

Chapter 3

Managing the External Environment and the Organization's Culture

The components of an organization's culture are as complex as the different aspects of an individual's personality. Today's managers must understand how the force of an organization's internal and external environments may influence, and sometimes constrain, its productivity.

LEARNING OBJECTIVES

1. Contrast the actions of managers according to the omnipotent and symbolic views.
2. Describe the constraints and challenges facing managers in today's external environment.
 - Develop your skill at scanning the environment so you can anticipate and interpret changes taking place.
3. Discuss the characteristics and importance of organizational culture.
 - Know how to read and assess an organization's culture.
4. Describe current issues in organizational culture.

It's Your Career

Reading an Organization's Culture: Find One Where You'll Be Happy

Wouldn't it be nice to one day find a job you enjoy in an organization you're excited to go to every day (or at least most days!)? Organizational cultures vary and finding one that's a good fit with you is important for your satisfaction at work. Here's a list of things you can do to "read" a culture:

1. **Do background check.** Are the company's values and mission statement listed? What do current news items tell you about the company? You might also talk with members of trade organizations to which the organization's employees belong.
2. **Observe the physical surroundings and corporate symbols.** What do logos, posters, pictures, style of dress, length of hair, and other factors tell you about the company? Could you see yourself working there and enjoying it?
3. **How would you characterize the people you meet?** Are they formal? Casual? Serious? Jovial? Open? What do these things say about the organization's values?
4. **Look at the organization's HR manual (if you can).** Are there formal rules and regulations? Could you see yourself working within these parameters?

5. **Ask questions of the people you meet.** How is job success defined/determined? What rituals are important, and what events get commemorated? What do these things say about what the organization values? When you apply for a job, much about the organization's culture is right there for you to see. Know the clues to look for and decide if it's for you!

CHAPTER OUTLINE

INTRODUCTION

Managers must realize that organizational culture and organizational environment have important implications for the way an organization is managed. Both organizational culture and external forces that can shape an organization are explored in order to gain a better understanding of the complexities presented by internal and external environments.

3.1 THE MANAGER: OMNIPOTENT OR SYMBOLIC?

Two perspectives concerning the role that managers play in an organization's success or failure have been proposed.

- A. **The Omnipotent View.** This maintains that managers are directly responsible for the success or failure of an organization.
1. This view of managers as being omnipotent is consistent with the stereotypical picture of the "take-charge" executive who can overcome any obstacle in carrying out the organization's objectives.
 2. When organizations perform poorly, someone must be held accountable. According to the omnipotent view, that "someone" is the manager.
- B. **The Symbolic View.** This view of management upholds the view that much of an organization's success or failure is due to external forces outside managers' control.
1. The influence that managers do have is seen mainly as a symbolic outcome.
 2. Organizational results are influenced by factors outside of the control of managers, including the economy, customers, governmental policies, competitors' actions, the state of the particular industry, the control of proprietary technology, and decisions made by previous managers in the organization.
 3. The manager's role is to create meaning out of randomness, confusion, and ambiguity.
 4. According to the symbolic view, the actual part that management plays in the success or failure of an organization is minimal.
- C. Reality suggests a synthesis. Managers are neither helpless nor all powerful. Instead, the more logical approach is to see the manager as operating within constraints imposed by the organization's culture and environment (see **Exhibit 3-1**).

3.2 THE EXTERNAL ENVIRONMENT

The impact of the external environment on a manager's actions and behaviors cannot be overemphasized. Forces in the external environment play a major role in shaping managers' endeavors. The **external environment** consists of those factors and forces outside the organization that affect the organization's performance (see **Exhibit 3-2**). The external environment includes these broad external conditions that may affect the organization: economic, political/legal, sociocultural, demographic, technological, and global conditions. Political/legal conditions include the general political stability of countries in which an organization does business and the specific attitudes that elected officials have toward business. Federal, state, and local governments can influence what organizations can and cannot do. Sociocultural conditions include the changing expectations of society. Societal values, customs, and tastes can change, and managers must be aware of these changes. Technological conditions, which have changed more rapidly than any other element of the general environment. Global factors include global competitors and global consumer markets.

A. The Economic Environment.

1. The Global Economy and the Economic Context

- a. Context. The lingering global economic challenges—once described as the “Great Recession” by some analysts—began with turmoil in the home mortgage markets in the United States, as many homeowners found themselves unable to make their mortgage payments.
- b. The slow, fragile recovery of global economies has continued to be a constraint on organizational decisions and actions.
- c. The World Economic Forum identified two significant risks facing business leaders and policy makers over the next decade: "severe income disparity and chronic fiscal imbalances."

2. Economic Inequality and the Economic Context

- a. A Pew Research Center poll found that majorities in each of 44 countries surveyed believe that the gap between rich and poor is a “big problem,” and in 28 of the nations, majorities believe that the gap is a “very big problem.
- b. In the United States, that gap between the rich and the rest has been much wider than in other developed nations.
- c. Business leaders need to recognize how societal attitudes in the economic context may also create constraints as they make decisions and manage their businesses.

B. The Demographic Environment.

1. Demographic conditions, including physical characteristics of a population (e.g., gender, age, level of education, geographic location, income, composition of family) can change, and managers must adapt to these changes. Common terms used to describe demographic groups include Baby Boomers, Gen Y, and Post-Millennials
2. Baby Boomers. Born between 1946 and 1964, the sheer numbers of people in that cohort means they've significantly affected every aspect of the external environment

3. Gen Y (or the “Millennials”). Born between 1978 and 1994, this age group is also large in number and making its imprint on external environmental conditions from technology to clothing styles to work attitudes.
4. Post-Millennials. The youngest identified age group has also been called the iGeneration, primarily because they’ve grown up with technology that customizes everything to the individual.

FUTURE VISION: Tomorrow’s Workforce: More Diverse Than Ever

Demographic projections for the United States point to two major changes in the next twelve years: an increase in Hispanics and senior citizens. The growing number of Hispanics will be more evident in the southern part of the country. This could entail work force changes including a growing number of younger workers and an increasing use of Spanish in the work place. The graying of society, a term used to describe the growing number of retired workers, will have a strong impact on Social Security and other retirement funds. Ask students if they see other effects of these two changes. How do they view the future demographic composition of the United States? Will greater diversity be an advantage or disadvantage?

The following discussion questions are posed:

Talk About It 1: Why is it important for managers to be aware of demographic changes?

Talk About It 2: What can managers do to stay on top of demographic changes?

Student answers to these questions will vary.

C. **How the External Environment Affects Managers.**

1. **Jobs and Employment.** One of the most important organizational factors affected by changes in the external environment is jobs and employment. For example, economic downturns result in higher unemployment and place constraints on staffing and production quotas for managers. Not only does the external environment affect the number of jobs available, but it also impacts how jobs are managed and created. Changing conditions can create demands for more temporary work and alternative work arrangements.
2. **Assessing Environmental Uncertainty.** Environments differ in their amount of **environmental uncertainty**, which relates to (1) the degree of change in an organization’s environment and (2) the degree of complexity in that environment (see **Exhibit 3-3**).
 - a. Degree of change is characterized as being dynamic or stable.

- b. In a dynamic environment, components of the environment change frequently. If change is minimal, the environment is called a stable environment.
- c. The degree of **environmental complexity** is the number of components in an organization's environment and the extent of an organization's knowledge about those components.
- d. If the number of components and the need for sophisticated knowledge is minimal, the environment is classified as simple. If a number of dissimilar components and a high need for sophisticated knowledge exist, the environment is complex.
- e. Because uncertainty is a threat to organizational effectiveness, managers try to minimize environmental uncertainty.

LEADER MAKING A DIFFERENCE

When Indra Nooyi took the reins of PepsiCo nine years ago, she insisted on developing the company's product line to respond to shifts in the external environment as the trend toward healthier eating grew. Three categories of products were introduced including one for the organization's traditional junk food products, one for healthier versions of the same products, and one for healthy products such as oatmeal. Under Nooyi's leadership, PepsiCo has experienced continued growth and Nooyi was recognized on *Fortune's* list of *Most Powerful Women*. Students are asked what they can learn from Indra Nooyi. Responses should include her willingness to adapt to a changing environment and demand for flawless execution and attention to detail.

What can you learn from this leader making a difference?

- 3. **Managing Stakeholder Relationships.** The more obvious and secure an organization's relationships are with external stakeholders, the more influence managers have over organizational controls.
 - a. **Stakeholders** are any constituencies in the organization's external environment that are affected by the organization's decisions and actions. (See **Exhibit 3-4** for an identification of some of the most common stakeholders.)
 - b. Stakeholder relationship management is important for two reasons:
 - 1) It can lead to improved predictability of environmental changes, more successful innovation, greater degrees of trust among stakeholders, and greater organizational flexibility to reduce the impact of change.

- 2) It is the “right” thing to do because organizations are dependent on external stakeholders as sources of inputs and outlets for outputs and the interest of these stakeholders should be considered when making and implementing decisions.

3.3 ORGANIZATIONAL CULTURE: CONSTRAINTS AND CHALLENGES

Just as individuals have a personality, so, too, do organizations. We refer to an organization’s personality as its culture.

- A. **What is Organizational Culture? Organizational culture** is the shared values, principles, traditions, and ways of doing things that influence the way organizational members act. This definition implies:
 1. Individuals *perceive* organizational culture based on what they see, hear, or experience within the organization.
 2. Organizational culture is *shared* by individuals within the organization.
 3. Organizational culture is a *descriptive* term. It *S*, rather than *E*valuates.
 4. Seven dimensions of an organization’s culture have been proposed (see **Exhibit 3-5**):
 - a. Innovation and risk taking (the degree to which employees are encouraged to be innovative and take risks)
 - b. Attention to detail (the degree to which employees are expected to exhibit precision, analysis, and attention to detail)
 - c. Outcome orientation (the degree to which managers focus on results or outcomes rather than on the techniques and processes used to achieve those outcomes)
 - d. People orientation (the degree to which management decisions take into consideration the effect on people within the organization)
 - e. Team orientation (the degree to which work activities are organized around teams rather than individuals)
 - f. Aggressiveness (the degree to which employees are aggressive and competitive rather than cooperative)
 - g. Stability (the degree to which organizational activities emphasize maintaining the status quo in contrast to growth)
 5. **Exhibit 3-6** describes how the cultural dimensions can be combined to create organizations that are significantly different.
- B. **Strong Cultures.**
 1. **Strong cultures** are found in organizations where key values are intensely held and widely shared.
 2. Whether a company’s culture is strong, weak, or somewhere in between depends on organizational factors such as size, age, employee turnover rate, and intensity of original culture.
 3. A culture has increasing impact on what managers do as the culture becomes stronger.

4. Most organizations have moderate-to-strong cultures. In these organizations, high agreement exists about what is important and what defines “good” employee behavior, for example.
 5. Studies of organizational culture have yielded various results. One study found that employees in firms with strong cultures were more committed to their firm than were employees in firms with weak cultures. Organizations with strong cultures also used their recruitment efforts and socialization practices to build employee commitment. An increasing body of research suggests that strong cultures are associated with high organizational performance.
 6. **Exhibit 3-7** contrasts strong cultures vs. weak cultures.
- C. **Where Culture Comes From and How it Continues.**
1. The original source of an organization’s culture is usually a reflection of the vision or mission of the organization’s founders. The culture is a result of the interaction between the founders’ biases and assumptions and what the first employees subsequently learned from their own experiences.
 2. An organization’s culture continues when:
 - a. A culture is in place, practices help to maintain it.
 - b. Hiring practices reflect the culture in terms of “fit.”
 - c. Actions of top executives help to maintain the culture.
 - d. New employees learn the organization’s way of doing things through **socialization**—the process that helps employees adapt to the organization’s culture.
 3. **Exhibit 3-8** shows how organizations establish and maintain culture.
- D. **How Employees Learn Culture.**
1. Culture is transmitted principally through stories, rituals, material symbols, and language.
 2. **Stories** are one way that employees learn the culture. These stories typically involve a narrative of significant events or people.
 3. **Rituals** are repetitive sequences of activities that express and reinforce the key values of the organization, which goals are most important, and which people are important or expendable.
 4. The use of **material symbols and artifacts** is another way in which employees learn the culture, learn the degree of equality desired by top management, discover which employees are most important, and learn the kinds of behavior that are expected and appropriate.
 5. **Language** is often used to identify members of a culture. Learning this language indicates members’ willingness to accept and preserve the culture. This special lingo acts as a common denominator to unite members of a particular culture.
- E. **How Culture Affects Managers.** An organization’s culture is important because it establishes constraints on what managers can do.
1. The link between corporate values and managerial behavior is fairly straightforward.
 2. The culture conveys to managers what is appropriate behavior.

3. An organization's culture, particularly a strong one, constrains a manager's decision-making options in all managerial functions (see **Exhibit 3-9**).

3.4 CURRENT ISSUES IN ORGANIZATIONAL CULTURE

Four current cultural issues managers should consider:

A. **Creating an Innovative Culture.**

1. What does an innovative culture look like? Swedish researcher Goran Ekvall provides these characteristics:
 - Challenge and involvement
 - Freedom
 - Trust and openness
 - Idea time
 - Playfulness/humor
 - Conflict resolution
 - Debates
 - Risk taking

B. **Creating a Customer-Responsive Culture.**

1. What does a customer-responsive culture look like? Research shows the following six characteristics routinely present in a customer-responsive culture. (See **Exhibit 3-10** for actions managers can take to make their cultures more customer responsive.)
 - Type of employee
 - Type of job environment
 - Widespread use of empowerment
 - Role clarity
 - Employees who are conscientious in desire to please customers

C. **Creating a Sustainability Culture.**

1. Many companies integrate corporate social responsibility into the organization's overall culture.
2. Rituals can be used to create and maintain sustainability cultures. Another way to develop a sustainability culture is through rewards.

ANSWERS TO REVIEW AND DISCUSSION QUESTIONS

Student answers to these questions will vary.

3-1. Describe the two perspectives on how much impact managers have on an organization's success or failure.

In Section 3.1 of Chapter 3, the omnipotent and symbolic views of management are presented. The omnipotent view supports the idea that a manager is directly responsible for the success and failure of the organization. Top CEO's (and head football coaches) would be more likely to be held accountable for the entire

organization's outcomes, while lower level managers would be held responsible for the outcomes in their respective departments. This view adopts the premise that managers set the priorities/goals of the organization and are responsible for making major success oriented decisions. If the goals and decisions managers choose are correct, then the organization should thrive. The symbolic view is a counterpart to the omnipotent view and asserts that much of an organization's success or failure can be attributed to factors in the external environment, such as competition, economic conditions, or governmental influences. According to this view, management decisions are often flawed and poorly implemented due to factors beyond their direct control. Considering the random and ambiguous situations manager's face, they should not be held responsible for organizational performance. (LO: 1, Contrast the actions of managers according to the omnipotent and symbolic views, AACSB: Analytical thinking)

3-2. "Businesses are built on relationships." What do you think this statement means? What are implications for managing the external environment?

Organizations depend on their environment and their stakeholders as a source of inputs and a recipient of outputs. Good relationships can lead to organizational outcomes such as improved predictability of environmental changes, more successful innovations, greater degrees of trust among stakeholders, and greater flexibility in acting to reduce the impact of change. In addition, relationship management and maintaining good relationships have been proven by many researchers to have an effect on organizational performance. High-performing companies tend to consider the interests of all major stakeholder groups as they make decisions. Describe current issues in organizational culture, AACSB: Reflective thinking)

3-3. Refer to Exhibit 3-6. How would a first-line manager's job differ in these two organizations? How about a top-level manager's job?

In Organization A, strong attention would be given to detail, with little innovation and risk taking. Teamwork would not be encouraged, and employees would be viewed as a means to an end. Strict controls would be placed on workers, and task achievement would be most important. The supervisor would have little latitude and would do things "by the book." In Organization B, innovation and risk taking would be highly encouraged. The supervisor would have more autonomy in how to achieve goals. Employees would be given the opportunity to provide input, and a team approach would be used. People would be viewed as important contributors. The supervisor's job would be more like that of a coach, encourager, and facilitator. (LO: 4, Describe current issues in organizational culture, AACSB: Reflective thinking)

3-4. Classrooms have cultures. Describe your class culture using the seven dimensions of organizational culture. Does the culture constrain your instructor? How?

Answers to this question will vary. Have students look at the seven dimensions of organizational culture described in the text and rate them from high to low for the class. One point you might want to explore: What role does the instructor play in establishing the culture of the classroom? Ask students to relate this information to the role a manager might play in establishing the culture of a business organization. (LO: 3, Discuss the characteristics and importance of organizational culture, AACSB: Analytical thinking)

3-5. Can culture be a liability to an organization? Explain.

In some cases, organizational culture could be a liability. In the global environment, a society that discriminates on the basis of ethnicity or gender or in the exploitation of workers could experience a backlash from the reactions of consumers in other nations. (See, for example, Reebok's and Nike's problems regarding manufacturing in emerging nations. (LO: 4, Describe current issues in organizational culture, AACSB: Analytical thinking)

3-6. Discuss the impact of a strong culture on organizations and managers.

At one time, researchers supported a direct connection between the strength of an organization's culture and its performance. Today, we know that the strength of an organization's culture is more closely tied to acceptance of an organization's values.

Exhibit 3-7 gives five employee related outcomes of strong vs. weak cultures. In the end, strong cultures aid a manager in fulfilling their functions: planning, organizing, leading, and controlling. (LO: 3, Discuss the characteristics and importance of organizational culture, AACSB: Analytical thinking)

3-7. What are the four common ways an organization communicates its culture to employees?

An organization communicates its culture through stories, rituals, material artifacts and symbols, and language.

(LO: 3, Discuss the characteristics and importance of organizational culture, AACSB: Analytical thinking)

3-8. What kind of organization would benefit from an innovative culture?

Organizations in industries where innovation is critical success would benefit from an innovation culture. Research shows that the most important driver of innovation is a culture that supports innovation.

(LO: 4, Describe current issues in organizational culture, AACSB: Analytical thinking)

PERSONAL INVENTORY ASSESSMENTS

Student answers to these questions will vary.

ETHICS DILEMMA

Student answers to these questions will vary.

In many ways, technology has made all of us more productive. However, ethical issues do arise in how and when technology is used. Take the sports arena. All kinds of technologically advanced sports equipment (swimsuits, golf clubs, ski suits, etc.) have been developed that can sometimes give competitors/players an edge over their opponents. We saw it in swim meets at the Summer Olympics and on the ski slopes and ice rinks at the Winter Olympics.

3-11. What do you think? Is this an ethical use of technology?

3-12. What if your school (or country) was competing for a championship and couldn't afford to outfit athletes in such equipment and it affected your ability to compete? Would that make a difference?

3-13. *What ethical guidelines might you suggest for such situations?*

(LO: 2, Describe the constraints and challenges facing managers in today's external environment, AACSB: Ethical understanding and reasoning)

SKILLS EXERCISE: DEVELOPING YOUR ENVIRONMENTAL SCANNING SKILL

Environmental scanning is an important managerial skill. In this exercise, students are asked to practice this skill using five suggestions:

- *Decide which type of environmental information is important to your work.*
- *Regularly read and monitor pertinent information.*
- *Incorporate the information that you get from your environmental scanning into your decisions and actions.*
- *Regularly review your environmental scanning activities.*
- *Encourage your subordinates to be alert to information that is important.*

Students are then given two scenarios to these skills in action. (LO: 2, Describe the constraints and challenges facing managers in today's external environment, AACSB: Analytical thinking)

WORKING TOGETHER: TEAM EXERCISE

Have students work in teams of three or four. Student responses will vary.

The most common ways to learn organizational culture is through stories, rituals, material artifacts and symbols, and language. Some questions that students might ask include:

- *Physical design* (buildings, furnishings, parking lot, office or store design)—Where are they located and why? Where do customers and employees park? What does the office/store layout look like? What activities are encouraged or discouraged by the physical layout? What do these things say about what the organization values?
- *Symbols* (logos, dress codes, slogans, philosophy statements)—What values are highlighted? Where are logos displayed? Whose needs are emphasized? What concepts are emphasized? What actions are prohibited? What actions are encouraged? Are any artifacts prominently displayed? What do those artifacts symbolize? What do these things say about what the organization values?
- *Words* (stories, language, job titles)—What stories are repeated? How are employees addressed? What do job titles say about the organization? Are jokes/anecdotes used in conversation? What do these things say about what the organization values?
- *Policies and activities* (rituals, ceremonies, financial rewards, policies for how customers or employees are treated)—(Note: You may be able to assess this one only if you're an employee or know the organization well.) What activities are rewarded? Ignored? What kinds of people succeed? Fail? What rituals are

important? Why? What events get commemorated? Why? What do these things say about what the organization values?

(LO: 3, Discuss the characteristics and importance of organizational culture, AACSB: Analytical thinking)

MY TURN TO BE A MANAGER

- Find two current examples in any of the popular business periodicals of the omnipotent and symbolic views of management. Write a paper describing what you found and how the two examples you found represent the views of management. (LO: 1, Contrast the actions of managers according to the omnipotent and symbolic views, AACSB: Reflective thinking)
- Consider a business that you frequent (for example, a restaurant or coffee shop) and review the six aspects of the external environment discussed in the text. Create a list of factors in the external environment that could affect the management of the business you selected. (LO: 2, Describe the constraints and challenges facing managers in today's external environment, AACSB: Analytical thinking)
- Choose an organization you're familiar with or one that you would like to know more about. Create a table identifying potential stakeholders of this organization. Then indicate what particular interests or concerns these stakeholders might have. (LO: 4, Describe current issues in organizational culture, AACSB: Reflective thinking)
- If you belong to a student organization, evaluate its culture. How would you describe the culture? How do new members learn the culture? How is the culture maintained? If you don't belong to a student organization, talk to another student who does and evaluate it using the same questions. (LO: 3, Discuss the characteristics and importance of organizational culture, AACSB: Analytical thinking)

ANSWERS TO CASE APPLICATION 1 QUESTIONS

Student answers to these questions will vary.

Freedom and Responsibility at Netflix

3-14. Would you want to work at Netflix? Why or why not?

Responses to this question will depend on the student's preferences and opinions. (LO: 3, Discuss the characteristics and importance of organizational culture, AACSB: Analytical thinking)

3-15. Does Netflix have characteristics of an innovative culture?

Innovative cultures are characterized by challenge and involvement by employees; freedom for employees to define their day-to-day activities; trust and openness; time for thinking about new ideas; humor; conflict resolution; debates; and a tolerance for risk taking. Netflix clearly supports the ideas of freedom and responsibility. Employees are expected to produce and they are held accountable for results. In exchange, they have the freedom to do what they need to do to manage their lives and do their jobs. (LO: 4, Describe t issues in organizational culture, AACSB: Analytical thinking)

3-16. Do you agree that Netflix's culture contributes to the organization's success? Why or why not?

Responses to this question will vary. Many will suggest that the organizational culture is a clear contributor to the success of Netflix.

(LO: 3, Discuss the characteristics and importance of organizational culture, AACSB: Analytical thinking)

3-17. Could another company copy Netflix's culture successfully?

An organization's culture is a reflection of its leadership and the values that leadership promotes. Whether Netflix's culture could be successfully transferred to another organization would depend on the employees of the organization, its leadership, the product in question, current cultures, and so on.

(LO: 4, Describe current issues in organizational culture, AACSB: Reflective thinking)

ANSWERS TO CASE APPLICATION 2 QUESTIONS

Student answers to these questions will vary.

Not Sold Out

3-18. Using Exhibit 3-2, what external components might be most important for managers in movie theater chains to know about? Why?

Traditionally, movie theaters have done well during poor economic conditions. However, as this case points out, there are many factors that may be the cause of a general depression in movie ticket sales. Students may choose several of the components of the external environment as important. All of these factors, even the political/legal, play a part in declining sales. Encourage students to see how the open systems view of management applies to the environment and organizational performance. (LO: 2, Describe the constraints and challenges facing managers in today's external environment, AACSB: Analytical thinking)

3-19. According to the case, what external trends do managers at the movie theater chains have to deal with?

The trends in this case revolve around changing technology involved in downloading and watching movies at home. Students will probably be more familiar than faculty regarding the latest Web sites that offer 'free' downloads of movies and other forms of entertainment. The ability to download movies coupled with the decreasing prices of home entertainment systems that take advantage of high definition screens and digital sound will have an effect on theater sales for years to come as these trends are not

likely to reverse. (LO: 2, Describe the constraints and challenges facing managers in today's external environment, AACSB: Analytical thinking)

3-20. How do you think these trends might constrain decisions made by managers at the movie theater chains?

Movie theater managers could react in a variety of ways to decreasing sales. Managers could decide to invest more money in state of the art technology to provide moviegoers with experiences that are not easily replicated at home. This would increase cost, but may attract customers willing to pay for extra money for blockbuster movies. Managers could also move in another direction and cut costs in order to attract more customers – costs being a major dislike for consumers. Finally, managers could try to exploit niche markets and seek to attract customers by providing movies not available on cable channels or DVD rentals. (LO: 2, Describe the constraints and challenges facing managers in today's external environment, AACSB: Analytical thinking)

3-21. What stakeholders do you think might be most important to movie theater chains? What interests might these stakeholders have?

Students could potentially make a case for all of the eleven stakeholders listed in **Exhibit 3-4**. However, the groups that are the most influential to their immediate situation are customers, suppliers, the media, and competitors. With regard to customers, movie theaters ultimately depend upon their dollars to keep the theater solvent. Suppliers are important as the quality of movies and the number of releases have an impact on the number of ticket sales. Media outlets are also playing a big part in ticket sales. Many moviegoers regularly check reviews on Web sites such as RottenTomatoes.com. If movie reviews point to a flop, many consumers will simply stay away from a movie. Finally, competitors are a major concern as they seek to go against the theaters and the other ways that movies can be viewed create more competition. (LO: 2, Describe the constraints and challenges facing managers in today's external environment, AACSB: Analytical thinking)