consider a large department store such as Macy's in New York that has sales in the hundreds of millions. For convenience, let us assume that Macy's goal for the coming year is $365 million in sales, which equals $7 million a week. If sales for the second week in March are only $6.8 million. Macy's has little cause for alarm. Even though $200,000 is a shortfall that might bankrupt the average retailer, to Macy's it is a minor deviation from standards. Chances are that next week's sales will exceed the budget by that amount or more. What matters is that the average sales week is $7 million, not every week. If Macy's had a control system that caused it to react to small variations in weekly sales, say, by a major promotion or firing a few salespeople, it would be impossible for management to concentrate on anything but controlling. Top management therefore establishes a range of deviation, an amount by which performance may deviate from plans without cause for concern. The owner of a small business can do the same, but the range will be less.

What the range of deviation should be is a critical decision. If too much deviation is allowed, problems could reach crisis dimensions. On the other hand, reacting to every minor variation would be so time consuming and costly that the control system would overwhelm and disrupt the organization, preventing rather than facilitating attainment of objectives. In such situations there would be a high degree of control, but the control process would be ineffective. A typical example of this is almost any situation where one has to go through an inordinate amount of red tape to get anything accomplished. Many government programs have been judged ineffective because more money is spent administering the system, making sure it is controlled, than on the services themselves.

To be effective, controls must be economical. The benefits must exceed the costs of the control system. Costs of control include the time it takes managers and nonmanagers to collect. communicate, and analyze the information, any equipment used for control, and the costs for storage, transmission, *and retrieval of control-related* information. In the case of a business, if the profits realized from the investment in control do not exceed its costs, the controls would be uneconomical and counterproductive. One way management can increase the economic efficiency of its control system is by practicing management by exception. Often called the exception principle, this holds that only significant variations from standards should trigger the control system. By extension, operations that are inherently trivial should not even be measured.

The problem, of course, is to determine what a truly important deviation is. Immediate dollar value, the most obvious guideline, is not always sound. What is trivial in one situation may be drastic in another. For example, it would not really hurt General Motors for sales to be $1 million below projections in any given week. But failing to control tightly the quality of a 50-cent part could force GM to recall hundreds of thousands of autos at a later date.

Measurement of Results. Measuring results, determining how much progress toward meeting standards has been made, is usually the most troublesome and expensive aspect of controlling. To be effective, the system of measurement must be congruent with the activity being controlled. To begin, management must select a unit of measure that can be converted into the units in which the standard is expressed. Thus, if the standard is profit, measurement would be in the form of dollars or a percentage, depending on how the standard was stated. If absenteeism or turnover is being controlled, the measurement would be in the form of a percentage. As a general rule, the standard will specifically state what should later be measured.

Selecting an appropriate unit is often the easiest part of making measurement contribute to attaining objectives, the true purpose of control. It is equally important for the speed, frequency, and accuracy of measurement to match the activity being measured. A pharmaceutical firm, for example, must exert exceptionally precise control over the quality of its products. Even a minuscule amount of contaminant could literally kill a customer. Therefore, a drug manufacturer's quality control measuring system must be externally accurate and at least last enough to catch a bad batch before it leaves the plant. However, despite the need for high-quality measurement, a drug manufacturer cannot measure a high percentage of its output because testing destroys the medicine. Excessively frequent measurement would be so costly that few people would be able to afford the product This effect would be contrary to the social and profit objectives of the pharmaceutical house. The company therefore fully tests only a random sample from each batch. In other words, it measures only frequently enough to ensure a high probability of safety.

Similarly, most organizations conduct audits (a control technique discussed later) and inventories of materials at infrequent intervals. If a manufacturer physically counted its materials every day, it would know, for example, exact theft losses But the company would have no time to make anything! Therefore, most manufacturers conduct major inventories approximately every six months. They know from experience that this in period over which losses due to theft probably will fall within an acceptable range of deviation. Banks, on the other hand, count all of their "merchandise" every day because money is an unusually tempting target for theft. But they thoroughly audit their records only at wide intervals, which is why embezzlers have sometimes been able to steal fortunes before detection.

Special applications of the computer have made measurement for control purposes much faster, cheaper, and more accurate. Computerized cash registers currently used by Sears and J. C. Penney now measure and tabulate both cash flow and inventory at the moment of purchase. Provided volume is high enough, this is a lot less expensive than the old method of record keeping and information processing.

However, any system of gathering and processing information is relatively expensive. The cost of measurement is often the single largest expense factor in the control process. It often determines whether a control is worthwhile. The manager thus must avoid the temptation to measure everything as accurately as possible. Doing so, by making the controls too expensive, would result in a control system whose costs outweigh its benefits. (In a business the purpose of measurement is to increase profits, not to find out exactly what is happening).

Communication. Communication plays a key role in making control effective. For a control system to operate effectively, both standards and results must be communicated to appropriate people in the organization. This information must be accurate and timely and has to reach responsible people in a form that lends itself to decision making and action. It also is desirable to be sure the standards are well understood when they are set. This requires effective communication between those who set the standards and those who are to attain them.

The major stumbling blocks in gathering and transmitting control information are various communication problems discussed earlier. While some information can be gathered and reported by machine, most involves some human interpretation. The human element introduces the potential for distortion of the information on which control decisions will be based. Distortion may become an acute problem when subjective assessments are unavoidable. Appraising management performance is a good example. The organization needs to know which of its managers are good and bad performers. But it is difficult to determine this effectively, particularly for lower-level managers who do not have profit and loss responsibility. However, by formulating specific objectives, managerial performance can be appraised with less distortion and more objectivity.

Once again, there is ample evidence to indicate that actively seeking the participation of people affected improves trust and communication, thereby making the control system more effective. Management by objectives is currently a popular way of involving managers in control.

Participation also can be effective on lower organizational levels. A paper product company with which one of the authors is familiar trained production workers lo understand basic accounting and manufacturing economics concepts so that they would appreciate and comprehend the importance of meeting standards. The workers also learned about the standards of their competitors and why it was critical for them to be efficient and productive. Sometimes it is even desirable to secure subordinate participation in the actual setting of standards, usually a management prerogative. One study showed that perceived participation in the decision-making and goal -setting phase of budgeting resulted in greater commitment to the organization and its goals.

Great advances have been made in recent years in the communication of purely quantifiable information. It is now possible for the manager to receive crucial information in synthesized form, with key comparisons already made, almost as quickly as the organization receives the raw data. Some people believe that this new ability to process control information at exceptional speed is what makes possible the giant organizations of today. Certainly, there is no large organization at present that does not use computers for control. We will discuss these new management information systems more fully in a later chapter.

Evaluation. The final phase of the comparison stage is evaluation of the information on results. The manager must decide whether the information is valid and whether it is significant. By significant it is meant both whether the information is applicable to the phenomenon under investigation and is genuinely important in decision making.

Sometimes evaluation is guided by organizational policy. Top management of a bank, for example, may request a loan officer to reject an application if the individual's current debts are already above a certain percentage of his or her income or assets. Or, in many situations, the range of deviation established earlier can serve as a guideline. However, managers must often use personal judgment to interpret the validity of information and the relationship between results and standards. In doing so, the manager must take into account risk and other factors influencing decision making. The objective of evaluation is to make a decision on whether action is necessary and if so, what it should be.

A control system that does not provide a means of correcting significant deviations from standards before truly serious problems arise is valueless. Naturally, correction must focus on the true source of the problem. Ideally, the measuring stage should pinpoint the cause as well as the amount of deviation from .standards. This involves effective decision making. However, since much organizational work is the result of complex group effort, absolute precision in identifying the root of aproblem may not always be possible. The focus of correction, in any event, should be getting an understanding of the causes of deviation and getting the organization back on course.

Management can take corrective action by making improvements in any ofthe internal variables, managerial functions, or processes. For example, management may feel the structure is the major variable causing the deviation between desired and actual results. Such was the case with the Gillette Company. After five straight years of declining earnings from the personal care division responsible for female products, such as Adorn and Tame cream rinse, and the toiletries division responsible for male products, such as Right Guard and The Dry Look hair spray, top management concluded its structure needed revamping.

Because of changes in the social values of their customers, Gillette's top management decided that having both a personal care division and a toiletries division was no longer necessary. It decided to consolidate them into one division. Discussing these changes, Derwin F. Phillips, president of the new consolidated personal care division, a combination of the two previous divisions stated, "As men and women have come closer together in beautifying motivation, most of us came to realize that men and women weren't that different in what they wanted in a hair-care product." Phillips therefore felt that having separate divisions was too costly and constraining. For example, when the unisex marketing strategy for Ultra Max was formulated, both divisions struggled over which one would develop the product. This infighting and double overhead were the causes of the two divisions' lethargic performance, according to top management.

It is important to stress that any of the variables may be a source of the problem and that several factors may be contributing to a less than desired result. Naturally, the manager cannot choose a particular corrective action just because it resolves the immediate problem at hand. All relevant internal variables and their interrelationships must be weighed before choosing an action. Because of the interrelatedness of subunits, any major change will affect every aspect of the organization. Therefore, the manager must take care that the "correction" does not cause more difficulties than it resolves. Also, as hard as it may be at times, a dedicated manager tries not to make decisions because they are beneficial in the short run when the long-term consequences will be costly. For example, a few years ago the head of a company division experiencing low sales decided to lay off one-third of the work force. Analyzing the situation, the division head reasoned, "If the turndown continues, we will be in good shape to ride it out. If it isn't as bad as we think it will be, then after the holidays we can rehire many of the workers. Most important, my division will attain its last-quarter profit goals. Considering the kind of year it has been, that can get me a bonus and promotion."

This manager was highly commended for saving the company's profits. But within a year his decision proved disastrous. A critical personnel strategy of the company was to avoid unionization and thereby to avoid the costs associated with rigid work rules, restricted hiring and promotion, and strikes. Largely because of the layoff this manager implemented, the workers voted for union representation at the first opportunity. Thus, although the manager made his short-term profit objectives, the company as a whole lost one of its most important competitive advantages.

Not all significant deviations from standards should be corrected. Sometimes the standard itself may be unrealistic because standards are based on plans, which are only predictions of the future. Standards must be reviewed whenever plans are revised.

It often is the control system that points out the need to revise plans. If, for example, almost the entire sales force exceeds quota by 50 percent, the quota is probably too low to be a valid standard of satisfactory performance. A highly successful organization will frequently have to revise its standards upward. And, although this should not happen too often, at times a plan will prove overly optimistic and standards will have to be revised downward.

Standards that are too difficult to attain can frustrate workers and managers needs for achievement, possibly decreasing their motivation. As with corrective action, the need for drastic revision of standards in either direction may be a symptom of problems in the control process itself or perhaps in the planning process.

Figure 1 is a comprehensive model of the control process.

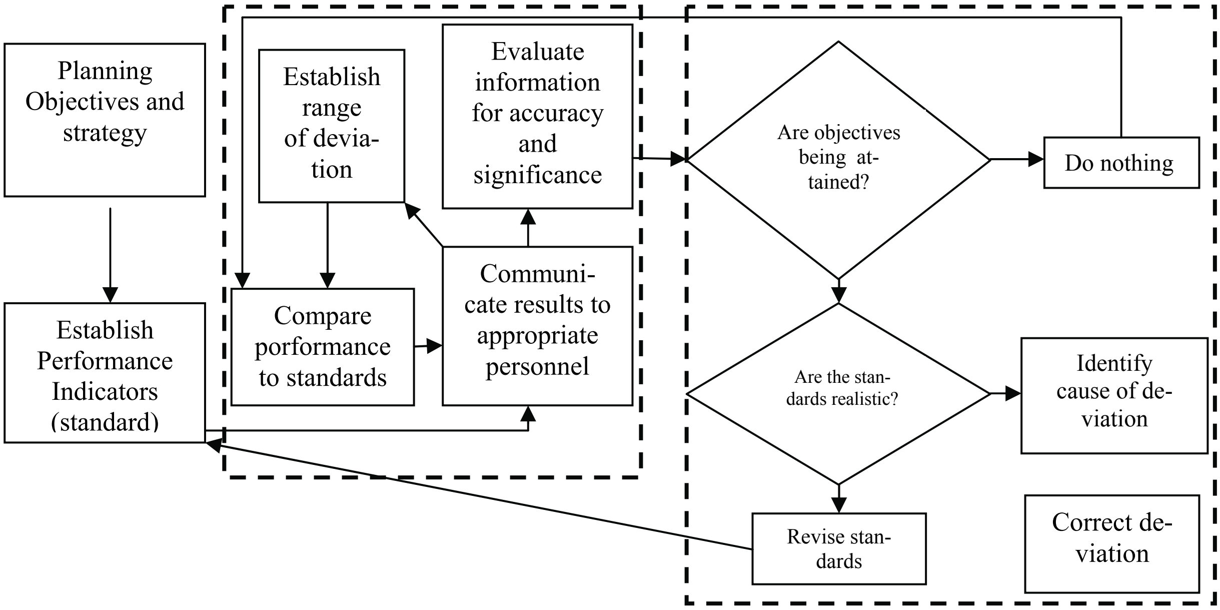


Fig 1.*Model of the Control Process*

(from "*Management*" by M. H. Mescon, M. Albert, F. Khedouri)

2. Scanning exercise

Scan the text to find the following:

1. The first phase of the control process.
2. Evaluation of the information on results.
3. Revision of standards.

3. Vocabulary Study

Glossary

to attain objectives
to perform the control function
setting standards
comparing performance to standards
taking necessary corrective action
performance indicator
time limit
specific criterion
to quantify indirectly

a range of deviation
the exception principle
measurement of results
communication
evaluation
high-quality measurement
deviations from standards
a valid standards of satisfactory performance

a) find in the text equivalents for the following:

выработка стандартов; принятие необходимых корректирующих действий; сопоставление со стандартами реальных результатов; временные рамки; конкретный критерий; показатель результативности; стремиться обойти трудности, связанные с выражением целей в количественном виде; представить в численном виде косвенно, измеряя некоторые показатели; невозможность выразить показатель результативности непосредственно в количественной форме; масштаб допустимых отклонений; метод управления по принципу исключения; выбор подходящей единицы измерения; быть сокращенным с возможным искажением информации, на основе которой должны приниматься решения в области контроля; пересмотр стандартов; полная модель процесса контроля.

Ъ) find Russian equivalents for the following:

to evoke negative reactions; the most misunderstood management functions; comparing performance to standards; an outgrowth of the planning process; to compare actual work to planned productivity; to establish performance indicators in such areas as profit, sales, and cost of materials; to be expressed numerically; to reduce to dollar equivalents; to overcome the quantification difficulty: affect the manifestation being measured; to establish performance indicators in the difficult-to-measure areas of social responsibility and ethics; the intangibility of the work; the sole basis for performance appraisal; "attainment of organization goals"; to exceed the cost of the control system: to be uneconomical and counterproductive; exception principle; management by exception; the most troublesome; to be congruent with the activity being controlled; to steal fortunes before detection: the major stumbling blocks in gathering and transmitting control information; to become an acute problem; to secure subordinate participation in the actual setting of standards; a management prerogative; the raw data; ability to process control information at exceptional speed.

4. Summarizing exercise

Write the plan of the text in the form of statements.
Develop your plan into a summary.

5. **Writing exercise**

a) Write a precis of Text 6.
b) Write an abstract of Text 6.
c) Compare and analyse the structure of the precis and the abstract. Define the common elements and identify the difference.

Text 7

1. Pre-text exercise

The text below is divided into 7 logical part. Skim through the text and relate each sub-heading to the corresponding part of the text:

a) Marketers and Prospects;
b) Products (Goods, Services and Ideas);
c) The Powerful Customer;
d) Value, Cost, and Satisfactory;
e) What is Marketing?
f) Needs, Wants, and Demands;
g) Marketing Management.

Marketing Management. The Core Concepts

I.___________________________________

The 1980s taught a humbling lesson to business firms everywhere. Domestic companies can no longer ignore foreign competitors, foreign markets, and foreign sources of supply. Companies cannot allow their wage and material costs to get far out of line with those in the rest of the world. Companies cannot ignore emerging technologies, materials, equipment, and new ways of organizing and marketing.

U.S. companies are a case in point. In the 1970s, the most powerful U.S. companies included General Motors, Sears, RCA and IBM. Today all four are struggling to remain profitable because they all failed at marketing. Each company did not understand its changing marketplace and customers and the need to provide competitive value. General Motors is still trying to figure out why German and Japanese cars are preferred more than GM cars in most of the world. Mighty Sears is caught between fashionable department stores and boutiques at one end and discount mass merchandisers at the other. RCA, inventor of so many new patents, never quite mastered the art of marketing and now puts its brand name on products largely imported from Japan and South Korea. IBM, one of the world's great sales-driven companies, experienced its first loss ever in 1992—$4.96 billion—because it continued to focus on selling mainframes while the market was moving toward microcomputing, computer networking, and computer workstations.

In view of all this "marketing myopia", it is not surprising that a flood of books have been published offering fresh perspectives on how to run a business in the new environment. In the 1960s, "Theory Y" called on companies to treat their employees not as cogs in a machine but as individuals whose creativity can be released through enlightened management practice. In the 1970s, "strategic planning" offered a way of thinking about building and managing a company's portfolio of businesses in a turbulent environment. In the 1980s, "excellence and quality" received major attention as the new formulas for success. All of these themes are valid and continue to inspire business thinking.

In the 1990s, many companies have acknowledged the critical importance of being customer-oriented and -driven in all their activities. It is not enough to be product-driven or technology-driven. Too many companies still design their products without customer input, only to find them rejected in the marketplace. And too many companies forget the customers after the sale, only to lose them to competitors later. Not surprisingly, we are witnessing a flood of books with such titles as *The Only Thing That Matters: Bringing the Power of the Customer into the Center of Your Business; Turning Lost Customers into Gold: And the Art of Achieving Zero Defections; Customer Bonding: The Five-Point System for Maximizing Customer Loyalty; The Customer-Driven Company;* and *SustainingKnock Your Socks Off Service.* All these books stress one theme: Success in the 1990s and beyond rests on a market- and customer-based view of business success.

II. ____________________

Marketing has been defined in various ways. The definition that serves our purpose best is as follows:

MARKETING is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering, and exchanging products of value with others.

This definition of marketing rests on the following core concepts: *needs, wants,* and *demands; products (goods, services,* and *ideas); value, cost,* and *satisfaction: exchange* and *transactions, relationship* and *networks, markets* and *marketers, prospects.*

These concepts are illustrated in Figure 1.

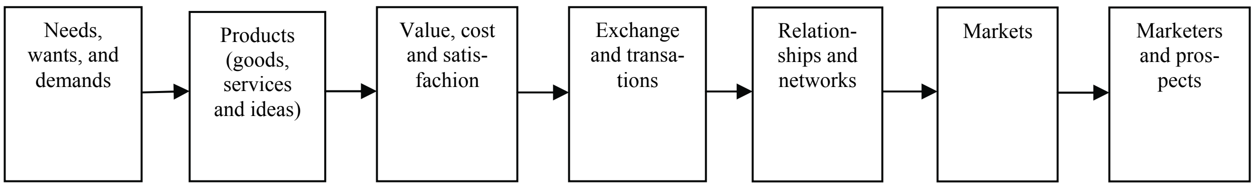


Fig.1. *The Core Concepts of Marketing*

III.___________________________

Marketing starts with human needs and wants. People need food, air, water, clothing, and shelter to survive. Beyond this, people have a strong desire for recreation, education, and other services. They have strong preferences for particular versions and brands of basic goods and services.

People's needs and wants today are staggering. In a given year261 million Americans might consume 67 billion eggs,2 billion chickens, 5 million hair dryers,133 billion domestic air travel passenger miles, and over 4 million lectures by college English professors. Together these consumer goods and services create a demand for more than 150 million tons of steel and 4 billion tons of cotton. These are just a few of the demands that gel expressed in a $6.7 trillion economy.

It is important to distinguish among needs, wants, and demands. A *human need* is a state of deprivation of some basic satisfaction. People require food, clothing, shelter, safety, belonging, and esteem. These needs are not created by society or by marketers. They exist in the very texture of human biology and the human condition.

Wants are desires for specific satisfies of needs. An American needs food and wants a hamburger, French fries, and a Coke. In another society these needs might be satisfied differently. A hungry person in Mauritius may want mangos, rice, lentils, and beans. Although people's needs are few, their wants are many. Human wants are continually shaped and reshaped by social forces and institutions, including churches, schools, families, and business corporations.

Demands are wants for specific products that are backed by an ability and willingness to buy them. Wants become demands when supported by purchasing power. Many people want a Mercedes: only a few are able and willing to buy one. Companies must therefore measure not only how many people want their product but, more importantly, how many would actually be *willing and able* to buy it. These distinctions shed light on the frequent criticism that "marketers create needs" or "marketers get people to buy things they don't want." Marketer s do not create needs: Needs preexist marketers. Marketers, along with other societal influences, influence wants. Marketers might promote the idea that a Mercedes would satisfy a person's need for social status. They do not, however, create the need for social status. Marketers influence demand by making the product appropriate, attractive, affordable, and easily available to target consumers.

IV.______________________________

People satisfy their needs and wants with products. A *product* is anything that can be offered to satisfy a need or want. Occasionally we will use other terms *for product,* such as *offering or solution.* A product or offering can consist of as many as three components: physical good(s). service(s), and idea(s). For example, at last-food restaurant is supplying goods (hamburgers, fries, soft drinks), services (purchasing, cooking, seating), and an idea ("saves me time"). A computer manufacturer is supplying goods (computer, monitor, printer; services (delivery, installation, training, maintenance, repair), and an idea ("computation power"). A church offers less in the way of physical goods (wine, wafer) and more in the way of services (sermon, singing, education, counseling) and ideas (community, salvation).

The importance of physical products lies not so much in owning them as in obtaining the services they render. We buy a car because it supplies transportation service. We buy a microwave oven because it supplies a cooking service. Thus physical products are really vehicles that deliver services to us.

In fact, services are also supplied by other vehicles, such as people, places, activities, organizations, and ideas. If we are bored, we can attend a comedy club and watch a comedian (person); travel to a warm vacationland like Bermuda (place); go to the health club (activity); join a hiking club (organization); or adopt a different philosophy about life (idea). A major trend in the United States is the explosion of services and service organizations. In fact, over 70% of the nation's gross national product and employment occurs in the service sector.

Manufacturers often make the mistake of paying more attention to their physical products than to the services produced in those products. They see themselves as selling a product rather than providing a solution to a need. A carpenter isn't buying a drill; he is buying a hole. A physical object is a means of packaging a service. The marketer's job is to sell the benefits or services built into physical products rather than just describe their physical features. Sellers who concentrate their thinking on the physical product instead of the customer's need are said to suffer from *marketing myopia.*

V. ____________________

How do consumers choose among the many products that might satisfy a given need? Suppose Tom Moore needs to travel three miles to work each day. He could use a number of products to satisfy this need: roller skates, a bicycle, a motorcycle, a car, a taxicab. or a bus. These alternatives constitute his *product choice set.* Now assume that Moore would like to satisfy several additional needs in traveling to work: namely speed, safely, ease, and economy. Each product has a different capacity to satisfy his *need set.* A bicycle is slower, is less safe, and requires more effort than a car, but a bicycle is more economical. Somehow Tom Moore has to decide which product will deliver the most total satisfaction.

The guiding concepts here are value and satisfaction. *Value* is the consumer's estimate of the product's overall capacity to satisfy his or her needs. Suppose Tom is primarily interested in the speed and ease of getting to work. If he were offered any of these products al no cost, he would choose the automobile. But since each product involves a *cost,* he will not necessarily choose the car, which costs substantially more than a bicycle or call ride. Tom will have to give up other things (called the *opportunity cost)* to obtain the car. Therefore, he will consider the product's value and price before making a choice. He will choose the product that produces the most value per dollar. According to DeRose, value is "the satisfaction of customer requirements al the lowest possible cost of acquisition, ownership, and use".

VI. ____________________

The concept of markets brings us Mcircle to the concept of marketing. Marketing means working with markets to actualize potential exchanges for the purpose of satisfying human needs and wants.

When one party is more actively seeking an exchange than the other party, we call the first party a marketer and the second party a prospect. A *marketer is* someone seeking one or more prospects who might engage in an exchange of values. *A prospect* is someone whom the marketer identifies as potentially willing and able to engage in an exchange of values.

The marketer can be a seller or a buyer. Suppose several people want to buy a house that has just become available. Each prospective buyer will try to market himself or herself to the seller. These buyers are actually doing the marketing: in the event that both parties actively seek an exchange, both are marketers and the situation is one *of reciprocal marketing.*

In the normal situation, the marketer is a company serving a market in the face of competitors (Fig. 2.). The company and the competitors send their respective products and messages directly and / or through marketing intermediaries to end users. Their relative effectiveness is influenced In their respective supplies as well as major environmental forces (demographic, economic, physical, technological, political/legal, social/cultural).
Having reviewed these concepts, we can put all the pieces together to define marketing:
MARKETING is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering, and exchanging products of value with others.

VII. ____________________

Coping with exchange processes calls for a considerable amount of work and skill. *Marketing management* takes place when at least one party to a potential exchange thinks about the means of achieving desired responses from other parties.

We will use the following definition of marketing (management) approved by the American Marketing Association:

MARKETING (MANAGEMENT) is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals.

This definition recognizes that marketing management is a process involving analysis, planning, implementation, and control: that it covers goods, services, and ideas;

that it rests on the notion of exchange: and that the goal is to produce satisfaction for the parties involved.

Marketing management can be practiced in any market. Consider a food company. The vice-president of human resources deals in the labor market; the vice-president of purchasing, the raw-materials market. They must set objectives and develop strategies for achieving satisfactory results in these markets. Traditionally, however these executives have not been called marketers, nor have they been trained in marketing. At best, they are "part-time" marketers. Instead, marketing management has historically been identified with tasks and personnel dealing with the *customer market.* We will follow tills tradition, although what we say about marketing applies to all markets.

Marketing work in the customer market is formally carried out by sales managers, salespeople, advertising and promotion managers, marketing researchers, customer-service managers, product and brand managers, market and industry managers, and the marketing vice-president. Each job carries well-defined tasks and responsibilities. Many of these jobs involve managing particular marketing resources such as advertising, salespeople, or marketing research. In contrast, product managers, market managers, and the marketing vice-president manage *programs.* Their job is to analyze, plan, and implement programs that will produce a desired level and mix of transactions with target markets.

The popular image of the marketing manager is someone whose task is primarily to stimulate demand for the company's products. However, this is too limited view of the diversity of marketing tasks performed by marketing managers. *Marketing management has the task of influencing the level, liming, and composition of demand in a way that will help the organization achieve its objectives.* Marketing management is essentially *demand management.* Marketing managers manage demand by carrying out marketing research, planning, implementation, and control. Within *marketing planning,* marketers must make decisions on target markets, market positioning, product development, pricing, distribution channels, physical distribution, communication, and promotion.

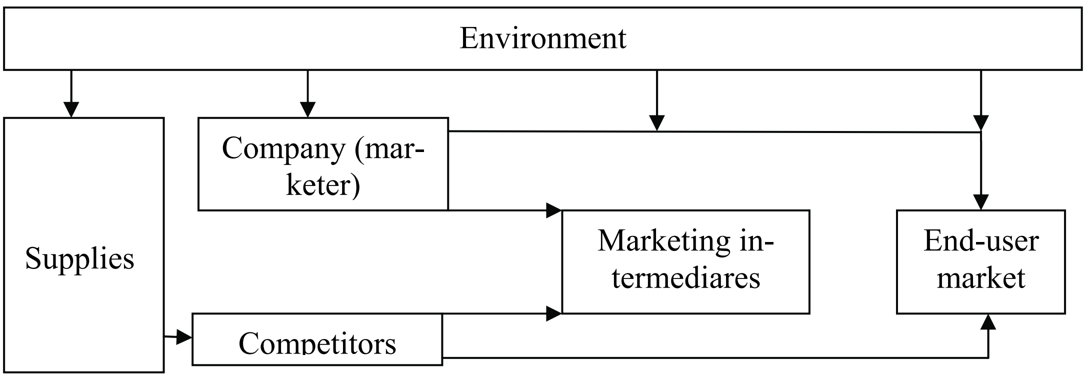


Fig. *2.Main Actors and Forces in a Modem Marketing System*

(from *"Marketing Management. Analysis, Planning, Implementation, and Control"* by *Philip Kotler)*

2. Scanning exercise

Scan the text to find information on three aspects:

a) the guiding concepts of value and satisfactory;

b) the main task of marketing management;
c) marketers and prospects.

3. Vocabulary Study

Glossary

a humbling lesson to business forms
to master the art of marketing
brand name
"marketing myopia"
a turbulent environment
customer input
marketplace
customer loyalty
a human need
needs and wants
ability and willingness to buy specific products
a person's need for social status
target consumers
value, cost, and satisfaction
a product choice set
opportunity cost
a marketer
reciprocal marketing
the notion of exchange
customer market
diversity of marketing tasks
marketing management
marketing planning

a) give the Russian equivalents for the following collocations:

changing marketplace; to provide competitive value; to suffer from "marketing myopia"; to release through enlightened management practice; critical importance of being customer-oriented; to beproduct-driven; to be technology-driven; to design the products without customer input; to maximize customer loyalty; human-needs and wants; a state of deprivation of some basic satisfaction: desires of specific satisfier of needs; to be supported by purchasing power; to influence demand by; available to target consumers; the importance of physical products; the explosion of services and service organization; a different capacity of satisfy someone's need set; the product's overall capacity; to consider the product's value and price; the lowest possible cost of acquisition; ownership and use; to actualize potential exchanges; to engage in an exchange of values; major environmental forces; to serve a market in the face of competitors; marketing intermediaries; end users; raw-materials market; "part-time" marketers; to involve managing particular marketing resources; to analyze, plan, and implement programs; to produce a desired level and mix of transactions with target market; the popular image of marketing tasks; the task of influencing the level, timing, and composition of demand; to improve business thinking; a market-and customer-based view of business success.

h) find in the text English equivalents for the following:

всемогущий покупатель; игнорировать иностранных конкурентов; различия в заработной плате сотрудников и издержках производства в сравнении со среднемировым уровнем затрат; игнорировать факт появления и распространения высоких технологий; овладеть искусством маркетинга; относиться к своим сотрудникам не как к деталям машины, а как к личностям; «маркетинговая близорукость»; принцип «превосходство и качество»; осознать значение ориентации на нужды потребителя; разрабатывать новую продукцию без учета запросов потребителя; различия между нуждами и потребностями человека и спросом; человеческие нужды; удовлетворить потребности индивида в повышении социального статуса; использовать как синоним товара термин «предложение»: значение материальных продуктов; допускать ошибку, уделяя основное внимание производству материальных продуктов и упуская из виду качество услуг, ими предоставляемых; предпочитать скорее продавать товары, чем удовлетворять потребности; образовывать товарный набор вариантов; возможности каждого товара в удовлетворении набора нужд конкретного покупателя; оценка потребителем способности товара удовлетворять нужды в целом; альтернативные издержки; активный субъект рынка; предполагаемый покупатель; взаимный маркетинг; отождествляться с персональными деловыми отношениями на потребительском рынке; управление спросом; направлять на решение задачи; временные рамки и структура спроса.

4. Discussing exercise

a) Part 4 of the text states that "sellers who concentrate their thinking on the physical product instead of the customer's need are said to suffer from marketing myopia." Comment on this quotation considering the present situation in Russian marketing system.
b) Discuss the role of marketing in nonprofit organization.
c) What tasks do you think marketing managers perform? Discuss the main challenges that companies confront (an increased global competition; a serious income gap; environmental deterioration; economic stagnation; political and social problems.)
d) Does marketing concept contrast with other philosophies of doing business? Discuss the purpose of marketing with consideration of modem marketing thinking.

5. Summarizing exercise

Write the plan of the text in the form of statements.
Develop your plan into a summary.

6. Writing exercise

a) Write a precis of Text 7.
b) Write an abstract of Text 7.

Text 8

1. Skimming exercise

*The text headlined **"Marketing Organization"**consists of three logical parts, each of which is clearly structured. Study the list of sub-headings covering the composition of the text skim through the text and choose from the list the best title for each logical part.*

a) The Evolution of the Marketing Department
b) Controlling Marketing Activities
c) Traditional Values
d) Ways of Organizing the Marketing Department
e) Trends in Company Organization
f) Plans for the Future
g) The Importance of Investment

Marketing Organization

I. ____________________

Companies often need to reorganize their business and marketing in response to significant changes in the business environment. These changes include globalization, deregulation, advances in computer technology and telecommunications, market fragmentation, and other developments.

To keep up with these changes, companies are increasingly focusing on developing their core businesses and core competences. This is a change from the 1960s and 1970s, when many companies diversified into totally unrelated industries. Although the industries looked promising, the companies lacked the appropriate skills and knowledge to compete. Prime examples are Mobil's purchase of Montgomery Ward and Exxon's venture into the office-equipment business.

Large companies have also realized that while they are good at scaling up existing businesses, they are less effective in starting new businesses. Small entrepreneurs do the latter “much better”. But some large companies are beginning to cultivate "entrepreneurship" by givingtheir managers more freedom to produce ideas and take some risks.

Companies have also "downsized" and "delayered": They have reduced the number of organizational levels to get closer to the customer. At one time, AT&T had nineteen organizational levels. Clearly, top management was too far removed from customers to fully understand their changing needs. One corrective action was to advise managers at all levels to do more “managing by walking around”. But a more basic corrective was to flatten the organization. Tom Peters proposed that no well-managed organization needed more than five hierarchical levels. The key to a flatter organization was figuring out how each manager “could manage more people, say thirty instead of eight. This could be accomplished by empowering employees to excel at self-management”. As a result of this trend, hierarchy has been giving way to networking. With more companies using computers, electronic mail, and fax; machines, messages increasingly pass between people at different levels of the encourage more teamwork centered around core business processes break down departmental walls. Companies are also trying to break down between themselves and their suppliers and distributors by treating as business partners and including them in the information flow.

П. ___________________________

Over the years, marketing has grown from a simple sales department into a complex group of activities. Here we will examine how marketing departments have evolved in companies, how they are organized.

Marketing departments have evolved through six stages, and today companies can be found in each stage.

Stage 1: simple sales department. Small companies typically appoint a sales vice-president, who manages' a sales force and also does some selling. When the company needs marketing research or advertising, the sales vice-president hires help from the outside (Fig. 1. (a)).

Stage 2:sales department with ancillary marketing functions. As the company expands, it needs to add or enlarge certain marketing functions. For example, an East Coast firm that plans to open in the West will need to conduct marketing research to learn about customer needs and market potential. Afterward, it will have to advertise its name and products in the area. The sales vice-president will need to hire specialists — such as a marketing research manager and an advertising manager — to handle these marketing activities. The sales vice-president might hire a *marketing director* to manage these and other marketing functions (Fig. 1 (b)).

Stage 3: separate, marketing department. The continued growth of the company will warrant additional investment in marketing research new-product development, advertising and sales promotion, and customer service. Yet the sales vice-president normally focuses time and resources on the sales force. The marketing director will plead for a large budget but will usually get less than needed.

Eventually the company president will see the advantage of establishing a separate marketing department headed by a marketing vice-president, who reports, along with the sales vice-president, to the president or executive vice-president (Fig.l (c)). At this stage, sales and .marketing are separate functions that are expected to work closely together.

This arrangement permits the company president to obtain a more balanced view of company opportunities and problems. Suppose sales start slipping and the company president asks for solutions. The sales vice-president might recommend hiring more salespeople, raising sales compensation, running a sales contest, providing more sales training, or cutting the price so that the product will be easier to sell. The marketing vice-president will want to analyze the forces affecting the marketplace. Is the company going after the right segments and customers? Do the target customers have a changing view of the company's and competitors' products? Are changes in product features, styling, packaging, services, distribution, or promotion warranted?

Stage 4: modern marketing department. Although the sales and marketing vice-presidents should work together, their relationship is often strained and marked by distrust. The sales vice-president resents efforts to make the sales force less important in the marketing mix. and the marketing vice-president seeks a larger budget for non- sales force activities.

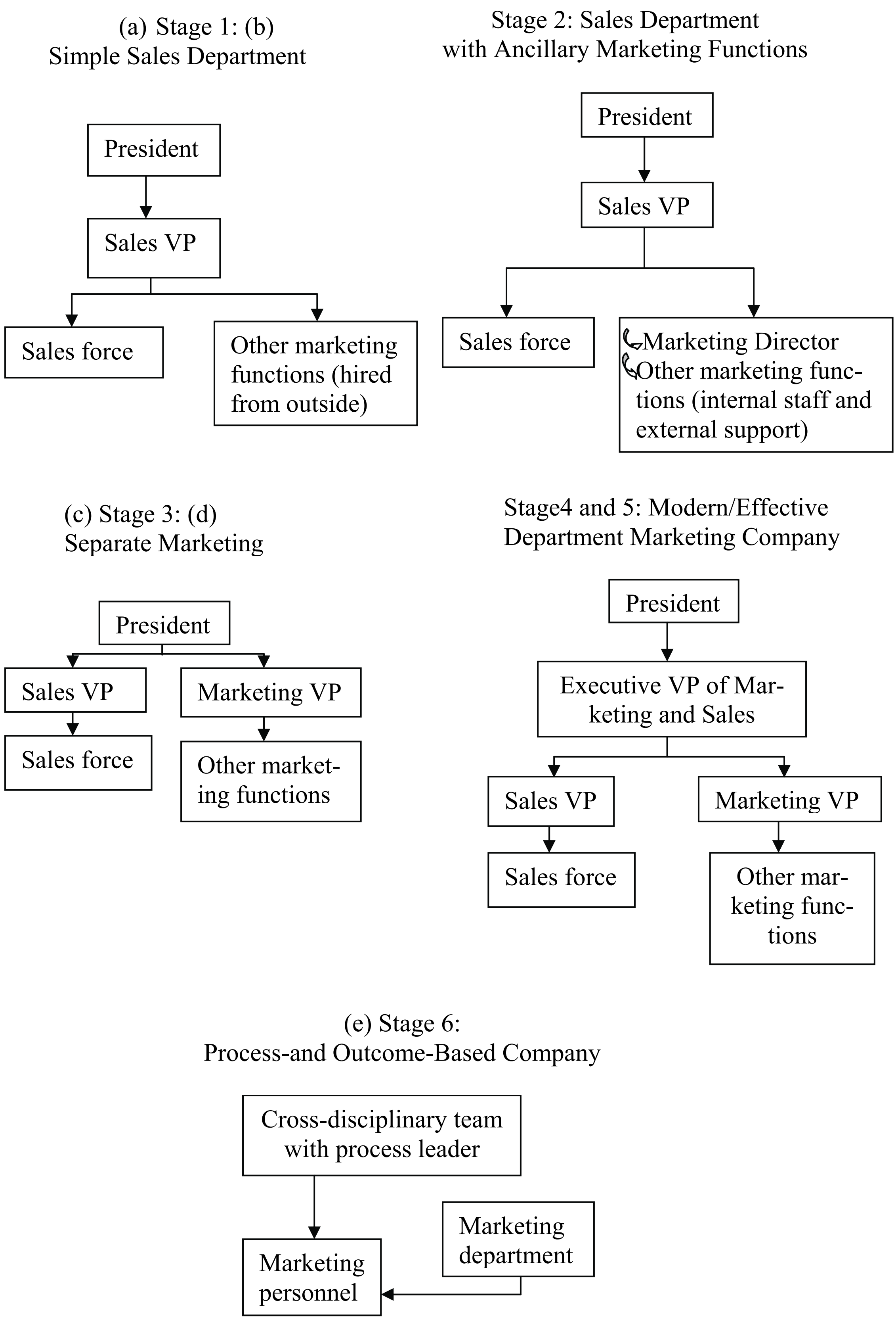
The marketing managers task is to identify opportunities and prepare marketing strategies and programs. Salespeople are responsible for implementing these programs. Marketers rely on marketing research, try to identify and understand market segments, spend time in planning, think long term, and aim to produce profits and gains in market share. Salespeople, in contrast, rely on street experiences, try to understand each individual buyer, spend time in face-to-face selling think short term, and try to meet their sales quotas.

If there is too much friction between sales and marketing, the company president might place marketing activities back under the sales vice-president or instruct-, the executive vice-president to handle conflicts that arise, or place the marketing vice-president in charge of everything, including the sales force. This last solution forms the basis of the modern marketing department, a department, headed by a marketing and sales executive vice-president with managers reporting from every marketing function, including sales management.

Stage 5: effective marketing company. A company may have an excellent marketing department and yet fail at marketing. Much depends on how the company's other departments view customers and their marketing responsibilities. If they point to the marketing department and say, "They do the marketing," the company has not implemented effective marketing.' Only when all of a company's employees realize that their jobs are created by customers who choose the company's products does the company become an effective marketing company. Ironically, in the wake of company cost cutting, downsizing, and delayering marketing and sales departments have been among those hardest hit even though their mission is to grow revenue. Between 1992 and 1994 over 28% of all white-collar job losses came from sales and marketing. To remain effective and valued members of the organization, marketers and salespeople must become more creative in producing and delivering customer value and company profits.

Stage 6: process and outcome-based company. Many companies are now re-focusing their organizational structure on key processes rather than departments. Departmental organization is increasingly viewed as a barrier to the smooth performance of fundamental business processes such us new-product development, customer acquisition and retention, order fulfillment, and customer service. In the interest of achieving certain process outcomes, companies are appointing process leaders who manage cross-disciplinary teams. Marketing people and salespeople are consequently spending an increasing percentage of their time as process team members. As a result, marketing personnel may have a solid line responsibility to their teams, and a dotted line responsibility to the marketing department (Fig.1.(e)). Each team sends periodic evaluations of the marketing member's performance to the marketing department. The marketing department is also responsible for planning more training for its marketing personnel assigning them to new teams, and evaluating their overall performance.

Fig. 1.*Stages in the Evaluation of the Marketing Department*



III. ___________________________

Modern marketing departments can take numerous forms. The marketing department may be organized be organized by function, geographical area, products or brands, and /or customer markets.

FUNCTIONAL ORGANIZATION. The most common form of marketing organization consists of functional-marketing specialists reporting to a marketing vice-president, who coordinates their activities. Figure 2 shows five specialists. Additional specialists might include a customer service manager, a marketing planning manager, and a market-logistics manager.

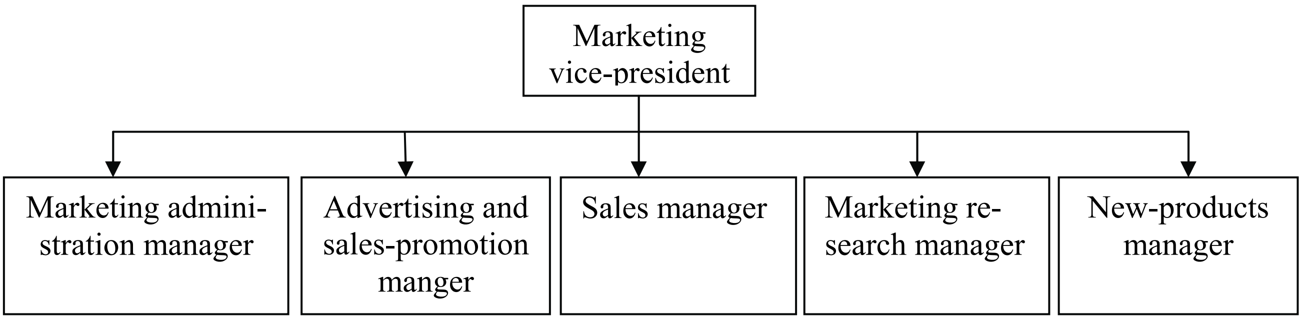


Fig. 2.*Functional Organization*

It is quite a challenge to develop smooth working relations within the marketing department, let alone between marketing and other departments. Vice-president has urged companies to improve the critical interfaces among field sales, customer service and product management groups, since they collectively have a major impact on customer service. He has proposed several ways to form tighter linkages among these three key marketing groups.

The main advantage of a functional-marketing organization is its administrative simplicity. However, this form loses effectiveness as the company's products and markets increase. First, a functional organization often leads to inadequate planning for specific products and markets, since no one has full responsibility for any product or market Products that are not favored by anyone are neglected. Second, each functional group competes with the other functions for budget and status. The marketing vice-president constantly has to weigh the claims of competing functional specialists and faces a difficult coordination problem.

GEOGRAPHICAL ORGANIZATION. A company selling in a national market often organizes its sales force and sometimes other functions, including marketing along geographical lines. The national sales manager may supervise four regional sales managers, who each supervise six zone managers, who in turn supervise eight district sales managers, who supervise ten salespeople.

Several companies are now adding *area market specialists* (regional or local marketing managers) to support the sales efforts in high-volume, distinctive markets. One such market might be Miami, which has a Latino population of 56%, as compared to neighboring Fort Lauderdale, with a Latino population of only 4 percent. The local market specialist for Miami, for example, would know Miami's customer and trade makeup in great detail: help headquarters -marketing managers adjust their marketing mix for Miami; prepare local annual and long-range plans for selling all the company's products in Miami; and helpsell their field salespeople on the new programs.

Several factors have fueled the move toward regionalization and localization. First, the U.S. mass market for most products has slowly subdivided into a profusion of minimarkets, baby boomers, senior citizens, African-Americans, single mothers — the list goes on. Today, marketers find it difficult to create a single product or program that appeals to all of these diverse groups. Just consider these demographic figures and you can see why marketers cannot look at the United States as one homogenous country.

Second, improved information and marketing research technologies have also spurred regionalization. For example, data from retail-store scanners allow instant tracking of product sales from store to store, helping companies pinpoint local problems and opportunities that might call for localized marketing actions. A third important factor is the increasing power of retailers. Scanners give retailers mountains of market information, and this information gives them power over manufacturers. Retailers are often like to know about large, national marketing campaigns aimed at masses of consumers. They strongly prefer local programs tied to their own promotion efforts and aimed at consumers in their own cities and neighborhoods. Thus, to keep retailers happy and to get shelf space for their products, manufacturers must know a lot more of their marketing budgets to local, store-by-store promotions.

PRODUCTOR BRAND-MANAGEMENT ORGANIZATION. Companies producing a variety of products and brands often establish a product- (or brand-) management organization. The product-management organization does not replace the functional-management organization but rather serves as another layer of management. The product-management organization is headed by a products manager who supervises product category managers, who in turn supervise specific product and brand managers. A product-management organization makes sense if the company's products are quite different, or if the sheer number of products is beyond the ability of a functional-marketing organization to handle.

Product management first appeared in the Procter &Gamble Company in 1927. A new company soap, Camay, was not doing well, and one of the young executives, Neil H. McElroy (later president of P&G), was assigned to give his exclusive attention to developing and promoting this product. He did it successfully, and the company soon added other product managers.

Since then, many firms have established product-management organizations. Kraft General Foods, for example, uses a product-management organization in its Post Division. There are separate product category managers in charge of cereals, pet food, and beverages. Within the cereal product group, there are separate product managers for nutritional cereals, children's presweetened cereals, family cereals, and miscellaneous cereals.

The product manager's role is to develop product plans, implement them, monitor the results, and take corrective action when necessary. This responsibility breaks down into six tasks:

- Developing a long-range and competitive strategy for the product;
- Preparing an annual marketing plan and sales forecast;
- Working with advertising and merchandising agencies to develop copy, programs, and campaigns;
- Stimulating support of the product among the sales force and distributors;
- Gathering continuous intelligence on the product's performance, customer and dealer attitudes, and new problems and opportunities:
- Initialing product improvements to meet changing market needs.

These basic functions are common to both consumer- and industrial-product managers. However, consumer-product managers typically manage fewer products than industrial-product managers. They also spend more time on advertising, sales promotion, and working with others in the company and various agencies. They are often younger and MBA-educated. Industrial-product managers, in contrast, spend more time with customers and laboratory and engineering personnel, think more about the technical aspects of their product and possible design improvements, and work more closely with the sales force and key buyers. They pay less attention to advertising, sales promotion, and promotional pricing. They emphasize rational product factors over emotional ones.

The product-management organization introduces several advantages. First, the Product manager can concentrate on developing a cost-effective marketing mix for the product. Second, the product manager can react more quickly to problems in the marketplace than a committee of functional specialists can. Third, the company's smaller brands are less neglected, because they have a product advocate. Fourth, product management is an excellent training ground for young executives, for it involves them in almost every area of company operations.

But a product-management organization is not without its disadvantages. First, product management creates some conflict and frustration. Typically, product managers are not given enough authority to carry out their responsibilities effectively. They have to rely on persuasion to get the cooperation of advertising, sales manufacturing, and other departments. They are told they are “minipresidents” but are often treated as low-level coordinators. They are burdened with a great amount of "housekeeping" paperwork. They often have to go over the heads of others to get something done.

Second, product managers become experts in their product but rarely become experts in any of the functions. They facilitate between posing as experts and being cowed by real experts. This is unfortunate when the product depends on a specific type of expertise, such as advertising.

Third, the product-management system often turns out to be costlier than anticipated. Originally, one person is appointed to manage each major product. Soon product managers are appointed to manage even minor products. Each product manager, usually overworked, pleads for and gets an associate brand manages. Later, both overworked, they persuade management to give them an assistant brand manager. With all these people, payroll costs climb. In the meantime, the company continues to increase its functional specialists in copy, packaging, media, sales promotion, market surveys, statistical analysis, and so on. The company becomes saddled with a costly structure of product-management people and functional specialists.

Fourth, brand managers normally manage their brand for only a short time. Either product managers move up in a few years to another brand or they transfer to another company, or they leave product management altogether. Their short-term involvement with the brand leads to short-term marketing planning and plays havoc with building up the brand's long-term strengths.

Fifth, the fragmentation of markets means that it gets harder to develop a national strategy from headquarters. Brand managers must please more regional-based trade groups and rely more on the local sales force and on local sales promotion.

Pearson and Wilson have suggested five steps to make the product-management system work better:

Clearly delineate the limits of the product manager's role and responsibility for the product. At too many companies, product managers are essentially proposes, not deciders.

Build a strategy-development-and-review process to provide an agreed-to framework for the product manager's operations. Too many companies allow product managers to get away with shallow marketing plans featuring a lot of statistics but little strategic rationale.

Take into account areas of potential conflict between product managers and functional specialists when defining their respective roles. Clarify which decisions are to be made by the product manager, which by the expert, and which will be shared.

Set up a formal process that forces to the top all conflict-of-interest situations between product management and functional line management. Both parties should put the issues in writing and forward them to general management for settlement.

Establish a system for measuring results consistent with the product manager's responsibilities. If product managers are accountable for profit, they should be given more control over the factors that affect profitability.

A second alternative is to switch from a product-manager to a product-team approach. There are three types of product-team structures in product management.

Vertical product team: Consists of a product manager, associate product manager, and product assistant. The product manager is the leader and primarily deals with other managers to gain their cooperation. The associate product manager assists in these tasks and also does some paperwork. The product assistant carries out most of the paperwork and routine analysis.

Triangular product leant: Consists of aproduct manager and two specialized product assistants, one who takes care of marketing research and the other, marketing communications. This design is used at the Illinois Central Railroad, where three-person teams manage different commodities. Also, the Hallmark Company uses a "marketing team" consisting of a market manager (the leader), a marketing manager, and a distribution manager.

Horizontal product team: Consists of a product manager and several specialists from marketing and other functions. 3M has teams consisting of a team leader and representatives from sales, marketing, laboratory, engineering, accounting, and marketing research. Dow Corning sets up teams of five to eight people; each team manages a product, market, or process. For example, one team manages the process of manufacturing and selling silicone to companies making shampoos, and another team manages coatings for printed circuit boards sold to computer companies.

A third alternative is to eliminate product-manager positions for minor products and assign two or more products to each remaining product manager. This is especially feasible where two or more products appeal to a similar set of needs. Thus cosmetics company does not need separate product managers for each cosmetic product because cosmetics serve one major need—beauty—whereas a toiletries company needs different managers for headache remedies, toothpaste, soap, and shampoo, because these products differ in their use and appeal.

A fourth alternative is to introduce *category management,* in which a company focuses on product categories to manage its brands. For example, P&G found too much internal competition among its brands in each category; Puritan and Crisco were both Fighting for a budget increase, and Cheer started to copy the same claim as Tide, thus diluting Tide's positioning. P&G's answer: Brand managers are now accountable to a new corps of category managers, who resolve conflicts, protect positioning, allocate budgets, and develop new brands for the category. Category management is also a response to the fact that supermarkets are reorganizing along category buying lines

(from "*Marketing Management. Analysis, Planning, Implementation, and Control"*by *Philip Kotler)*

2. Scanning exercise

Scan the text to find the following:

a) Advantages and disadvantages of the product-management organization.
b) Three types of Product Teams.
c) Process - and Outcome-based company.

3. Vocabulary Study

Glossary

globalization;
market;
fragmentation;
to diversify onto totally unrelated industries;
to cultivate "entrepreneurship";
to reduce the number of organizational level;
"managing by walking around";
to flatten the organization;
networking;
to include smth in the informational flow;
simple sales department;
ancillary marketing functions;
separate marketing department;
sales force;
modern marketing department;
effective marketing company;
process- and outcome-based company;
functional organization;
functional-marketing specialists;
area market specialists;
regionalization;
product or brand-management organization;
consumers- and industrial-product managers;
to develop a national strategy from headquarters;
regional-based trade groups;
to build a strategy-development-and-review process;
vertical product team;
triangular product team;
horizontal product team;
category management

a) find the text equivalents for the following:

удалять лишние уровни организационной структуры; быть ближе к покупателю; сетевая структура; включаться в информационные потоки; простой отдел сбыта; менеджер по маркетинговым исследованиям; отдел сбыта, выполняющий функции маркетинга; осуществлять более сбалансированный подход к оценке возможностей и проблем своей фирмы; самостоятельный отдел маркетинга; современный отдел маркетинга; мероприятие неторгового характера; эффективная маркетинговая компания; компания, основанная на бизнес-процессах и результатах; изменить организационную структуру, фокусируя её на ключевых бизнес-процессах, а не на отделах; организация по отделам; функциональная организация; географическая организация; организация по товарам и/или маркам.

h) find the following English word-combinations in the text and think of corresponding Russian equivalents:

to lack the appropriate skills and knowledge to compete; to advice managers at all levels to do more "managing by walking around"; to encourage more teamrwork centered around core business processes; to obtain a more balanced view of company opportunities and problems; to seek a larger budget for non-sales force activities; to identify opportunities and prepare marketing strategies: to refocus organizational structure on key processes rather than departments; to be beyond the ability of a functional-marketing organization to handle; a product-team approach.

4. Summarizing exercise

Sum up the main points presented in the text.
Write the plan of the text in the form of statements. Develop your plan into a summary.

5. **Writing exercise**

Write an abstract of Text 8.

Text 9

1. P re-text exercise

Skim through the text and identify how many logical part there are in it. Enumerate them. Define the aspects under discussion in each logical part of the text.

Marketing's Relations with Other Departments

In principle, all the functions of a business should interact harmoniously to pursue the firm's overall objectives. In practice, however, interdepartmental relations are often characterized by deep rivalries and distrust. Some interdepartmental conflict stems from differences of opinion as to what is in the company's best interests, some from real trade-offs between departmental well-being and company well-being, and some from unfortunate departmental stereotypes and prejudices.

In the typical organization, each business function has a potential impact on custom satisfaction. Under the marketing concept, all departments need to "think customer" and work together to satisfy customer needs and expectations. The marketing department must drive this point home. The marketing vice-president has two tasks: (1) to coordinate the company's internal marketing activities and to (2) coordinate marketing with finance, operations, and other company functions to serve the customer.

Yet there is little agreement on how much influence and authority marketing should have over other departments to bring about coordinated marketing. Typically, the marketingvice-president must work through persuasion rather than authority. This situation is well illustrated in the case of the marketing vice-president of a major European airline. His mandate is to build up his airline's market share. Yet he has no authority over other functions that affect customer satisfaction: He can't hire or train the cabin crew (personnel department). He can't determine the type or quality of food (catering department). He can't enforce cleanliness standards on the plane (maintenance department). He can't determine schedules (operations department). He can't establish the fares (finance department). What does he control? He controls marketing research, the sales force, advertising, and promotion. But he must work through the other departments to shape key determinants of customer satisfaction.

Other departments often resist bending their efforts to meet the customers' interests. Just as marketing stresses the customer's point of view, other departments stress the importance of their tasks. Inevitably, departments define company problems and goals from their point of view. As a result, conflicts of interest are unavoidable. Table 1 summarizes the main differences in orientation between marketing and other departments. We will briefly examine the Epical concerns of each department.

R&D. The company's drive for successful new products is often thwarted by weak working relations between R&D and marketing. In many ways, these groups represent different cultures in the organization. The R&D department is staffed - with scientists and technicians who pride themselves on scientific curiosity and detachment, like to work on challenging technical problems without much concern for immediate sales payoffs, and prefer to work without much supervision or accountability for research costs. The marketing sales department is staffed with business-oriented people who pride themselves on a practical understanding of the marketplace like to see many new products with sales features that can be promoted to customers, and be compelled to pay attention to costs. Each group often carries negative stereotypes of the other. Marketers see the R&D people seeking to discover or maximize technical qualities rather than design for custom requirements, while R&D people see marketers as gimmick-oriented who are more interested in sales than in the product's technical features, stereotypes get the way of productive teamwork.

A balanced company is one in which R&D and marketing share responsibility for successful market-oriented innovation. The R&D staff takes responsibility not for innovation alone but for a successful product launch. The marketing staff takes responsibility not for new sales features alone but also for helping identify- new ways to satisfy needs.

Gupta, Raj, and Wilemon concluded that a balanced R&D-marketing coordination is strongly correlated with innovation success. R&D-marketing cooperation cm be facilitated in several ways:

- Sponsor joint seminars to build understanding and respect for each other's goals, working styles, and problems.
- Assign each new project to functional teams including an R&D person and a marketing person, who work together through the life of the project. R&D and marketing jointly establish the development goals and marketing plan.
- Allow for R&D's continued participation into the selling period, including involvement in preparing technical manuals, participating in trade shows, carrying out postintroductory marketing research with customers, and even doing some selling.
- Work out conflicts by going to higher management, following a clear procedure. In one company R&D and marketing both report to the same vice-president.

ENGINEERING. Engineering is responsible for finding practical ways to design new-products and new production processes. Engineers are interested in achieving technical quality, cost economy, and manufacturing simplicity. They come into conflict with marketing executives when the latter want several models to be produced, often with product features requiring custom rather than standard components. Engineers see marketers as wanting "bells and whistles" on the products rather than intrinsic quality. They often think of marketing people as inept technically, as continually changing priorities, and as not fully credible or trustworthy. These problems are less pronounced in companies where marketing executives have engineering backgrounds and can communicate effectively with engineers.

PURCHASING. Purchasing executives are responsible for obtaining materials and components in the right quantities and quality at the lowest possible cost. They see marketing executives pushing for several models in a product line, which requires purchasing small quantities of many items rather than large quantities of a few items. They think that marketing insists on too high a quality of ordered materials and components. They also dislike marketing's forecasting inaccuracy, which causes them to place rush orders at unfavorable prices and to carry excessive inventories.

MANUFACTURING. Manufacturing people are responsible for the smooth running of the factory to produce the right products in the right quantities at the time for the right cost. They have spent their lives in the factory, with its at problems of machine breakdowns, inventory stockouts and labor disputes. They see marketers as having little understanding of factor economics or Politics. Marketers will complain about insufficient plant capacity, delays in production, poor quality control, and poor customer service. Yet marketers often turn in inaccurate sales forecasts, recommend product features that are difficult to manufacture, and promise more factory service than is reasonable.

Marketers do not see the factory's problems, but rather the problems of their customers, who need the goods quickly, who receive defective merchandise, and who cannot get factory service. Marketers often don't show enough concern for the extra factory costs involved in helping a customer. The problem is not only poor communication but an actual conflict of interest.

Companies settle these conflicts in different ways. In *manufacturing-driven companies* everything is done to ensure smooth production and tow costs. The company prefers simple products, narrow product lines, and high-volume production.. Sales campaigns calling for a hasty production buildup are kept to minimum. Customers on back order have to wait.

Other companies are *marketing driven,* in that the company goes out of this way to satisfy customers. In one large toiletries company, the marketing personnel call the shots, and the manufacturing people have to fall in line, regardless of overtime costs, short runs, and so on. The result is high and fluctuating manufacturing costs as well as variable product quality.

Companies need to develop a balanced orientation in which manufacturing and marketing jointly determine what is in the company's best interests. Solutions include joint seminars to understand each other's viewpoint, joint committees and liaison personnel, personnel exchange programs, and analytical methods to determine the most profitable course of action.

Company profitability is greatly dependent on achieving effective manufacturing-marketing working relations. Marketers need to understand the marketing potentials of new manufacturing strategies — the flexible factory, automation and robotization, just-in-time production, total quality management, and so on. Manufacturing strategy depends upon whether the company wants to win through low cost, high quality, high variety, or fast service. Manufacturing is also a marketing tool insofar as buyers often want to visit the factory to assess how well it is managed.

OPERATIONS. The term "manufacturing" is used for industries making physical products. The term "operations" is used for industries that create and provide services. In the case of a hotel, for example, the operations department includes front desk people, doormen, waiters and waitresses, and so on. Because marketing makes promises about the company's service levels, it is extremely important that marketing and operations work well together. If operations personnel lack a customer orientation and motivation, negative word-of-mouth will eventually destroy the business. The operations staff member may be inclined to focus on his or her own convenience, exhibit a normal attitude and give ordinary service, while marketers want the staff to focus on customer convenience, show a positive and friendly disposition, and provide extraordinary service. Marketing people must fully understand the capabilities and mind-set of those delivering the service and continuously try to improve their attitudes and capabilities.

FINANCE. Financial executives pride themselves on being able to evaluate the profit implications of different business actions. When it comes to marketing expenditures, they frustrated. Marketing executives ask for substantial budgets for advertising, sales promotions, and sales force, without being able to prove how much sales revenue these expenditures will produce. Financial executives suspect that the marketers' forecasts are self-serving. They think that marketing people do not spend enough time relating marketing expenditures to results. They think *that* marketers are too quick to slash prices to win orders, instead of pricing to make a profit.

On the other side of the coin, marketing executives often see financial people as controlling the purse strings too tightly and refusing to invest funds in long-term market development. They think that Financial people see all marketing expenditures as expenses rather than investments and are overly conservative and risk averse, causing many opportunities to be lost. The solution lies in giving marketing people more Financial training and giving financial people more marketing training. Financial executives need to adapt their financial tools and theories to support strategic marketing.

ACCOUNTING. Accountants see marketing people, as lax in providing their sales reports on time. They dislike the special deals that salespeople make with customers because these require special accounting procedures. Marketers dislike the way accountants allocate fixed-cost burdens to different products in the line. Brand managers may feel that their brand is more profitable than it looks, the problem being that it was assigned too high an overhead burden. They would also like accounting to prepare special reports on sales and profitability by channels, territories, order sizes, and so on.

CREDIT. Credit officers evaluate potential customers credit standing and deny or limit credit to the more doubtful ones. They think that marketers will sell to anyone, including those from whom payment is doubtful. Marketers, in contrast, often feel that credit standards are too high. They think that "zero bad debts" really means that the company lost a lot of sales and profits. They feel they work too hard to find customers to hear that they are not good enough to sell to.

Table 1:

Organizational Conflicts between Marketing and Other Departments

DEPARTMENT	DEPARTMENT EMPHASIS	MARKETING'S EMPHASIS
R&D	Basic research Intrinsic quality Functional features	Applied research Perceived quality Sales features
Engineering	Long design lead time Few models Standard components	Short design lead time Many models Custom components
Purchasing	Narrow product line Standard parts Price of material Economical lot sizes Purchasing at infrequent inter-vals	Broad product line Nonstandard parts Quality of materials Large lot sizes to avoid stock-outs Immediate purchasing at infre-quent intervals
Manufacturing	Long production lead time Long runs with few models No model changes Standard orders Ease of fabrication Average quality control	Short production lead time Short runs with few models Frequent model changes Custom orders Aesthetic appearance Tight quality control
Operations	Staff convenience Normal disposition Ordinary service	Customer convenience Pleasant disposition Extraordinary service
Finance	Strict rationales for spending Pricing to cover costs Hard and fast budgets	Intuitive arguments for spending Pricing to further market devel-opment Flexible budgets to meet changing needs
Accounting	Standards transaction Few reports	Special terms and discounts Many reports
Credit	Full financial disclosures by customers No credit risk Tough credit terms Tough collection procedures	Minimum credit examination of customer Some credit risk Easy credit terms Easy collection procedures

2. Scanning exercise

Scan the text to find information on three aspects:

a) two tasks of marketing vice-president;
b) the marketing department relation with Finance Department;

c) the problems and conflicts with manufacturing Department.

3. Vocabulary Study

Glossary

interdepartmental relations
to have a potential impact on customers
to interact harmoniously
to pursue the firms overall objectives
the main differences in orientation between marketing and other departments
basic research
functional features
custom components
average quality control
staff convenience
strict rationales for spending
tough credit terms
standard transaction
full financial disclosures by customers
to develop a balanced orientation

a) find in the text English equivalents for the following:

быть согласованным для поиска общих целей компании; конкуренция и недоверие; расхождение во взглядах относительно интересов компании; устоявшиеся стереотипы и предубеждения, существующие в отделах компании; согласно маркетинговой конкуренции; думать о клиенте и координировать работу в целях удовлетворения его потребностей и ожиданий; степень властных полномочий отдела маркетинга по координации согласованной работы всех служб компании; конфликты интересов неизбежны.

b) find the following English word-combinations in the text and think of corresponding Russianequivalents:

under the marketing concept; little agreement; no authority over the functions that affect customer satisfaction; to resist bending the efforts to meet the customer's interests; to work on challenging technical problems without much concern for immediate sales payoffs; to prefer lo work without much supervision; an actual conflict of interest; manufacturing-driven companies; to be dependent on achieving effective manufacturing-marketing working relations; being able to evaluate the profit implications of different business actions; to see all marketing expenditures as expenses rather than investment.

4. Discussing exercise

Discuss the marketing department's relation and problems to each of the company's other departments.
What step can a company take to build a stronger company wide market focused orientation?
Discuss the main problems and conflicts a company can face.

5. Writing exercise

a) Write a precis of Text 9.
b) Write an abstract of Text 9.

Text 10

1. **Pre-reading exercise.**

Skim through the text and identify how many logical parts are in it and enumerate them. Define the aspects under discussion in each logical part of the text.

STRATEGIC PLANNING IN GLOBAL MARKETS

In international markets, however, strategic marketing plans aren't easy to formulate and implement, for reasons pertaining to environmental differences among nations and the frequent paucity of information about these differences. Entering a foreign market often means dealing with volatile currencies, learning a new language and laws, facing political and legal differences and harassments, and totally redesigning products to meet discrete customer needs.

Because of environmental differences, when strategic plans evolve to enter or grow in foreign markets, special emphasis is placed on the "environmental analysis" component to address a question like this.

• Should we enter this market? Do the potential rewards of entering a foreign market justify the costs and risks involved?

Although there are many approaches for entry and growth in risky international markets, most firms generally follow a cautious, staged approach designed to minimize risk and cost while maintaining control and flexibility. Suchan approach typically encompasses the following stages:

Initially, the firm achieves international status by entering one or two host-country (foreign) markets that best match characteristics of home-country (domestic) markets. Canada is overwhelmingly the country of choice for U.S. firms. Firms that achieve international status mainly export or import products or buy and sell products to capitalize on price differentials in different nations. Host-country facilities are used initially to market the firm's products, later supported by home-country personnel, supply purees, finances, and facilities.

Then, learning from a hopefully successful experience, multinational status is achieved as additional foreign countries are entered, with greater usemade of host-country personnel, supply sources, finances, and facilities. Multinational does not simply imply doing business in many countries; rather, it refers to companies that produce products or have subsidiaries add value in one or more foreign countries, as opposed to merely trading. This is what the Japanese did in transplanting automobile manufacturing to the United States after years of just marketing their automobiles here.

The world's seven largest multinational corporations were ranked this My in Fortune magazine, July 25, 2005:

Rank	Company	Country	Revenues ($ millions)
1	Wal-Mart Stores	U.S.	287,989.0
2	BP	Britain	285,059.0
3	Exxon Mobil	U.S.	270,772.0
4	Royal Dutch/Shell	Britain/Netherlands	268,690.0
5	General Motors	U.S.	193,517.0
6	DaimlerChrysler	Germany	176,687.0
7	Toyota Motors	Japan	172,616.0

Multinationals are often categorized by their stage of development. First stage companies operate in one country and sell into others; second stage firms set up foreign subsidiaries to handle sales in one country, and third stage firms operate an entire line of business in another country. Fourth stagemultinationals, which evolved primarily from the Internet and involve mostly high tech companies, situate top executives and core corporate functionswherever the firm can gain a competitive edge through low costs, talent or capital availability, or proximity to key customers.

Conceivably, over time, a firm achieves global status. This term refers to firms that take advantage of synergies among their various affiliates, planning strategies according to the comparative advantage of each country location, and using the same production and marketing resources to form acoherent operation spanning several countries so as to achieve economies of scale and scope. Global companies search for global synergies, as opposed to running several parallel but separate multinational operations.

A key difference between global and multinational status is that global status usually implies global marketing standardization, which assumes that markets throughout the world are becoming more alike and that products and services can be sold the same way all over the world. Examples of successful global marketers include Coca-Cola, Colgate-Palmolive, and McDonald's.

How should we enter this market? While passing through these stages from international to global status, companies engage in one or more entry and growth strategies, depending on such considerations as the firm's strategic objectives, the product being marketed, and political, legal, economic, and competitive threats and opportunities in the host countries. Typically, a firm begins with an exporting strategy during the first, international stage, then moves to joint venture and direct ownership strategies during multinational and global stages. As shown in Figure 1, commitment, risk, resource needs, and degree of control all increase with joint venture and direct ownership strategies. Flexibility, the ability to change or terminate an entry strategy, is highest with joint ventures, lowest with direct ownership.

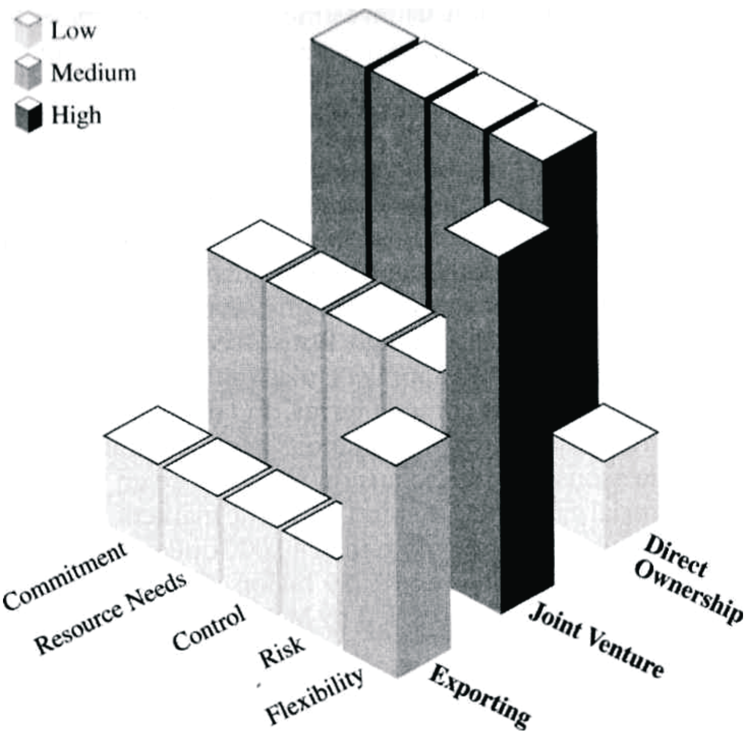


Fig. 1. Dimensions characterizing alternative global market entry

Following are characteristics, pros, and cons of these strategies:

- Exporting: Using this strategy, the exporting firm markets products produced in the United States to foreign customers either directly— usually through the firm's salesforce, or brokers, or export merchants located in the United States or the host country—or indirectly, through host-country distributors. This low-risk, low-cost approach works best when customers are concentrated and easy to locate. A big drawback is that there is less control over host-country distributors, who may not be knowledgeable enough to market the firm's products.

- Joint ventures: This strategy can assume a number of formats, all of which have in common a partnership arrangement between the exporting firm and a host-country company to combine some aspect of manufacture or marketing in order to share expertise, costs, and/ or connections. Potential advantages of joint ventures include lower costs and more favorable trading terms because foreign ownership is established. (Some countries require joint ownership with a local company as an entry condition).

Potential disadvantages include losing patents and profits to host-country owners or, if the firm isn't wise enough to maintain a controlling interest in the jointly held company, losing complete control. Also, the possibility exists that a host-country co-owner can become a competitor.

Joint ownership formats include the following:

1. **Licensing**occurs when, for a fee or royalty, a host-country company is assigned some rights, such as the use of patents, trademarks, or marketing expertise. Licensing is often a low-risk way to establish foreign production with minimal capital outlays, prevent free use of assets by foreign firms, and generate income in markets where

exportation or investment is not feasible. The licensormust exercise sufficient control over property quality, pricing, and distribution by the licensee, and hope the licensee doesn't become another competitor.

2. **Franchising**is a form of licensing whereby the exporter (that is, the franchiser) grants an independent entity (the franchisee) the right to do business in a prescribed manner. This right can entail selling the firm's products and/or using its name, and production and marketing techniques. Although there are myriad problems involved in franchising foreign firms – securing good locations, finding franchisees and suppliers, maintaining standards and cost controls, agreeing on contract terms, and the like – the expansion of U.S. franchisers into global markets has been dramatic since the 1960s. Reasons for this expansion include foreign market potential, financial gain, and saturated domestic markets. More than 400 U.S. franchisers operate more than 40,000 outlets in foreign countries, bringing in sales of over $9 billion. Over half are fast food restaurants and businesses, led by McDonald's and Coca-Cola.

3. **Contract manufacturing**or private-label manufacturing by aforeign company, entails negotiating contracts under which host-country companies manufacture the exporter's products, with the exporter keeping control of any patented processes. Like management contracting, under which the exporter only contracts to provide management expertise to a host-country manufacturer or marketer, contract manufacturing represents an effective way to generate income through trade with little capital outlay: the foreign company produces an agreed-on volume of products to specification, usually with the domestic company handling the marketing. Both options are most frequently used in start-up operations, in the face of host-country ownership restrictions, and for facilities with operating problems. Although these options avoid most risks of global market participation, they also forfeit many benefits, and are therefore generally seen as a last line of defence.

4. **Turnkey operations**are specialized management contracts in which the exporting company provides complete operating facilities for a host-country client, including all associated equipment, materials, programs, and expertise. This package arrangement assigns responsibility to one source, thereby easing negotiation, supervision, and accountability problems for the host-country client. To the extent that turnkey operations are owned and controlled by the host-country client, they are often perceived by foreign governments as acceptable alternatives to foreign direct investment.

5. **Joint ownership arrangements**, whereby exporters join with foreign investors to create local businesses in which they share ownership and control of manufacturing and marketing programs, are often the best way for a firm to spread geographically at a faster rate and to help spread fixed costs over a larger sales base. Shared ownership also helps firms identify synergies among multiple partners in different countries and assume a local character to deflect host-country criticism of foreign ownership.

6. **Strategic alliances**are special forms of joint ventures designed to achieve competitive advantages by leveraging capabilities, increasing innovation, and improving flexibility in responding to market threats and opportunities: they may be between manufacturers, or between manufacturers and customers, suppliers, distributors, or channel intermediaries. Firms comprising the alliance, at either the corporate or industry level, have common business objectives that focus on such areas as improved profitability, product development, cost sharing, new technologies, and better organization or management. Penetrating foreign markets, protecting domestic markets, co-opting competitors, and spreading cost and risk are all reasons for forming a strategic-alliance.

(from "Marketing" by Richard L. Sandhusen)

2. ***Scanning exercise***

Scan Text 10 to find information on aspects:

a) Global status
b) Strategic alliances
c) Multinational status
d) Direct ownership

3. ***Vocabulary study exercise***

Glossary

Demand states
Diversification growth strategies
Exporting
Follower strategies
Franchising
Global status
Integrative growth strategies
Intensive growth strategies
International status
Joint ownership arrangements
Joint ventures
Licensing
Market development strategies
Microenvironment
Mission statement
Multinational status
Niche strategies
Strategic alliances
Strategic marketing planning
Turnkey operations
Host-country personnel
Global marketing standardization
Economies of scale and scope
Global synergies
Host-country criticism of foreign ownership
Co-opting competitors

a) Match the strategy in the first column with one of the concepts below:

1. **Backward integration**

2. **A penetration strategy**

3. **Horizontal diversification strategies**

4. **Conglomerative diversification strategies**
5. **A product development strategy**
6. **Concentric diversification strategies**
7. **Forward integration**
8. **Horizontal integration**
9. **A market development strategy**

a) Focus(es) on more aggressive marketing of existing products, typically producing revenues and profits by (1) persuading present customers to use more of the product, (2) attracting customers from competitors, or (3) persuading undecided customers to become prospects.

b) Focus(es) on attracting members of new markets. For example, in the case of MM training systems, these new customers might come from unserved professional market segments, new geographical segments (foreign markets, for example), or new institutional segments (for example, hospital personnel enrolling in electronic administration courses).

c) Involve(s) developing new products to attract members of existing markets. With MM systems, additional customers might result from developing new training software for existing target markets, such as courses for tax accountants covering recent decisions of tax courts. New customers might also result from new ways to package and promote existing training programs, such as bonus features offered with systems purchased.

d) Occur(s) when the firm increases its control over its supply sources, as when a retailer like Sears or A&P controls its wholesaler supply sources.

e) Occur(s) when the firm increases its control over its distribution system, as when a large refinery owns and controls its network of service stations.

f) Occur(s) when the firm increases its control over its competitors. For example, institutions like hospitals and colleges will often negotiate consortium arrangements whereby each member specializes in a single area (for example, heart transplants or accounting doctorate degrees).

g) Entail(s) adding new products to a firm's product line that are unrelated to the firm's existing products but designed to appeal to members of the firm's target markets. For example, Starbucks sells Paul McCartney CDs unrelated to their main product line.

h) Entail(s) marketing new products unrelated to the existing product line. Unlike horizontal diversification, these strategies are designed to attract new categories of customers. Illustration of this was the purchase of Universal Film Studios by the Seagram Corporation, a large distillery.

i) Introduce(s) new products bearing technological or marketing similarities to existing products designed to attract new market segments. For example, when Viacom purchased Paramount film studios to enhance the value of its cable channels and TV networks and build a lucrative film library, it was diversifying concentrically.

4. Discussing exercise

1. *Discuss how the steps in the strategic marketing planning are closely interconnected.*

2. *Highlight similarities and differences between marketing stages in domestic (home) and international markets.*