

Arab World
Edition

MANAGEMENT

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Management

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THINKING ABOUT MANAGEMENT ISSUES

1. Why is decision making often described as the essence of a manager's job?
2. How might an organization's culture influence the way managers make decisions?
3. All of us bring biases to the decisions we make. What would be the drawbacks of having biases? Could there be any advantages to having biases? Explain. What are the implications for managerial decision making?
4. Would you call yourself a linear or nonlinear thinker? What are the implications for choosing the type of organization where you want to work?
5. "As managers use computers and software tools more often, they will be able to make more rational decisions." Do you agree or disagree with this statement? Why?
6. How can managers blend the guidelines for making effective decisions in today's world with the rationality and bounded rationality models of decision making? Or can managers not do this? Explain.
7. Is there a difference between wrong decisions and bad decisions? Why do good managers sometimes make wrong decisions? Bad decisions? How can managers improve their decision-making skills?

YOUR TURN TO BE A MANAGER

- For one week, pay close attention to the decisions you make and how you make them. Write a description of five of those decisions, using the steps in the decision-making process as your guide. Also, describe whether you relied on external or internal sources of information to help you make each decision and whether you think you were more linear or nonlinear in how you processed that information.
- When you feel you have not made a good decision, assess how you could have made a better decision.
- Find two examples each of procedures, rules, and policies. Bring your examples to class and be prepared to share them.
- Write a procedure, a rule, and a policy for your instructor to use in your class. Be sure that each one is clear and understandable. And be sure to explain how it fits the characteristics of being a procedure, a rule, or a policy.
- Find three examples of managerial decisions described in any of the popular business periodicals (*Wall Street Journal*, *BusinessWeek*, *Fortune*, etc.). Write a paper describing each decision and any related information, such as what led to the decision, what happened as a result of the decision, etc. What did you learn about decision making from these examples?
- Interview two managers and ask them for suggestions on what it takes to be a good decision maker. Write down their suggestions and be prepared to present them in class.
- Do a web search on the phrase "101 dumbest moments in business." Get the most current version of this end-of-year list. Choose three of the examples and describe what happened. What is your reaction to each example? How could the managers have made better decisions?
- In your own words, write down three things you learned in this chapter about being a good manager.



For more resources, please visit www.pearsoned.co.uk/awe/robbins.

CASE APPLICATION

Designing for Dollars

Great product design is absolutely critical for most consumer products companies. But how do these companies know when a design feature will pay off, especially when every dollar counts? How do they make those tough decisions? That is the challenge that faced Chuck Jones, chief designer for home appliance company Whirlpool. He knew he had to come up with a better way.

Chuck's realization that the whole process of making design decisions needed to be improved came after a meeting with Whirlpool's resource allocation team. Chuck wanted to add some ornamentation to a KitchenAid refrigerator that was being redesigned, but it would have added about US\$5 in extra cost. When the team asked him to estimate the return on investment (that is, would it pay off financially to add this cost?), he could not give them any data. His "trust me, I am a designer" argument did not sway them either. Chuck resolved to improve the approach to investing in design.

His first step was to survey other "design-centric" companies, including BMW, Nike, and Nokia. Surprisingly, only a few had a system for forecasting return on design. Most of them simply based future investments on past performance. Chuck said, "No one had really figured this stuff out." With so many smart, talented people in the field, why had no one been able to come up with a good way to make those decisions? According to two accounting professors, one reason is that it is incredibly difficult to discern design's contribution from all the other business functions (marketing, manufacturing, distribution, etc.). And even the design profession could not agree on how to approach this problem. Despite the obstacles, Chuck continued his quest to find a way to objectively measure the benefits of design.

What he eventually concluded was that a focus on customer preferences would work better than a focus on bottom-line returns. If his team could objectively measure what customers want in a product and then meet those needs, the company could realize financial returns. Chuck's design team created a standardized company-wide process that puts design prototypes in front of customer focus groups and then gets detailed measurements of their preferences about aesthetics, craftsmanship, technical performance, ergonomics, and usability. They chart the results against competing products and the company's own products. This metrics-based approach gives decision makers a baseline of objective evidence from



which to make investment decisions. Design investment decisions are now based on fact, not opinion. The "new" decision-making approach has transformed the company's culture and led to bolder designs because the designers can now make a strong case for making those investments.

Discussion Questions

1. Would you characterize product design decisions as structured or unstructured problems?
2. Describe and evaluate the process Chuck went through to change the way design decisions were made. Describe and evaluate the company's new design decision process.
3. What criteria does Whirlpool's design team use in design decisions? What do you think each of these criteria involves?

Sources: B. Breen, "No Accounting for Design," *Fast Company*, February 2007, pp. 38–39; and R. Siegel, "Meet the Whirlwind of Whirlpool," *BusinessWeek* online, www.businessweek.com, April 11, 2006.

Foundations of Planning



In this chapter, we begin our study of the first of the management functions: planning. Planning is important because it establishes what an organization is doing. We'll look at how managers set goals as well as how they establish plans. Focus on the following learning outcomes as you read and study this chapter.

LEARNING OUTCOMES

- ▶ 7.1 Define the nature and purpose of planning. page 152
- 7.2 Classify the types of goals organizations might have and the plans they use. page 154
- 7.3 Compare and contrast approaches to goal setting and planning. page 157
- 7.4 Discuss contemporary issues in planning. page 162

Meet the Manager



Abdul Naser Ali Hamad

General Manager, Pharmaixir, Jordan

WHAT IS YOUR JOB? I am a General Manager for Pharmaixir, a subsidiary of Hikma Pharmaceuticals.

WHAT IS THE BEST PART OF YOUR JOB? Seeing an opportunity ahead, inspiring people to see what I am seeing, and giving room to employees to learn from their mistakes.

WHAT IS THE WORST PART OF YOUR JOB? Sometimes I find myself diving into the deep details of problems and micromanaging.

WHAT IS THE BEST MANAGEMENT ADVICE YOU HAVE RECEIVED?

Your ultimate objectives and personal beliefs are enough to turn obstacles into new opportunities.

You will be hearing more from this real manager throughout the chapter.

A Manager's Dilemma



How Does Planning Help a Company Develop Its Strengths?

Moheet Internet Group is a digital media group, active in the media industry in Egypt and other parts of the Arab world. It provides multiple online services including news, entertainment, games, job opportunities, and general information. Moheet.com, which was founded in 1998, is considered to be the first Arabic news portal.

Abdelrahman Eliwa, Business Development Manager for Moheet Internet Group, describes how the company has passed through several stages of development. In 2002, Moheet became an electronic newspaper offering original

content. In 2007, more interactive services were offered. In 2009, a major development of their e-content was conducted. Eliwa indicated that a serious problem for companies like Moheet lies with those advertisers who do not understand the concept of online advertising and the digital world. He believes that the answer lies in educating advertisers about the importance of online advertising.

If you were managing a company similar to Moheet, you would need to develop a plan in order to convince your potential customers of the great impact that online advertising can have. What types of plans might you need to ensure that customers understand the strength of online advertising?

What would you do?

You may think that planning is not something that is relevant to you right now. But when you figure out your class schedule for the next term or when you decide what you need to do to finish a class project on time, you are planning. And planning is something that all managers need to do. Although what they plan and how they plan may differ, it is still important that they do plan. In this chapter we present the basics: what planning is, why managers plan, and how they plan.

LEARNING

OUTCOME 7.1 ▷ THE WHAT AND WHY OF PLANNING

Just two weeks after Fly Dubai announced plans to begin three routes to India, it postponed them, citing “operational issues.” All passengers affected by the cancellation were given a full refund and a free voucher for travel on any of the airline’s routes until the end of November.² What if Fly Dubai customers are not satisfied with this solution? Could the managers have planned better?

WHAT IS PLANNING

As we stated in Chapter 1, **planning** involves defining the organization’s goals, establishing strategies for achieving those goals, and developing plans to integrate and coordinate work activities. It is concerned with both *ends* (what) and *means* (how).

When we use the term planning, we mean formal planning. In formal planning, specific goals covering a specific time period are defined. These goals are written and shared with organizational members to reduce ambiguity and create a common understanding about what needs to be done. Finally, specific plans exist for achieving these goals.

WHY DO MANAGERS PLAN?

Planning seems to take a lot of effort. So why should managers plan? We can give you at least four reasons. First, planning *provides direction* to managers and nonmanagers alike. When employees know what their organization or work unit is trying to accomplish and what they must contribute in order to reach goals, they can coordinate their activities,

cooperate with each other, and do what it takes to accomplish those goals. Without planning, departments and individuals might work at cross-purposes and prevent the organization from efficiently achieving its goals.

Next, planning *reduces uncertainty* by forcing managers to look ahead, anticipate change, consider the impact of change, and develop appropriate responses. Although planning will not eliminate uncertainty, managers plan so they can respond effectively.

In addition, planning *minimizes waste and redundancy*. When work activities are coordinated around plans, inefficiencies become obvious and can be corrected or eliminated.

Finally, planning *establishes the goals or standards used in controlling*. When managers plan, they develop goals and plans. When they control, they see whether the plans have been carried out and the goals met. Without planning, there would be no goals against which to measure or evaluate work effort.

PLANNING AND PERFORMANCE

Is planning worthwhile? Numerous studies have looked at the relationship between planning and performance.³ Although most have shown generally positive relationships, we cannot say that organizations that formally plan always outperform those that do not plan. What can we conclude?

First, generally speaking, formal planning is associated with positive financial results – higher profits, higher return on assets, and so forth. Second, it seems that doing a good job planning and implementing those plans plays a bigger part in high performance than does how much planning is done. Next, in studies where formal planning did not lead to higher performance, the external environment often was to blame. When external forces – such as governmental regulations or powerful labor unions – constrain managers' options, they reduce the impact planning has on an organization's performance. Finally, the planning–performance relationship seems to be influenced by the planning time frame. It seems that at least four years of formal planning is required before it begins to affect performance.

After years of planning, Qatar won the race to host the 2022 World Cup. But the hard work had just begun. Being the smallest nation to host a World Cup since Uruguay in 1930 (and the first country in the Middle East), will bring lots of challenges for Qatar. But the Qataris are determined to make this global event a major success. Achieving this goal will require a great deal of formal planning to provide direction, minimize waste and error, and set standards of performance.



PLANNING IN ARAB CULTURE

Arab authors have emphasized the role of planning in Arab administration, both in the public governmental sphere and in the private or business sphere. Ample historical evidence can be given about this in the early Arab scientific, administrative, and political arenas. But in explaining underdevelopment in Arab societies, some may be

Planning

Defining an organization's goals, establishing an overall strategy for achieving those goals, and developing plans to integrate and coordinate work activities.