



Capable competitors

'Capable competitors' is a term associated with the existence of other businesses that can supply products or services which directly compete with a business in terms of quality, delivery and service (and many other aspects).

The existence or non-existence of capable competitors often determines the **business strategy** of an organization, such as in the following cases:

- Non-existence of capable competitors enables a business to be an *aggressive sole provider* of a product or service. This is because imitation may be difficult, the business possesses the required skills and resources, and there are suppliers of complementary products.
- *Passive multiple licensing* is possible when there are capable competitors, when the **barriers to imitation** are low, but the other businesses lack the skills and resources required.
- *Aggressive multiple licensing* (combining licensing with aggressive positioning) can take place when the businesses have the required skills and resources, the barriers to imitation are low, and there are several capable competitors.
- *Selective partnering* occurs when the barriers to imitation are high, other businesses lack the required skills and resources, but there are potentially several different capable competitors.

Capacity control strategy

Simply, capacity is the maximum rate of output for a given process. It is usually measured in output per unit of time. Businesses will tend to use different units of time in order to calculate their capacity, such as per minute, per hour, per day or per shift. In truth, the maximum capacity is much better described as being the demonstrated capacity, as this is the true level of capacity which has been achieved. Some organizations and analysts will attempt to calculate a theoretical capacity, which is largely based on the capacity of the machines involved and rarely takes into

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account any variables which may affect the capacity. Businesses will try to operate at their optimum capacity. This means attempting to reduce costs, or loss of capacity associated with waiting time.

Capacity management is best described as being the maximum output, content or performance of a given system or component. Capacity management is often applied to the information technology area, describing or defining in both business and technical terms the requirements of a business's information technology capacity. An efficient information technology infrastructure must be able to deliver, at the optimum cost, the ability to deal with specified levels of capacity. 'Capacity', in its simplest form, describes the probable volume of activities which the information technology infrastructure must be able to cope with given normal circumstances. Clearly, capacity management needs to ensure that there is sufficient capacity, plus additional reserve capacity.

Capacity requirements planning (CRP) is the process of determining the short-term output demands on either an organization or one of its production processes. CRP is a computerized system that projects the load from a material requirements plan (MRP) onto the capacity of the system and then identifies underloads and overloads. CRP is used by an organization to assess whether it can start new projects in the future, or whether it can produce an immediate order for a customer. Normally CRP will require information about when orders are needed, and details of the equipment and labour required, as well as any orders already in the pipeline. The CRP will then be able to provide the organization with a profile for each operation in the production system. It will make a comparison of the work that needs to be completed and the work already in progress, in relation to the system's capacity. CRP relies on accurate information, defining capacity as a sum of the following formula:

$$\text{Number of machines or employees} \times \text{number of shifts} \times \text{utilization of machines and workers} \times \text{efficiency}$$

CRP is therefore used to calculate the ability of the organization to meet its orders.

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Capital budget

A capital budget is a fund which is earmarked by a business in order to assist it in the acquisition of long-term fixed assets.

Capital investment appraisal

Capital investment involves a business purchasing capital assets. The

capital assets, which may take the form of machinery or plant, are essential in a manufacturing industry for example, which will rely on these capital assets to produce products. Theoretically the overall expenditure on capital investment in a given economy reflects the state of that economy. Higher expenditure on capital investment indicates a fast-growing economy, whereas low capital investment indicates either reluctance on the part of businesses to invest in new plant and machinery, or a general downturn in the economy itself.

Capital investment's primary goal is for the business to achieve a greater financial return, in terms either of capital gain or of income. In many respects capital investments can be viewed as a form of financial investment which leads to savings for the business. In making a capital investment a business is indicating its desire to produce more efficiently and to replace perhaps outdated and inefficient plant and machinery. The desire in making a capital investment is to become more profitable. The level of capital investment is often used as a primary measure by which the government assesses overall business confidence.

Chisholm, Andrew, *An Introduction to Capital Markets: Products, Strategies, Participants*. New York: John Wiley, 2002.

Capital structure

Capital structure is a means by which the balance between a business's debt and its equity can be expressed.

Cash cow

Cash cows are part of the **Boston growth matrix** and represent well established products or services which are likely to be in the mature phase of their product life cycle. Cash cows are well entrenched, with sales that have grown to a stable level.

Cash cows are considered to be profitable products or services which are making positive contributions to the business's cash flow. Businesses that have the advantage of having a cash cow or a number of cash cows as part of their portfolio are often encouraged by the income to consider the launch of product variants on the theme of the cash cow. This often ends in failure as it only serves to fragment the market and undermine the general sales and profitability of the cash cow. Instead, many businesses use the cash generated by the cash cow to develop and launch new products and services. They will inevitably target growth markets, while they continue to support the cash cow and its hard-won market share.



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Some businesses also attempt to strengthen the position of their cash cows but this is often a costly and unsuccessful strategy, leading to businesses recognizing that they need to set an upper limit on the support, providing they maintain the market position.

Cash cows are vulnerable to cheaper substitute products which offer better or equal benefits. Equally, cash cows, being older than more modern substitutes, may have less technically developed means of production. This can make the unit costs of the cash cow less attractive than those of the newcomers. If a new competing product is successful, the cash cow's product life cycle will be shortened, reducing its financial return.

See also Boston growth matrix.

Cash flow

'Cash flow' is a term used to describe the net funds that have flowed through an organization over a period of time. Traditionally, cash flow is usually defined as earnings. The identification of when those earnings were received and when payments have to be made defines the parameters of cash flow management. Cash flow is often complicated by the actual value of the cash received in a given period. Cash flow does not take into account expenses that may have been incurred by the organization prior to the period the cash flow covers, yet during this period the organization is benefiting from those costs in the past. Equally, the reverse is true: payments may now be due over the cash flow period on equipment or stock from which the organization has already profited and which has been noted on a previous cash flow account.

Cash flow also has a difficulty in dealing with outstanding debts and money owed by creditors. These do not appear on the cash flow, as neither has been paid, yet they are important considerations, as they may have a negative or positive effect on the available working capital of the organization. The available funds, which are calculated and identified within the cash flow, have enormous implications for the business, particularly as the available working capital determines the organization's ability to pay debts promptly and to make necessary investments.

Graham, Alistair, *Cash Flow Forecasting and Liquidity*. Glenlake: Fitzroy Dearborn, Publishers, 2000.

Category management

Category management involves the identification of interchangeable or substitute products which could reasonably replace products required by a customer. The identified groups of products are brought together under one category so that they can be offered to the customer as alter-



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natives, should the specific product demanded be unavailable, or if it has been superseded by another product in that category. Category management can be differentiated from alternative means by which products are managed. In many cases businesses will manage products individually and there will be clearly identifiable differences between the products offered by that business. In this respect it is difficult for customers to perceive the level of substitution of alternative products offered by the same business.

Nielson Marketing Research, *Category Management: Positioning your Organization to Win*. Chicago, IL: Contemporary Books, 1997.

Centrality

'Centrality' is usually taken to mean the importance of a particular part of a business, perhaps a department or division, in terms of its involvement in the activities of other parts of the organization.

Centrality, therefore, measures or identifies key functional or service areas of a business upon which the rest of the organization may rely. Typically, divisions or departments with a high level of centrality are at the heart of resource transfers in the business.

Centralization/devolution

Centralization is a measure of how concentrated the decision-making processes are within an organization. The greater the concentration, the more centralized the organization is considered to be.

Chain of command

The chain of command within an organization is a feature typically associated with a business that has a hierarchical structure. The chain of command is the formal line of communication, beginning with the board of directors, or managing director, who passes instructions down to departmental managers, section heads and then to individual employees. The chain of command typifies a pyramid-shaped organization, where increasingly down the pyramid more individuals have to be informed of decisions and instructions. Effectively, the chain of command of the board of directors or the managing director encompasses every individual underneath them in the hierarchical structure. Similarly, the chain of command of a section head consists merely of the immediate employees who work under that individual's supervision. The term 'chain of command' is closely associated with **span of control**.



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Keuning, Doede and Opheij, Wilfred, *Delaying Organisations: How to Beat Bureaucracy and Create a Flexible and Responsive Organisation*. Woodslane, Australia, 1994.

Chaining strategy

The term 'chaining strategy' has different meanings in different contexts. One of the most basic definitions relates to a business which establishes a number of linked outlets that are so interconnected and reliant upon one another that they are able to function cooperatively as a single business entity.

W. C. Jordan and C. S. Graves (1995) suggested a form of chaining strategy which would allow businesses (particularly in manufacturing) to create flexible configurations. These flexible configurations combine, or chain, the stages of production effectively, helping to eliminate inefficiencies. Their approach suggests that chaining strategies are ideal in dealing with multi-stage supply chains through which raw materials, components and finished goods pass.

Jordan, W. C. and Graves, C. S., 'Principles on the Benefits of Manufacturing Process Flexibility', *Management Science*, 41(4) (1998), pp. 577–94.

Champy, James

James Champy has written extensively on the re-engineering of corporations and leadership. Champy's arc of ambition specifically relates to ambition in the leadership sense and its importance in determining achievement. Champy identified three archetypal figures, as listed in Table 11.

Table 11 Archetypal figures

Archetypal figure	Description
Creators	True innovators who pioneer new technology. They make previous modes of operation obsolete.
Capitalizers	Users of new ideas who will configure an organization's infrastructure to accommodate the new ideas. They find use for innovation.
Consolidators	Professional managers who make new innovations actually work in a practical sense, in a constant manner and profitably.

Champy, James, *X-Engineering the Corporation*. London: Hodder & Stoughton, 2002.



Champy, James and Nohria, Nitin, *The Arc of Ambition: Defining the Leadership Journey*.
New York: John Wiley & Sons, 2001.

www.perotsystems.com/newsroom/bios/james_champy.htm

Changeability

Business changeability is a measure of an organization's agility or flexibility. The flexibility of a business is measured by the degree to which the organization can adapt its operations to changes in the market. A generic changeability or agility diagram is shown in Figure 19:

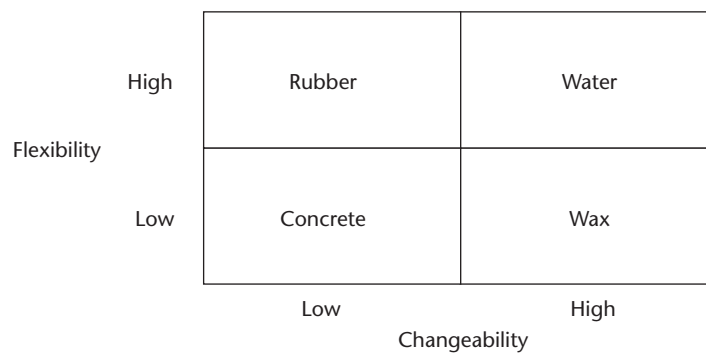


Figure 19 A changeability or agility diagram

As the diagram implies, organizations with low flexibility and changeability characteristics resemble concrete in that they do not have the capacity for movement and are inflexible. Those with high scores on both counts resemble water, being able to flow and adapt as required.

Change management

There are many theories regarding change management. Many focus upon the way in which a business thinks about change and the way it drives change. As there are a number of different theories, it is perhaps prudent to focus on just some of the ways in which change management can be achieved. Although change may not necessarily be driven by a human resource department, it is often the role of the department to manage the intricacies and complications arising out of change. There are innumerable theories not only on the way change affects individuals and groups within a business, but also on the ideal ways of managing that change.

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Doug Stace and Dexter Dunphy took the view that change management could be packaged in terms of its size and complexity and then organized accordingly, as can be seen in Figure 20.

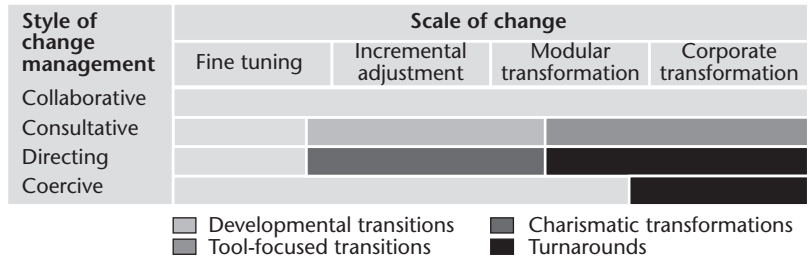


Figure 20 Change management with regard to size and complexity

Sheila Costello’s approach sought to set the parameters purely by the size and scope of the change being envisioned, and then to suggest strategies by which the change could be facilitated (see Figure 21).

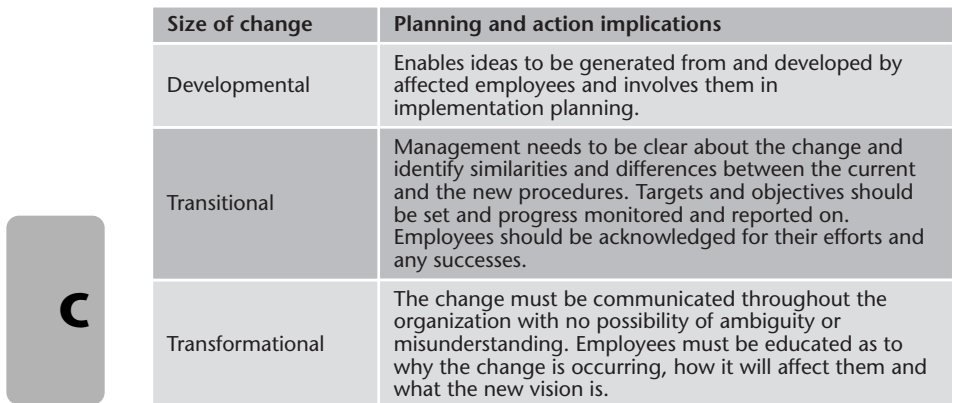


Figure 21 Change management in terms of size and scope

Paul Bate, on the other hand, considered the whole process of change to be a cycle which had clearly identifiable phases, as can be seen in Figure 22.

Approach to change	AGGRESSIVE	CONCILIATIVE	INDOCTRINATIVE	CORROSIVE	
Phase of cycle	DEFORMATIVE	RECONCILIATIVE	ACCULTURATIVE	ENACTIVE	FORMATIVE
Key design parameter	EXPRESSIVENESS	COMMONALITY	PENETRATION	ADAPTABILITY	DURABILITY

Figure 22 The cycle of change

Bate, Paul, *Strategies for Cultural Change*. Oxford: Butterworth-Heinemann, 1995.
 Costello, Sheila, *Managing Change at Work*. New York: Irwin Professional, 1994.
 Stace, Doug and Dunphy, Dexter, *Beyond the Boundaries: Leading and Re-creating the Successful Enterprise*. New York: McGraw-Hill Education, 2002.

Change options matrix

The change options matrix links the main areas of human resource activity. The three main areas of strategic change are work, cultural and political change. The change options matrix was developed by Michael Beer, Russell Eisenstat and Bert Spector (1990) when they provided a six-point plan on how best to proceed with change:

- mobilize commitment through joint diagnosis;
- develop a shared vision of how to organize and manage for competitiveness;
- create a consensus for the new vision along with the competence and cohesion to act on it;
- revitalize departments by pressure from senior management;
- ensure change through the adoption of policies, systems and structures;
- monitor and adjust strategies as required.

Beer, Michael, Eisenstat, Russell A. and Spector, Bert A., 'Why Change Programs Don't Produce Change', *Harvard Business Review*, November 1990.

Channel management

Channel management involves the selection and motivation of distribution channel members and the periodic performance evaluation of their efforts and commitment.



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A manufacturer, for example, may wish to agree performance targets (in terms of quotas, delivery times, lost or damaged goods procedures, promotion and marketing agreements, training, and overall service to customers). The manufacturer will periodically review these arrangements and be prepared to take remedial action when there are deviations from the agreed performance standards. In most cases, the producer or ultimate supplier controls or significantly influences the channel members, who are subordinate to the producer on account of the fact that they are dependent upon that producer.

Forsyth, Patrick, *Channel Management*. Oxford: Capstone Express, 2001.

Clarity of expectations

Sound planning not only ensures focus, but it also ensures clarity of expectations. In this sense, clarity of expectations is an integral part of the structuring of tasks and the setting of deadlines. 'Clarity of expectations' refers to managers being precise regarding their instructions and communications in order to ensure that subordinates comprehend what is expected of them and what the likely outcome of a task is expected to be with regard to performance.

Clarity of expectations is an integral part of enhanced communications, information sharing, and **delegation**.

Coercive power

Coercive power was one of the five different forms of power suggested by J. P. R. French and B. Raven in 1960. Their theories refer to the different types of power exercised or wielded by managers. The five types of power are summarized in Table 12.

French, J. P. R. Jnr, and Raven, B., 'The Bases of Social Power', in D. Cartwright and A. Zander (eds), *Group Dynamics*. New York: HarperCollins, 1974.

Cognitive bias

Essentially, cognitive bias is the tendency for individuals, however intelligent or well-informed, to do the wrong thing.

Because certain issues or occurrences come to the mind more easily than others, individuals tend to use these occurrences as benchmarks for decision making rather than a better and more efficient alternative.

The human brain, it is said, is built for interpersonal relationships rather than statistics. Because of cognitive bias, managers need discipline, tools and quantitative methods in order to make the correct decisions.



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Table 12 Coercive power

Power type	Description
Coercive	In forcing employees to do things against their will, physical threats can be used. Typically, the manager is dictatorial or a bully. The principal goal is compliance; managers will make examples of those who do not comply. Rewards can be withheld and individuals can be socially excluded.
Reward	Providing employees with what they want in exchange for compliance and obedience. Rewards can be withheld as a means of ensuring compliance.
Legitimate	Seen to be the acceptable face of raw power. Managers have legitimate power by virtue of their position in the business. Employees obey the position in the organization, not the manager as such.
Referent	Power derived from employees liking and wanting to emulate the manager. Charisma is a key factor; it can be used to exclude or coerce. Social leaders can direct others to exclude or shun individuals.
Expert	Power based on knowledge and skills, common in businesses which promote technically able individuals into management positions. Power revolves around experience and understanding, to which others defer.

Kahneman, Daniel and Tversky, Amos, 'Subjective Probability: a Judgement of Representativeness', *Cognitive Psychology*, July 1972.

Commission system

Commission-based pay is an incentive-based pay structure, which is widely believed to produce better results from employees than a traditional pay structure. Typically, sales staff are placed on commission-based pay. Their income is directly related to their performance and in most cases there is no ceiling to the amount of money that they can earn. Commission-based structures are seen as a viable means of identifying those who are under-performing and who may require either redeployment or training. One of the many associated problems, however, with commission-based pay structures is that employees tend to focus on the sale of items which provide them with the largest return in relation to the time spent. Commission-based salaries tend to work



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when the products or services sold by a business have few variations. This means that employees tend to focus on building relationships with customers in order to provide steady commission payments.

Torkelson, Gwen E., *Contribution Based Pay: Tools to Identify, Measure and Reward Performance*. iUniverse.com, 2001.

Communication barrier

A communication barrier is a problem in the communication system or stream which effectively blocks either the communication itself or the understanding of that communication between the relevant parties. Communication barriers can take a number of different forms, such as:

- lack of sufficient or effective training of employees;
- lack of information needed to make a decision;
- personal relationship problems;
- faulty or inadequate systems or procedures;
- noise or other messages which can confuse the transmission and receiving of the message.

Communication models

The **organizational structure** will determine the channels through which communication is regularly made. Communication channels need to ensure that information flows freely throughout the organization in order that the right information meets the right person, at the right time. Open communication channels tend to take the following forms:

- notice boards;
- newsletters;
- minutes of meetings;
- non-confidential internal mail;
- multi-user computer systems;
- email.

Communication channels also have to pass information of a confidential or security-restricted nature and the organization will restrict access to this information in a variety of ways, including passwords for computer systems.

An organization will select the most effective method of communication for transmitting information both internally and externally, although taking into account considerations such as speed, cost, feedback requirements or written documentation needs. Figures 23 and 24 identify the main methods of communication, in both written and verbal format.

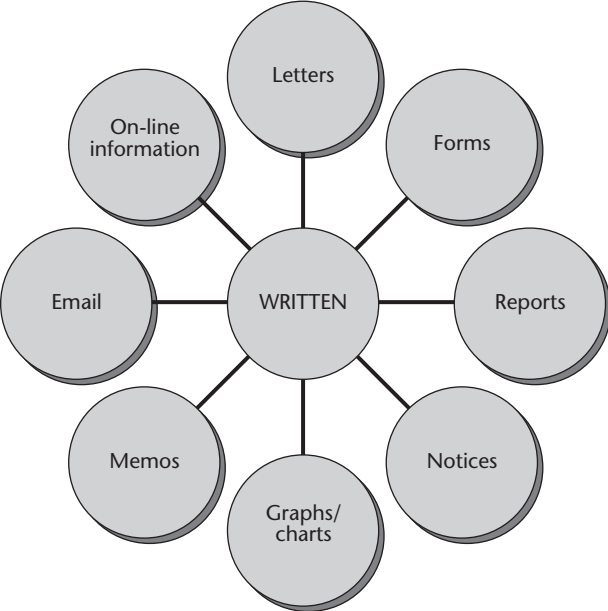


Figure 23 Methods of written communication

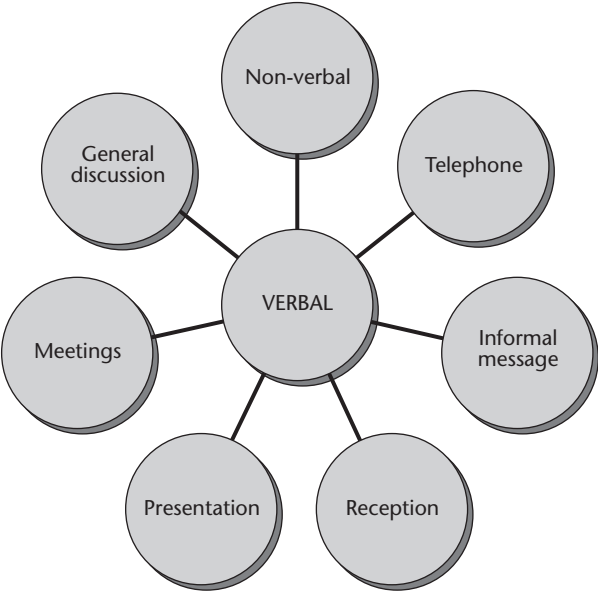


Figure 24 Methods of verbal communication



Competence

There are many competences (key skills) required by a manager, but these can be typified as falling into the following categories:

- *Job management* – including time management, prioritization, planning and scheduling
- *Team management* – training, coaching, appraisal, performance management, discipline and counselling.
- *Relationship management* – listening, organizing, giving clear instructions, giving and receiving unbiased information.
- *Thought management* – identifying and solving problems, decision making, risk assessment, clear thinking and analysing.

Winterton, Jonathan and Winterton, Ruth, *Developing Managerial Competence*. London: Routledge, 1999.

See also **core competence**.

Competitive advantage

The term 'competitive advantage' refers to a situation where a business has a commercial advantage over the competition by being able to offer consumers better value, quality or service. Normally, a competitive advantage would be measured in terms of lower prices, though in the case of more benefits and greater quality, higher prices are possible as a result of the competitive advantage enjoyed.

Porter, Michael E., *Competitive Advantage: Creating and Sustaining Superior Performance*. New York: Simon & Schuster, 1998.

Competitive Information System (CIS)

A marketing data capture system which aims to collect, collate and assess intelligence regarding the operations of competitors. Ideally, a CIS needs to encompass the following:

- A clear decision regarding the information that needs to be collected.
- The design of appropriate data capture methods.
- A system by which the data can be analysed and evaluated in a timely manner (note that aged data may be of little value or, at worst, may suggest strategies that are no longer appropriate).
- A communications system which allows the dissemination of the information.
- The incorporation of the data into the decision-making process,



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coupled with an ability to assess the quality of the data collected so that systems can be refined.

See also sustainable competitive advantage.

Competitive intelligence

Competitive intelligence (CI) is increasingly seen as a distinct business management discipline, which provides an input into a whole range of decision-making processes. There are four stages in monitoring competitors, known as the four Cs:

- Collecting the information.
- Converting information into intelligence (CIA: Collate and catalogue it, Interpret it and Analyse it).
- Communicating the intelligence.
- Countering any adverse competitor actions.

www.bidigital.com/ci/Documentation

Competitor profile analysis

Competitor profile analysis is a market research method which seeks to quantify the key success factors in a given industry or market, incorporating the same criteria for major competitors. By assigning a score to the most important or closest match, for both the industry and the competitor, an aggregate score is derived (see Table 13). These scores indicate the key determinants of success and show how well suited, or perhaps vulnerable, a given competitor may be. Obviously an extension of this profiling analysis would be to carry out a similar exercise with your own business.

Complementors

The power of complementors arises when the value of a business's products or services depends upon the availability of others. Toothpaste on its own, for example, would have no value without toothbrushes. Complementors directly influence the profitability of a given market. In the absence of the correct complementors, or in the case of the slow development or poor quality of those complementors, profitability can be harmed.

The concept of complementors was probably first introduced by Andy Grove of Intel.

Grove, Andrew, *Only the Paranoid Survive*. New York: Doubleday, 1998.



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Table 13 Competitor profile analysis – key success factors

Success factor	To industry (A)	To competitor (B)	Score (C)
Product quality	1 2 3	1 2 3	1 2 3 4 5 6 7 8 9
Product mix	1 2 3	1 2 3	1 2 3 4 5 6 7 8 9
Price	1 2 3	1 2 3	1 2 3 4 5 6 7 8 9
Distribution dealers	1 2 3	1 2 3	1 2 3 4 5 6 7 8 9
Promotion ability	1 2 3	1 2 3	1 2 3 4 5 6 7 8 9
Manufacturing operations	1 2 3	1 2 3	1 2 3 4 5 6 7 8 9
Overall cost situation	1 2 3	1 2 3	1 2 3 4 5 6 7 8 9
Financial strength	1 2 3	1 2 3	1 2 3 4 5 6 7 8 9
Organization structure	1 2 3	1 2 3	1 2 3 4 5 6 7 8 9
General management ability	1 2 3	1 2 3	1 2 3 4 5 6 7 8 9
Human resource quality	1 2 3	1 2 3	1 2 3 4 5 6 7 8 9
Total weighted score			

A – The scale of importance is 3 = high, 2 = moderate, and 1 = low.

B – The scale for the rating is 3 = strong, 2 = moderate, and 1 = weak.

C = A × B.



Compliance

A compliance approach is effectively a review or audit of human resource practices, with the intention of determining whether they conform to the business's stated policies. An integral part of this is to consider whether human resource practices comply with legal standards. A compliance approach can also encompass an audit of managerial compliance.

Concentrated marketing

'Concentrated marketing' is a marketing strategy which sees a business focusing primarily on obtaining a brand leadership or market dominance in a single market or a small number of markets. All marketing activities will be concentrated on having the maximum impact on these markets and the business will be less active in other markets as a result.

Concentration ratio

The concentration ratio measures the fraction or percentage of total sales in a given market which is controlled by a specified number of the industry's largest sellers. Many of the concentration ratios calculate the share of an industry's total market sales made by between three and five of the largest businesses in that market. In the UK, for example, data is collected by the Office of National Statistics, and in the cases of tobacco products, petroleum and fuels the totals are almost 100%. On average, however, the markets the concentration ratio measures are dominant to the extent of between 40% and 60% in areas such as metals, office machinery, computers, televisions, communication equipment and motor vehicles.

Conceptual skills

Conceptual skills are one of the three broad skill types which are identified in different occupations, the other two being technical skills and human skills. The comparisons between the three generic types of skills are shown in Table 14.

Managers tend to be more replete in human skills, followed by conceptual skills and finally technical skills.

Conflict aftermath

See conflict management.

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Table 14 The three skill types

Generic skills	Description	Examples
Technical	Related to methods, procedures or techniques.	Software, computer-aided manufacture, networking, computer programming, project planning, cost management.
Human	Associated with the individual's behaviour.	Leadership, creativity and analytic skills, self-learning and flexibility, communication, team working, strong sense of commitment.
Conceptual	Related to the individual's perception of the business's environment.	Strategy and planning, vision for the business, vision globally.

Conflict management

Conflict management involves situations where there may be opposition, incompatible behaviour and antagonistic interaction, or the blocking of individuals from reaching their goals. Conflict behaviour can range from questioning or doubting, to a desire to annihilate the opponent.

Typically, conflicts will arise out of disagreements, disputes or debates. Conflict is not always a negative aspect for a business and there is no specific need to reduce all conflicts, as they ebb and flow and become an inevitable part of organizational life. Indeed, many consider conflict to be essential for growth and survival. Therefore, conflict management includes both decreasing conflict and increasing it.

There are various forms of conflict but they can be broadly distinguished as being either functional or dysfunctional. Functional conflict, or constructive conflict, was first suggested in 1925 by **Mary Parker Follett**. It increases information and ideas, encourages innovative thinking, allows different points of view to be raised and reduces organizational stagnation.

Dysfunctional conflict, on the other hand, usually arises from tensions, anxieties and stresses. It reduces trust, and often poor decisions are made because of distorted or withheld information. Management tends to be obsessed with dysfunctional, high-conflict situations.

There is also a sub-division, which is dysfunctional low conflict, which again is negative in the sense that few new ideas are presented, and there is a lack of innovation or sharing of information, all of which leads to stagnation.

Conflict management also involves three levels of conflict. Clearly there could be conflict between or within the organization itself. There is also group conflict within the organization and individual conflict between individual members of the groups.

Generally it is considered that there are three kinds of conflict episodes, these are:

- latent conflict – which is behaviour which starts a conflict episode;
- manifest conflict – which is the observable conflict behaviour;
- conflict aftermath – which is the end of a conflict episode, and can become the latent conflict for another episode in the future.

Clearly, conflict management appears between the manifest conflict and the conflict aftermath, which seeks to lower the level of the conflict itself. A more complete view of the conflict episodes and the place of conflict management within this system can be seen in Figure 25.

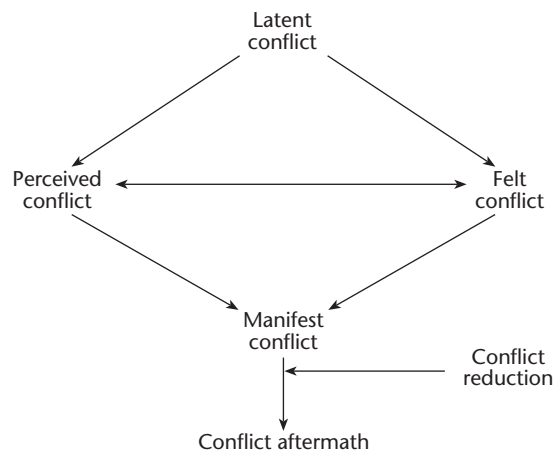


Figure 25 Aspects of a conflict episode

As can be seen in the diagram, perceived conflict occurs when individuals become aware that they are in conflict. Conflict can be perceived even when no latent conditions exist. A prime example is the misunder-

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standing of another individual's position on an issue. Felt conflict is the emotional or personalizing part of the conflict and is exemplified by oral or physical hostility. These are the hardest episodes for managers to control.

The various episodes may link the conflict aftermath to future latent conflict, and effective conflict management breaks this connection by discovering the latent conflicts and removing them. An ideal conflict management model, which would seek to maintain conflict at functional levels, would include the following:

- no complete elimination of conflict;
- an increase in dysfunctional low conflict;
- choosing a desired conflict level based on perceived conflict requirements;
- a tolerance towards conflict.

Mayer, Bernard S., *The Dynamics of Conflict Resolution: A Practitioner's Guide*. New York: Jossey Bass Wiley, 2000.

Congruence

See goal congruence.

Consolidated industry

Consolidation is a measure often applied to the study of particular industries. In the UK, for example, some 85 per cent of all retail sales are achieved by just 500 different businesses. It is therefore imperative for businesses to understand that in a competitive environment it is vital to understand the dynamics of the market. Highly consolidated industries are typified by a dominance of the market by a handful, relatively speaking, of businesses, which may appear to the consumer to be a broader range of businesses than they actually are. Consolidation has gradually been achieved in many areas of industry by large multinational businesses through mergers and acquisitions. In order to continue to present the perception that there is a considerable degree of choice and competition in a marketplace, these businesses have tended to retain old company names and continue to trade under these company names, despite the fact that they are enjoying all the **economies of scale** associated with a larger business enterprise.

Consumer-orientated business

Consumer or customer orientation is a marketing principle that aims to describe a business which views its entire operations in terms of the



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end-user. All product development, production, distribution and marketing are aimed at fulfilling consumer needs and wants. This is a marketing concept that is diametrically opposed to a product or production orientation, which seeks to find markets and persuade consumers to buy existing products and services that have not been initially designed to match their needs and wants.

Contingency approach

Robert Tannenbaum and Warner Schmidt were amongst the first researchers to look at and identify the various factors which influenced a manager's choice of leadership style. They decided that situational factors influence the form of leadership, in as much as the managers take into account practical considerations before making a management decision.

The contingency approach recognizes that managers need to distinguish between different sorts of problems. Some problems need to be resolved by themselves and others require a degree of collaboration. Tannenbaum and Schmidt suggested that there were three main forces that had an impact upon the leadership style of a manager:

- Personal forces – which include the manager's background, experience, inclinations and confidence.
- Subordinate characteristics – including their willingness to accept responsibility and to make decisions for themselves.
- Situation – which could include time pressures, the type of task, corporate culture or normal style of work.

They believed that, in effect, decisions could be made on a form of continuum which ranged from a very autocratic and authoritarian management style at one extreme, to a far more democratic style which allowed greater freedom for subordinates. As a consequence, decisions, according to the contingency approach, ranged from the manager making all the decisions, to the other extreme where the manager allowed subordinates an almost complete freedom of action.

Tannenbaum, R. and Schmidt, W. H., 'How to Choose a Leadership Pattern', *Harvard Business Review*, May–June 1973.

Continuity plan

A continuity plan, as the term suggests, is a form of contingency plan which aims to place the business in a position to recover quickly in the event of a disaster. Disasters could range from severe damage or

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destruction of the business and its information systems, to the loss of a vital or pivotal member of staff.

Business continuity plans aim to support the business and are an integral part of an ongoing risk assessment and risk management with the purpose of ensuring that the business could continue should these risks materialize. A continuity plan is not simply concerned with disaster recovery; it could affect the continuity of a business in many different situations, such as a staff shortage in a specialist area. Continuity means that the business needs to continue to deliver, and move towards its business objectives, even if things do go wrong.

Normally a business will appoint a Continuity Management Coordinator, who will understand how the business is structured and the people involved, and will have good communication and interpersonal skills. Obviously any continuity plan, often known as a business continuity plan (BCP), must be endorsed by the senior management and tested on a regular basis. The key stages of business continuity management are:

- to understand the business;
- to formulate continuity strategies;
- to develop a response;
- to implement a continuity culture;
- to test the plan through maintenance and auditing.

www.business-continuity-world.com

Core competence

Core competences have two specific definitions. The first is the identification of the key skills, knowledge and experience required of an individual to perform a specific job role.

The other definition refers to the ability of employees or managers to be adaptable in the sense that they could work in an alternative, remote location, such as abroad. In these cases core competences examine the adaptability and resourcefulness of the managers when operating in what may be an unknown overseas environment.

Stone, Florence M. and Sachs, Randi T., *High-value Manager: Developing the Core Competences Your Organization Demands*. New York: Amacom, 1996.

See also **competence**.

Corporate culture

Corporate culture is taken to be the beliefs, values, norms and traditions



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of an organization which directly affect the behaviour of its members. Each organization has its own unique culture and many businesses are conscious of this culture, which may be based on a sense of community or another fundamental driving force. It is widely believed that there are five different forms of diverse corporate culture, as shown in Table 15.

Table 15 Forms of corporate culture

Corporate culture orientation	Explanation
Individual versus collective	The business determines the appropriate level at which behaviour needs to be regulated.
Power distance	How less powerful members of the organization accept and adhere to the distribution of power within the organization.
Uncertainty avoidance	The degree to which rules, long-term employment prospects and the possibility of progression exist and whether employees are unsure of how to deal with particular situations.
Dominant values	Whether a formal structure, based on well-defined roles, is at variance with employees' desire to have quality relationships, job satisfaction and work flexibility.
Short-term versus long-term	Whether the focus is upon short-term performance or longer-term relationships, and the desire to take an extended view of achievement.

Schein, Edgar H., *The Corporate Culture Survival Guide*. New York: Jossey-Bass, 1999.

See also Hofstede, Geert.

Corporate strategy

Corporate strategy can be seen as an overarching strategy put in place by a business, encompassing the deployment of its resources. Corporate strategy is used to move the business towards its goals in the various



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areas of its activities, including production, finance, research and development, personnel and marketing.

Lynch, Richard, *Corporate Strategy*. London: Financial Times, Prentice-Hall, 2002.

Cost leadership strategy

Cost leadership strategy, although it is regarded more as a generic marketing strategy, has considerable implications for human resource management. Cost leadership strategy aims to provide the business with a competitive advantage by lowering the costs of its operation. This can inevitably mean that since the drive is towards increased profitability, via the reduction in costs, leading to a reduction in prices, there will be pressure on employees in many different areas of their work. Clearly, either a policy can be adopted which seeks to reduce the overall demands on the business in terms of pay, which can involve a reduction in the workforce, or it may require each individual to show a higher level of productivity and a greater contribution towards profit. Another inevitable implication is the use of outsourced labour in order to provide products and services at a lower cost than could be achieved by employing a workforce directly. Businesses will seek to find means by which the human resource department can identify cost savings, either by reducing staff numbers, by job enlargement or by **multi-skilling**.

Pohlmann, Randolph; Gardiner, Gareth S. and Heffes, Ellen M., *Value Driven Management: How to Create and Maximize Value over Time for Organizational Success*. New York: Amacom, 2000.

Cost-benefit analysis

Cost-benefit analysis is a technique which seeks to assess the value of the benefits of a particular course of action and then subtract any costs associated with it. The majority of benefits are received over a period of time, whilst costs may be either one-off episodes or ongoing costs. In effect, cost-benefit analysis allows a business to work out a payback period for a particular course of action.

In its simplest form, cost-benefit analysis can use only financial costs and financial benefits. This would make it easy for a business to assess and analyse the costs and benefits associated with any particular scheme. Restricting the analysis to purely financial aspects does not mean that all costs and benefits have been assessed, as there may be human-resource, environmental, production, or a host of other costs and benefits which have not been taken into the equation. Therefore a more sophisticated approach to this form of analysis can attempt to put



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a financial value on what would be intangible costs and benefits, although this is notoriously subjective.

Cost-benefit analysis can be a powerful tool, particularly if the intangible items are incorporated within the analysis.

Brent, Robert J., *Applied Cost-Benefit Analysis*. Aldershot: Edward Elgar, 1996.

Cost-plus pricing

The cost-plus pricing method is one of the most common forms of pricing policy, it is also one of the more straightforward forms. The pricing methodology simply involves adding a predetermined percentage or gross figure to the costs of production or purchase, thereby creating a price point for the product or the service.

This basic form of pricing does not individually take into account current market conditions and is in many cases considered to be too prescriptive in its structure for standard use. Despite this, many base prices are calculated on this cost-plus assumption.

Counter measure

Counter measures are steps which a business may choose to take in order to offset a negative impact on business operations. Businesses will inevitably have assessed particular risks or the likelihood of particular events occurring, such as the arrival of a new and vigorous competitor in a particular market. Counter measures seek to provide the basis for a measured response to a particular risk or threat to the business. Whilst these may have been framed already, the business needs to be sure that the counter measures being considered are appropriate in the particular circumstances which now present themselves.

Covey, Stephen

Stephen Covey, a management and leadership guru, is perhaps best known for his book *The Seven Habits of Highly Effective People*, which has sold over 1.5 million copies. His seven habits are highly applicable to managers. They are:

- Being proactive, in the sense that the managers need to control their own environment, using self-determination and the power to respond to various circumstances.
- Always looking towards the end of a situation – this means that the manager needs to be able to see the desired outcome and concentrate on activities which help in achieving that end.



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- Organization – in the sense that managers need to personally manage themselves and implement activities which aim to achieve the second habit – looking to the desired outcome. Covey suggests that everything should begin with that second habit and then move to this third habit – organization.
- Seeing the benefits for all – Covey suggests that this is the most important aspect of interpersonal leadership because most achievements are based on cooperative effort, therefore the aim needs to be win-win solutions for all.
- Understanding – by developing and maintaining positive relationships through good communications, the manager can be understood, and can understand the subordinates.
- Synergy – Covey cites this as being creative cooperation, in the sense that collaboration often achieves more than could be achieved by individuals working independently towards attaining a goal.
- Self-renewal – learning from previous experience and encouraging others to do the same. Covey sees development as one of the most important aspects in being able to cope with challenges and aspire to higher levels of ability.

Covey, Stephen, *The Seven Habits of Highly Effective People*. New York: Fireside, 1989.

www.franklincovey.com

Crisis management

C For most organizations, crisis management is unavoidable in situations where the business's survival or well-being is threatened by an unexpected problem. Most organizations will have established a series of contingency plans in order to ensure that specific steps have been outlined to deal with similar, predicted situations. In most cases the business will appoint an individual, probably from the board or senior management, to deal with the situation. This individual will be given the full support of the board and may be granted considerably more sweeping authority in order to deal with the crisis. Swift decision making is essential in crisis management as immediate remedies are required in order to ensure the business's continued survival.

Fink, Steven, *Crisis Management: Planning for the Inevitable*. Lincoln, NE: Universal Publishers, 2000.

Critical path analysis

A critical activity is a major event on a critical path. A critical chain is a means by which an organization can look at the full duration of a particular project, and is considered to be somewhat more all-inclusive than a critical path. The critical chain not only addresses the issues which a critical path considers, but also takes into account any factors relating to the supply of products or components prior to the commencement of the production process itself. A critical chain would consider start and finish times, as well as any slack periods. The longest total time through these stages is known as the critical path. The critical chain seeks to assign the resources required for each part of the process and recognizes the fact that the next stage cannot be undertaken until the resources required for that task are made available. The critical chain then identifies all of the stages in the process until the schedule has been completed. In this respect, a critical chain is somewhat longer than a critical path. In addition, the critical chain incorporates time buffers, with the aim of protecting the activities on the critical chain from beginning later than is desirable.

Alongside a critical chain, a non-critical chain would also be constructed, to ensure that activities which could have an impact on the critical chain are planned in such a way that they do not cause an interruption.

A critical path is the longest possible path through which a project has to pass in order to be completed. The critical path identifies crucial activities in the stages of dealing with, or managing, a particular project, identifying in effect the worst case scenario in order to make a clearer estimation of the time a project will take to complete. The critical path aims to focus the organization's attention on the activities which are essential to ensure the completion of the project.

The critical path method (CPM) begins with the start time for a particular project. It then proceeds to identify the earliest possible start times and finish times for each activity which is required to complete the overall project (see Figure 26). Once this has been completed, the CPM seeks to work backwards from the date by which the project needs to be completed and amends the start times of all of the activities in relation to this date. The critical path is the pathway which has the minimum amount of slack time. This critical path is then given priority in terms of attention and allocation of resources, aiming to reduce the overall project time.

The CPM should also assist the business in being able to identify aspects or activities in the process which can be either rolled together or speeded up in order to have a positive impact on the overall project completion time.



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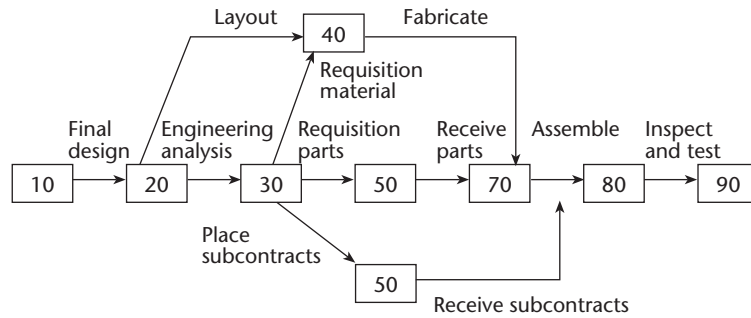


Figure 26 Example of a critical path

Busch, Dennis H., *New Critical Path Method: CPM – The State-of-the-Art in Project Modeling and Time Reserve Management*. Chicago, IL: Probus Professional Publishing, 1990.

Latino, R. J. and Latino, K. C., *Root Cause Analysis: Improving Performance for Bottom Line Results*. Boca Raton, FL: Interpharm CRC, 1999.

Leach, Lawrence P., *Critical Chain Project Management*. London: Artech House, 2000.

Critical success factors (CSFs)

A business may identify critical success factors (CSFs) as a means by which it can help determine its own strategic objectives. Each of the major objectives has associated CSFs, which in theory should be achieved *en route* to the principal objective or objectives. In other words, these CSF criteria are major milestones along a continuing process towards the objectives as identified by the business.

Sashkin, Molly G. and Sashkin, Marshall, *Leadership that Matters: The Critical Factors for Making a Difference in People's Lives and Organizations' Success*. San Francisco, CA: Berrett-Koehler Publishers, 2003.

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Current ratio

The current ratio is used as an indicator of whether a business has the ability to meet its short-term debt obligations. Typically, it is calculated by dividing the current assets by the current liabilities.

The current assets include all cash, or assets which can be easily converted into cash (stock, debtors etc.). By dividing the current assets by the current liabilities, a business will be able to assess the amount of coverage it may have available to meet its short-term debt obligations.

For example, a business may have current assets valued at £950,000 and its current liabilities may run to £450,000. Using the current ratio, the business can then calculate the following:

$$\frac{950,000}{450,000} = 2.11$$

This figure can be expressed as 2.11:1. The ratio shows that the business has £2.11 of current assets for every £1.00 of current liabilities. If the industry standard current ratio was, for example, 2:2, then this business would be considered to have a satisfactory current ratio.

Fridson, Martin and Alvarez, Fernando, *Financial Statement Analysis: A Practitioner's Guide*. New York: John Wiley & Sons, 2002.

Temple, Peter, *Magic Numbers: The 33 Key Ratios that Every Investor Should Know*. New York: John Wiley & Sons, 2001.

Customer defection rate

According to the American Management Association, the majority of profits of a business are earned from their loyal customers and typically loyal customers account for 65% of an organization's revenue. They further suggest that a cut in the customer defection rate of 5% could lead to a profit increase of between 25% and 85%. In other words, by reducing the number of customers lost to competitors, a business could double its growth in a year.

Given the fact that new customers cost five times as much to obtain as the cost of retaining a current customer, businesses are increasingly concerned with customer retention figures. Having said this, the vast majority of businesses do not know their own customer defection rate.

Typically, businesses will put off improving their services to customers until it looks as if the customers are going to defect to another business; usually by this time it is too late and the decision has already been made. As a result, database marketing seeks to identify average customer behaviours and, in effect, set up a 'trip-wire' event which will lead the business to believe that a customer is considering defecting to a competitor.

Customer relationship management (CRM)

Customer relationship management is based on the assumption that there is a relationship between the business or the brand and the customer. This is a relationship that needs to be managed, both through the individual buying stages and in the longer term.

CRM is very much related to fostering customer loyalty and, in the longer term, customer retention.

CRM can be used in call-centre support and direct marketing opera-

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tions; software systems assist in the support of customer service representatives and give customers alternative means by which they can communicate with the business (such as mail, email, telephone etc.). Some sophisticated CRM software programs have email response systems which process incoming emails and determine whether they warrant a personal response or an automated response. Recent figures indicate that systems such as this can handle around half of the requests from customers (typically, requests for additional information or passwords, and responses to emails sent by marketing departments).

Other CRM software systems allow customer representatives to take part in live chat rooms or co-browsing, offering the business a less formal environment in which to make contact with customers. CRM software can also queue customers on the basis of their profiles, by requesting that the customer logs into the website; it is then possible to pass the customer on to individuals in the customer service team who may be better suited to deal with customers who share similar profiles. CRM software also provides the means to maintain and update a database of information about each customer (in other words, a case history).

Customer response time

Customer response time is a measure of a business's ability to provide products or services to its customers. Customer response time is also known as 'waiting time in line' (WTIL). Waiting time in line describes the usually non-productive time which customers have to wait before being served or processed. There are, essentially, three costs that must be balanced in a waiting-line system: the cost of service and the cost of waiting as well as the cost of a scheduling system. Theoretically, a scheduling system is a management strategy designed to avoid waiting lines.

In cases where the cost of service and the cost of waiting are known and measurable, the organization can attempt to determine the optimal, or close to optimal, waiting-system configuration and rate of service. However, the cost of service has a positive relationship with the rate of service; conversely, the cost of waiting has a negative relationship with the rate of service. In other words, the faster the service rate, the higher the cost of service, and the faster the service rate, the lower the cost of waiting. The opposite applies with a slower service rate, meaning a lower cost of service but a higher cost of waiting.

Chen, H. and Yao, D. D., *Fundamentals of Queuing Networks: Performance, Asymptotics and Optimization* (Applications of Mathematics). New York: Springer-Verlag, 2001.

Dshalalow, Jewgeni H. (ed.), *Advances in Queuing: Models, Methods and Problems*. Boca Raton, FL: Interpharm CRC, 1995.



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Customer responsiveness

Customer responsiveness is a measure of a business's ability not just to identify, but also to satisfy the needs or requirements of its customers. Various reports suggest that up to 40% of businesses fail to respond to even simple customer requests. In a survey carried out by RDMP in 2003, 250 of the top 500 FTSE businesses, including those in finance, insurance, communications, utilities and manufacturing, who had collectively spent £16.5 billion a year on advertising, failed in basic consumer responsiveness measures. Some 92% failed to re-contact a customer who had made an initial enquiry, and only 24% of enquiries were replied to within 24 hours. In spite of the rise and importance of websites, some 66% of these businesses failed to respond to consumers who had requested information or asked questions via their websites.

www.computerweekly.com/article122826.htm

Customization

Customization is a trend that has been slowly developing over recent years, and aims to create bespoke products and services which more closely match the exact needs and wants of the customers.

Traditionally, customization and low costs were mutually exclusive; the period of mass production meant that unit costs could be driven down at the expense of providing specifically for customer needs. Uniformity was the key word. In order for customers to purchase bespoke products and services, a premium price was charged by specialists or small suppliers.

Interactive technologies, such as the Internet, now allow customers to purchase products and services to their own specifications by automated systems. This means that customers can be encouraged to specify their exact requirements, for which an additional, but not crippling, extra charge is levied. This allows marketing activities to revolve around this aspect of the offering, focusing on the personalized nature of the product or service. The process has also become known as 'mass customization' as, in point of fact, the specifications are often prescriptive and the variations from the norm not as wide as one would expect to be the case.

Kelly, Sean, *Data Warehousing: The Route to Mass Customisation*. Chichester: John Wiley, 1996.

