

## **Chapter 2**

### **UNDERSTANDING THE EXTERNAL AND ORGANIZATIONAL ENVIRONMENTS**

#### **Opening Case: Managing Human Resources at Haier**

The Haier Group of China entered the U.S. market in the 1990s, selling small refrigerators for dorm rooms in universities. In 2005, Haier acquired U.S. based Maytag and later became the first Chinese company to build a factory in the United States. Haier has been led by CEO Zhang Ruimin for more than 30 years. Zhang and his team have successfully led the company across many countries and many cultures, but the path was not without challenges. Zhang is the first to admit that he and his team have learned many things about managing employees in different countries and cultures. One of the biggest lessons is to “act local.” When Haier first opened its factory in South Carolina, for example, its HR policies and practices reflected Chinese culture and labor laws. It took some experience and the advice of the local HR director, Gerald Reeves, to successfully localize Haier’s HR policies and practices. Perhaps the most striking example was to move away from giving feedback that is publicly embarrassing to employees to giving such feedback in private. Another change was providing health insurance for U.S. employees. In China, health insurance is provided by the government. Today, Haier’s HR policies and practices are consistent with those of the best companies in the world.

### **CHAPTER OUTLINE**

#### **I. THE STRATEGIC IMPORTANCE OF UNDERSTANDING THE EXTERNAL AND ORGANIZATIONAL ENVIRONMENTS**

##### **A. Elements of the Environment**

Organizations exist within an external environment (See Exhibit 2.1), but also have internal environments in which employees are embedded.

Stakeholders are not included as elements of the external and organizational environments. Instead, they are treated as distinct groups of people whom the organization seeks to satisfy.

##### **1. External Environment**

The external environment includes local, national and multinational conditions that confront an organization. It can be considered a set of constraints and opportunities. Elements of the external environment include:

- Economic globalization

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- The political landscape
- Industry dynamics
- Labor markets
- Country cultures

Other important external environmental aspects include:

- Legal institutions (Chapter 3)
- Unions (Chapter 14)

**Teaching Note:** *Ask your students what elements might be excluded from this discussion of the external environment. A good example would be the weather, which affects many industries from ski resorts to home repair*

### 2. Organizational Environment

The organizational environment concerns conditions within the organization itself. The organizational environment must be flexible enough to adapt to changes in the external environment.

Three highly interdependent elements discussed in this chapter are:

- Technology.
- Company culture.
- Business strategy.

**Teaching Note:** *Ask students to identify the environmental factors of their school. Stress that an organization's boundaries are not always clear; as a result, it may not be clear whether a particular group or individual is part of the external or organizational environment, e.g., alumni, campus recruiters, bookstores.*

### B. The HR TRIAD

The success of an organization is dependent upon its ability to adapt and change as the external environment changes. The members of the HR triad contribute to the organization's ability to adapt by monitoring the environment, interpreting events, and making adjustments as needed. See the HR Triad feature for specific examples.

## II. ECONOMIC GLOBALIZATION

The size, wealth, and relative openness of the U.S. market make it a highly attractive target for many foreign companies. U.S. firms face intense competition from foreign firms due to the U.S.'s open market policy, e.g., shoes, textiles, electronics.

**Teaching Note:** *Ask students how economic conditions have affected your college or university. Make specific points about state revenues, alumni contributions, government grants, etc.*

### **A. Competing on Cost versus Competing on Knowledge**

In order to survive, U.S. companies must diversify into markets where cost pressures are less severe. Menasha Corp. leveraged its knowledge to diversify into logistics and information technology to increase its profitability. Malden Mills leveraged its research capabilities to develop new products and production methods to compete with low-cost labor from foreign competitors.

### **B. Worldwide Operations**

Many American companies are learning to produce and deliver goods and services in international markets due to rapid global market expansion. UPS, FedEx, EDS, and IBM are companies that generate significant sales overseas.

Globalization is changing the way companies manage their human resources which has implications for the organization's stakeholders.

### **C. Economic Cycles**

Business cycles have long been a reality which create challenges for HR. People do not always buy a given product /service or the same quantity of that product each and every year (how often do you buy refrigerators?) and positive or negative expectations may expedite or delay the purchases of some items. When customers within the nation or elsewhere in the world cut back on their purchases, a firm will no longer need as many people to take care of those customers. As other firms encounter the same problem and take the same action to cut back on their workforce, there will be a recession and HR must attempt to maintain morale as well as look ahead to prepare for eventual economic expansion. Ultimately those who are still employed may have to replace things that have worn out and as more people do that, the country may emerge from the recession and thus HR must then rebuild its workforce.

### **D. Regional Trade Zones**

Trade relations are often strongest among countries that are within close geographic proximity to each other. Trade zones help smaller countries through economies of scale and easier access to labor. However, many attempts at regionalism have not been particularly successful.

#### **1. North American Free Trade Agreement (NAFTA)**

This agreement created a free trade zone between the U.S., Canada, and Mexico by eliminating a wide range of tariffs, quotas and licensing requirements. Since the passage of NAFTA, many U.S. companies

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have expanded their operations into Mexico. The operations these companies have created along the U.S.-Mexico border are called “maquiladoras.” The average wage of workers in maquiladoras is much lower than what it would be in the U.S., but is five times higher than Mexico’s minimum wage. Average wages have increased on both sides of the border.

One of the challenges associated with NAFTA for Canada is a “brain drain” phenomenon in which professional workers have an incentive to come to work in the U.S. where they can earn higher salaries.

Although NAFTA’s economic effects are still being debated, expansion to the entire Western Hemisphere are now being entertained.

### 2. European Union (EU)

The European Union (EU) is described as an “institutional framework for the construction of a united Europe” with the primary goal of creating a single market through the removal of trade barriers. Besides establishing a free trade zone permitting free movement of goods and services across member countries, creation of the EU also established a common currency and allowed for the free movement of people across its member countries.

Various employment directives such as privacy protection, discrimination laws and employee access to wage information create a fair and uniform employment condition among EU member countries.

### 3. Association of Southeast Asian Nations (ASEAN)

The objective of ASEAN is to “accelerate the economic growth, social progress, and cultural development in the regions through joint endeavors in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of Southeast Asian nations.” Although not initially concerned with labor and employment issues, more recently ASEAN has been discussing policy related to these areas.

## III. THE POLITICAL LANDSCAPE

Political activity in a country clearly shapes activities of business organizations. Some of the major political factors affecting organizations are trade policies, military conflicts, and nongovernmental political or community action groups.

**Teaching Note:** *Note how the presidential elections can affect business. For example, when G.W. Bush became president in January 2001, one of his first official acts was to change some environmental regulations that President Clinton had signed late in his presidency.*

### A. International Labor Organization (ILO)

The ILO seeks “to promote social justice and internationally recognized human and labor rights.” Representatives from government, employers and workers work together to set international standards on a variety of employment issues.

### B. Social Accountability International (SAI)

SAI promotes responsible approaches to conducting business. Companies in compliance with SAI’s standards receive an SA 8000 certificate.

### C. World Trade Organization (WTO)

The WTO provides a forum for its members to conduct trade negotiations and to settle trade disputes. The WTO is the only global body able to enforce its decision through its court. It is based on the *most favored nation* principle—trade concessions offered to one member automatically apply to all.

### D. Watchdogs and Activists

A multitude of private organizations exist that represent various causes across the ideological spectrum. They may demand changes in business practices (that may include HR implications) and may seek to enforce their demands through boycotts or laws. CSR may minimize problems from some of the organizations though it may be difficult to avoid all opposition from every group everywhere.

## IV. Labor Markets

Firms must compete for employees, and organizations sometimes must seek them domestically, in global markets, or both.

### A. U.S. Labor Markets

#### 1. Slow Growth

Projections indicate the U.S. population will grow to approximately 383 million by the year 2050. Nevertheless, the slowing rate of growth in the domestic working population—fueled by baby boomer retirements and the entry of women over the past 30 years—is troubling many employers.

#### 2. Skills Shortage

Employers are having increasing difficulty finding workers with the

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skills needed for so-called new economy and high-tech jobs. See Exhibit 2.4 for the fastest-growing occupations for the next 10 years. Even entry-level workers often must operate computer-controlled equipment.

Research by the Construction Industry Institute indicates that this industry will also experience a shortage due to impending retirements. HR implications include:

- changes in recruitment strategy
- increased diversity
- increased compensation

### 3. Immigrants

Nearly half of the net labor force increase recently has been from immigrants, who are over-represented in jobs requiring less skill and education. Steinway Pianos is one company that has used immigrants for over 150 years, although they have changed from European to Caribbean and Yugoslavian workers.

### 4. Multigenerational Workplace

Most companies today have workforce populations that fall into four generations: Traditionalists, Baby Boomers, Generation X, and Millennials (also known as Generation Y). Each generation has grown up in different environments that have shaped their values and attitudes toward work. Because the workforces of most companies are multigenerational, it is important for HR professionals to be aware of the values and attitudes of each generation and determine their possible impact in shaping HR policies and practices. The four generations described in Exhibit 2.5 have different values and attitudes toward work because of the time in which they grew up, but these four generations have similarities as well. A common guideline for HR professionals should be to formulate HR policies to appeal to a wide variety of employees.

## B. Global Labor Market

The characteristics of the work population is changing, and employers may consider availability of workers as one factor when deciding where to locate. Asians will be almost two-thirds of the global labor market by 2025.

**Teaching Note:** *For a lively discussion, ask your students to debate the pros and cons of outsourcing.*

### 1. Labor Costs

Companies such as IBM choose to move operations overseas to take advantage of lower labor costs. Exhibit 2.6 shows relative labor costs

around the world.

### **2. Skills Levels**

Another factor for location is the lack of skills of domestic workers. Educational gains are being made in developing countries. Countries such as India are proving very attractive to U.S. businesses.

### **3. Health Issues**

The AIDS epidemic has had a significant effect on employers. Not only are the costs of health benefits increased, but economic development in countries severely hit by this epidemic could be retarded.

## **V. COUNTRY CULTURES**

Managers who fail to understand essential cultural differences may make poor staffing and motivation decisions, often accounting for the failure of businesses in the international arena. The feature, "Managing Globalization: Mercedes-Benz Sets Up in Alabama," is an example of how cultural differences from three different countries were melded to produce a new automobile.

### **A. Dimensions of Country Cultures**

The best known framework for describing cultural difference was developed by Geert Hofstede. Additional research by the Global Leadership and Organizational Behavior Effectiveness (GLOBE) research project contributed to knowledge about the major dimensions of cultural differences. A summary of this research is shown in Exhibit 2.7

***Teaching Note: Other examples: individualistic vs. collectivist cultures; high and low context; perceptions of time.***

### **B. Consequences of Country Culture**

Different cultures result in different HR practices and how employees relate to work. U.S. employers cannot just impose their HR practices on employees in their international operations and expect them to be effective. Cultural differences can surprise even experienced global enterprises such as DaimlerChrysler. Although it is difficult to separate country and organizational cultures, many employees felt that it was the difference in management philosophies that was causing problems.

The key challenge is finding a balance between respecting local differences and enabling global success.

### VI. TECHNOLOGY

Technology generally refers to the process of making and using tools and equipment plus the knowledge used in the process. Technology has evolved from simple hand tools to complex modern systems of mass production and the factory system. Lower production costs, lower selling prices and therefore expanded markets have largely been the products of technology.

***Teaching Note: Technology can also harm service organizations. Use of the internet and faxing has hurt telephone companies and delivery firms such as FedEx.***

#### A. Factories and Mass Production Technologies

With the advent of the factory system of producing goods came a new set of challenges in managing human resources. First, people had to be convinced to leave their farms and come to work in factories. Then, they had to give up much of their traditional autonomy and work under authority. Independence often had to give way to learning how to follow procedures. Skills also had to be addressed. Much of the workforce had little formal education and barely knew how to read and write.

#### B. Computer Technologies

Computers have revolutionized the way we work and are managed. Their impact include robotics, information technologies (IT), mobile devices (and their apps), and a virtual workforce.

Many of the workers in manufacturing today need to use robots and computers to perform their jobs. New Balance is an example of a company that uses computers and robots to keep its prices competitive.

Workers “in the office” also need to use information technology for their jobs. Information technology encompasses a broad array of communication devices that link together people with information hardware and software (e.g., the Internet, cell phones, personal digital assistants) and increases the globalization of businesses. Organizations also use information technology to implement strategies, such as Yellow Freight’s customer-focus. Along with the new IT comes managerial changes such as empowered employees, increased training and development, and a more informed workforce.

Members of a virtual workforce perform their jobs anywhere and anytime, often on an as-needed basis. Challenges associated with a virtual workforce are that virtual employees may feel isolated and detached from their employer, suffer lower morale if monitored closely but remotely, and



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have problems in communications between themselves, their co-workers, and managers.

### C. HR Information Systems and Electronic HRM

Technology is also revolutionizing HRM, including the way employees are recruited and managed. When computer technologies are used to gather, analyze, and distribute information about job applicants and employees, the resulting system is referred to as a human resource information system (HRIS). When a company uses the Internet or an intranet to deliver HR services, the company may use the term electronic human resource management (e-HRM), which refers to the use of IT for conducting HRM activities and for social networking among employee.

## VII. COMPANY CULTURE

Culture is the unique pattern of shared assumptions, values, and norms that shape the socialization activities, language, symbols, rites, and ceremonies of people in the organization. The culture of an organization influences how people think and behave in their work environments. HR practices contribute to the development of a strong company culture when they are aligned with and support a firm's strategy. The feature "Managing with Metrics: You Change What You Measure." describes how Alberto-Culver firm with lackluster sales used cultural changes linking rewards to strategy to improve its profits.

**Teaching Note:** *Yahoo has used its culture to build a unique brand, but that same culture held it back from making forward-thinking business decisions.*

### A. Leadership

The leaders of an organization must provide a vision of what the company stands for, the mission it seeks to fulfill, and the values that will guide the means it uses to achieve its mission. Leaders also shape the culture by how they treat employees. Container Store and Adobe Systems are two companies that have developed HR practices to build strong cultures.

**Teaching Note:** *Other examples include Disney, 3M, Coca-Cola, UPS and IBM.*

### B. Vision

A vision refers to top management's view of what kind of organization they want to create in the future. The ultimate success of a company in achieving its vision depends to a significant degree on its employees.

### **C. Mission**

A mission statement defines a firm's business and sets out clearly what the firm intends to accomplish for its customers, employees, and other stakeholders. It is more specific than a vision in guiding the actions of organizational members, and addresses issues more directly in line with different stakeholders.

### **D. Values**

Values are the strong, enduring beliefs and tenets that a company considers to be central to its existence and survival. Value statements are important because they state how employees are expected to behave toward each other and to other organizational stakeholders. See Exhibit 2.8 for an example. UPS and Timberland are two companies that value community partnerships.

### **E. Company Subcultures**

An organizational subculture *exists when assumptions, values and norms are shared by some—but not all—organizational members*. Subcultures may develop based on mergers, establishing global operations, different demographics of employees in various parts of the organization, and different divisions and occupations.

#### **1. Benefits**

Having distinct subcultures can provide a diversity of opinions and insights into different customers' expectations.

#### **2. Challenges**

Subcultures may create problems, especially for employees of an acquired firm who may feel a loss of power or status if their culture is not adopted. Also, members of minority groups often perceive a glass ceiling, which limits their career opportunities.

Multicultural organizations are formed when a firm has a workforce representing the full mix of cultures found in the population at large and a commitment to fully utilize these resources. They allow many different subcultures to exist simultaneously.

## **VIII. BUSINESS STRATEGIES**

Business strategy refers to a set of integrated and coordinated commitments and actions intended to achieve stated business goals (i.e., improved competitiveness and more profits). Business strategy reflects a company's vision and mission and serves to guide its actions.

**Teaching Note:** *Depending on the background of the students, you may want to give a brief overview of strategy, including SWOT analysis, Porter's generic strategies and product life cycle strategies.*

Business strategies influence many employment issues. A strategy map is a tool that shows the cause and effect relationships that ultimately determine the firm's performance.

A competitive strategy describes how a particular business or business unit competes against direct rivals who offer the same products and services. Large companies develop strategies for each of its businesses; smaller firms developed one competitive strategy for the entire company.

**Teaching Note:** *Ask students to identify the major competitors for your school.*

### **A. Total Quality**

Quality is one way to differentiate your products or services. To achieve this, a firm must have all parts of its organization working together. Practices such as TQM and Six Sigma, which empower workers, support a quality strategy.

*Mabe* is an example of a company that designs its HR practices (such as training) to support its quality strategy.

### **B. Low Cost**

Offering acceptable quality at the lowest price is another name for cost leadership. Keeping costs low through emphasis on efficiency is the key if this approach is to work. Low investment in research and development (R&D) and a minimal sales force are characteristic of this strategy.

### **C. Customer Service**

Customer service has become increasingly important as a company differentiator, as the company Sabre Holdings exemplifies. See the feature "Managing Teams: Sabre's Virtual Teams" on page 62.

### **D. Innovation**

Innovation is a strategy involving differentiating a firm's products and services from those of competitors by having something new that its competitors cannot offer. The key to innovation strategy is hiring highly educated employees in specific fields and managing them in a way that encourages risk-taking and experimentation.

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IBM has innovation as its central strategy. To re-energize innovation at IBM, its CEO, Sam Palmisano, restructured the business around teams comprised of all employee levels.

### IX. CURRENT ISSUES

The changing external environment creates many challenges for employers. Two current issues are the aging workforce and globalization.

#### A. Mergers and Acquisitions

To compete in the global market, companies often turn to mergers and acquisitions (M&As) to establish a market position. For example, in the computer or bio-tech industries, a common objective is to gain access to the skills and talents of another company's employees. While products or technologies may become out-of-date, the people who create them rarely do.

##### 1. HR Issues in M&A's

Exhibit 2.10 shows the stages of the merger and acquisition process and the HR issues that must be addressed in each stage. M&A's are extremely complex and sophisticated procedures to minimize problems are often required.

##### 2. Reasons for M&A Failures

Unfortunately, many mergers and acquisitions are not successful and usually do not achieve their financial objectives. The most common causes of the failure of mergers and acquisitions are:

- culture clashes
- incompatibility
- loss of key talent

#### B. Global Realities of MNCs for HRM

To survive and succeed, organizations must adapt their operations to face the challenges and realities of globalization listed in Exhibit 2.11.

The Society for Human Resource Management and HR professionals recognize that these realities have many implications (See Exhibit 2.11) for managing human resources.

## **QUESTIONS FOR DISCUSSION AND REFLECTIVE THINKING**

- 1. Economic globalization has many implications for business. It also has implications for employees. From your perspective, what are the three most significant implications of globalization for employees of U.S. companies?**

There will be several different answers, but three high on the list should be the loss of jobs due to outsourcing or other cost reductions; increased diversity in the workplace—changes to the organizational environment and changes to organizational culture, especially if mergers and acquisitions occur. Employees should also be looking for opportunities to take assignments overseas as this may become critical to advancement. This may have implications for families.

- 2. Think about the most recent technological developments. What are the likely implications of these developments for employers during the next 10 years? For employees?**

Modern technology has made it possible for workers to perform their jobs in flexible and non-traditional ways (e.g., telecommuting) and to collaborate with others who are not in the same geographic location (e.g., virtual teams). These developments will have far-reaching implications for work in the future. Flexible work arrangements being used today will become even more commonplace in organizations in the future. Communication, teamwork, and decision-making will also become even more efficient as a result of technological developments. Employees will have to continue to upgrade their skills if they want to remain valuable to their organizations.

- 3. Some people argue that organizations can develop their own strong company culture and that doing so will make differences in country cultures irrelevant to effectively managing human resources. Do you agree? Explain your opinion.**

The answer to this question is that “it depends.” Although it is generally a very risky strategy for any organization to ignore the cultures of the countries they do business in, an argument could be made in support of the position that a company can develop the organizational culture it feels it needs and then not worry too much about the country culture. The reason for this is that an organization can recruit, hire, train and reward individuals who are compatible with the culture of the firm. For example, even though there may be some significant country culture differences between the United States and Japan, a U.S. company could focus on hiring Japanese employees who fit its organizational culture.

**4. Describe how a powerful and clear statement of an organization's vision, mission, and values can be helpful to employees of the organization.**

The vision, mission, and values of an organization provide a philosophical framework for the members of the firm. That is, these things provide a way of thinking about who a given firm is, what it is trying to achieve, and what it will do to realize its objectives. While these elements of an organization may not specify exactly what employees should do to support the success of the firm on a daily basis, they do provide a roadmap or guide for identifying an appropriate course of action in a given situation.

**5. Imagine that you work at a local department store in a mid-level management position. You learn that your company is being acquired by Wal-Mart. The rationale given for the sale of your company to Wal-Mart is to "Exploit many synergies and lower our costs. This merger is about becoming more efficient; this is the way of the future for the retail industry." Assume this statement is true, and describe three significant HR issues that you will likely face after your company is acquired.**

HR issues: Cultural compatibility, communications and managing that expected synergy. "Efficiencies" often implies reducing costs, i.e., cutting headcount. People will be the driving force leading to the success or failure of this merger, and "people problems"—especially if downsizing occurs—will have to be addressed.

## **CASE STUDY: LEVI STRAUSS**

### **DISCUSSION QUESTIONS:**

**1. Knowing that its managers are willing to trade off some economic efficiency to operate according to their collective view of what is "ethical," would you buy shares of stock in this company? Why, or why not?**

Many will disagree in their response to this question – even those who are strong advocates of corporate social responsibility. Some such advocates seek to direct their entire investment program to firms that have a philosophy and practices similar to Levi Straus. Others may rule out investing in the most obvious unethical firms but otherwise profits are the priority and the individual investor will make his or her own decisions in contributing to worthy causes. Those who are less concerned about corporate ethics may feel that the topic is too subjective and might object to anything that sacrifices economic efficiency.

**2. Managers at Levi Strauss believe that they run an ethical company, but some critics view their liberal employment and benefits policies as immoral. These critics object to the policies because they're inconsistent**

**with the critics' religious views. Analyze the pros and cons of an organizational culture that includes socially liberal employment policies that are viewed by some members of society (including potential employees and potential customers) as immoral.**

It could be argued that it is impossible to please every single human being everywhere all at the same time. No matter what one does, some person somewhere on the planet will disapprove. The firm might wish to determine the potential impact of its culture's policies on potential customers and employees. Perhaps it might find that the impact nets it more customers and employees than it loses. If the opposite is the case, it might wish to decide whether it is willing to sacrifice its self for its views. If it truly believes in the correctness of its culture, it may feel that it will gain more satisfaction of pursuing its ethical views than from surviving.

**3. Suppose you are looking for a new job. You have two offers for similar positions: one at Nike and one at Levi Strauss. Both organizations have indicated that they would like you to work for a year in one of their offshore production plants somewhere in Southeast Asia. The two salary offers are very similar, and in both companies you would be eligible for an annual bonus. The bonus would be based largely on the productivity of the production plant where you will be located. Which offer would you accept? Explain why.**

Different people will feel differently about this question. Some might focus on the potential impact of corporate policies on the bonus. They might feel that the policies of Levi Straus would pay off for the firm an economic sense and result in a high bonus. Others might feel that the policies would pay off for the competition and result in a low bonus or no bonus. Some might feel that they would wish to work for the firm with the highest ethics rather than the highest pay so they might favor employment with Levi Straus.

**4. In the mid-1990s, sales began declining and the company had to move many operations abroad, dramatically reducing its U.S. workforce. Levis Strauss is now a global company with three major divisions around the world (visit [levistrauss.com](http://levistrauss.com)). Do you think what has happened at Levis Strauss is likely to happen with more U.S. companies? What are the implications of this for you?**

Many students will likely point that it is not a matter of whether it will happen since it is indeed happening. Furthermore, there is nothing that currently suggests that the trend will not continue. Some students may feel that this might necessitate selecting industries which are difficult to outsource overseas such as delivery services, lawn care, etc. Since outsourcing sometimes involves stationing a firm's quality control people overseas at the plant of an overseas supplier or sending company executives overseas to deal with suppliers, some

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may see an exciting career opportunity in another part of the world.



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### VIDEO CASE STUDY: METROPOLITAN BAKERY

Instructors: The following video case can be found on the companion DVD. The video can be used in class as an introductory activity or a post-lecture activity, as well as an online assignment for those students using CourseMate.

#### **DISCUSSION QUESTIONS:**

**1. How does training relate to the firm's system of financial rewards?**

In term of rewards and feedback, the rewards mostly involve personal growth or expressions of appreciation. However, employees do receive extensive feedback in both their training and on the job.

**2. To what extent is there a rigid formal organizational environment at Metropolitan Bakery? To what extent is that good or bad?**

The firm does have a definite training program that includes so-called quizzes. However, it appears that jobs and expectations can grow along with the employees. The relatively unstructured environment could enable some to feel more comfortable and be more motivated. Others who simply want a paycheck in exchange for specific tasks might not be happy – especially since the paycheck tends to be relatively small.

**3. Will and the firm seem to be appreciative of each other. What does Will's performance say about the environment at Metropolitan Bakery?**

The firm focuses on selection and training rather than on tight controls. By finding the people who will be most likely to succeed and then preparing and motivating them through training plus continually showing an interest in them, the employees tend to manage themselves to quite an extent.

**4. If you were to start a firm, would you use the same approach to performance management as James and Wendy?**

There will be a variety of answers to this question. The important thing is the analysis that is involved and the extent to which students can apply chapter concepts.