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**Unit**

*III*

**Interdependence**

## Unit Three

### Interdependence

# III



## Interdependence

To varying degrees, the performance of each segment affects and is affected by the performance of all others. The overall health of the organization depends on the performance of its components.

As subprocesses are analyzed, it is possible to lose the key component: the interdependence of the subprocesses. **All of the subprocesses must function together.** This requires an understanding of the holistic nature of the organization and the environment that surrounds it. As stated earlier, the performance of one element of the organization affects the performance of all of the others. The failure of a single family member to perform his or her tasks affects all of the other family members. The failure of a single employee in a complex, modern organization to perform assigned tasks will also affect all of the other employees and the organization as a whole.

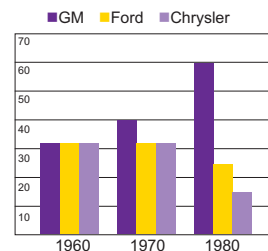
This is universal whether the organization is the single family or the modern organization. The connections between the subfunctions and the external environment must be considered.

### Interdependence: connectedness at a higher level

In the example on page 2.8, the automobile door latch company was used to demonstrate that within an organization, the performance of each segment affects and is affected by the performance of all others. The example also highlighted that within an organization, there are connections that do not necessarily appear on the organizational chart. Moving to the next level, the situation with that one small organization could affect the next level in the organizational hierarchy. For example, a delay in delivering door latches could produce a delay in the delivery of automobiles to dealers.

### Industry Level

Interdependence =  
Interconnectedness  
@ a larger scale

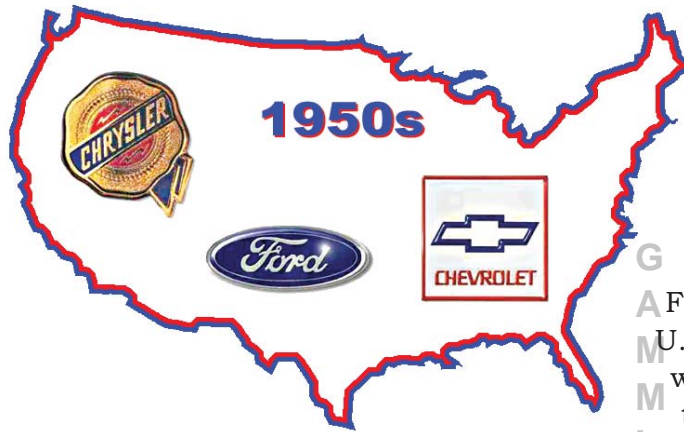


Although each may be independent, sales increase or decrease in one company may create varying impact on all others within the industry

Figure 3.1

## Unit Three Interdependence

# III



At the industry level, one major automobile manufacturer's actions affect the other major automobile manufacturers. Decisions made by Henry Clay Ford affect the chief executives of the other two "Big Three" automakers. (Figure 3.1)

another level of connectedness: **the global level**. Before moving to that level, the national economy should be noted.



In order to understand the level of interconnectedness in the world today, we can look at historical examples for contrast. **Prior to the middle of the Twentieth Century, geographic separation defined the limits of human connectedness.** Technological advances significantly altered the transportation industry with seemingly irreversible consequences.

It is generally accepted that one individual, Osama bin Laden, developed an

Fifty years ago, the "Big Three" were all U.S. based companies and dominated the world automotive market. Today, one of the "Big Three" is Daimler-Chrysler, the result of a merger between a U.S. company and a German company. This illustrates

international organization which was able, with a very small number of active participants, to interrupt the political, economic, and social life of the United States and the world in general. The economic center of the United States, New York City, literally stopped. The repercussions of the attack were felt

around the world. In comparison, John Brown's raid on Harper's Ferry, West Virginia, had significant implications, but the effect was localized; the initial



## Unit Three

### Interdependence



impact did not extend beyond the immediate area. Certainly, the instantaneous international repercussions were almost non-existent and were significantly delayed because of communications speed. Understanding the interrelated nature of organizations, and its implications, provides the basis for movement from organizational analysis.

**In the new paradigm, in order to be effective, managers must focus on the relationships rather than the specific tasks.** In Taylor's model, managerial efforts are directed toward identification of the "one best way" to solve a particular problem. In the new paradigm, there can be no "one best way" because the interaction between the various elements of the system and the external environment is dynamic. The "one best way" today will probably not be so tomorrow. Managers are therefore confronted with an environment of uncertainty in which the primary method of ensuring long-term survival is to manage relationships and to develop a macro-view of the organization and its environment (Kaplan et al., 2001).the external environment is dynamic.

The "one best way" today will probably not be so tomorrow. Managers are therefore confronted with an environment of uncertainty in which the primary method of ensuring long-term survival is to manage relationships and to develop a macro-view of the organization and its environment (Kaplan et al., 2001).

**Some  
Environmental  
Influences that  
Affect Businesses**

**Political**  
**Social**  
**Geographic**  
**Economic**  
**Religious**

## Made in the USA

**When major corporations are involved, the entire national economy is affected.**

Products made in the United States are not always "U.S. products." Take Mercedes Benz, for example. The car famous for German craftsmanship and engineering skill is now an American-made product. Mercedes Benz opened its first U.S. manufacturing facility near Tuscaloosa, Alabama in 1997. Mercedes Benz manufactures the M-Class Sport Utility Vehicle at its Vance, Alabama plant. A \$600 million expansion initiated in 2000 doubled the size and workforce at the plant after only three years of operation.

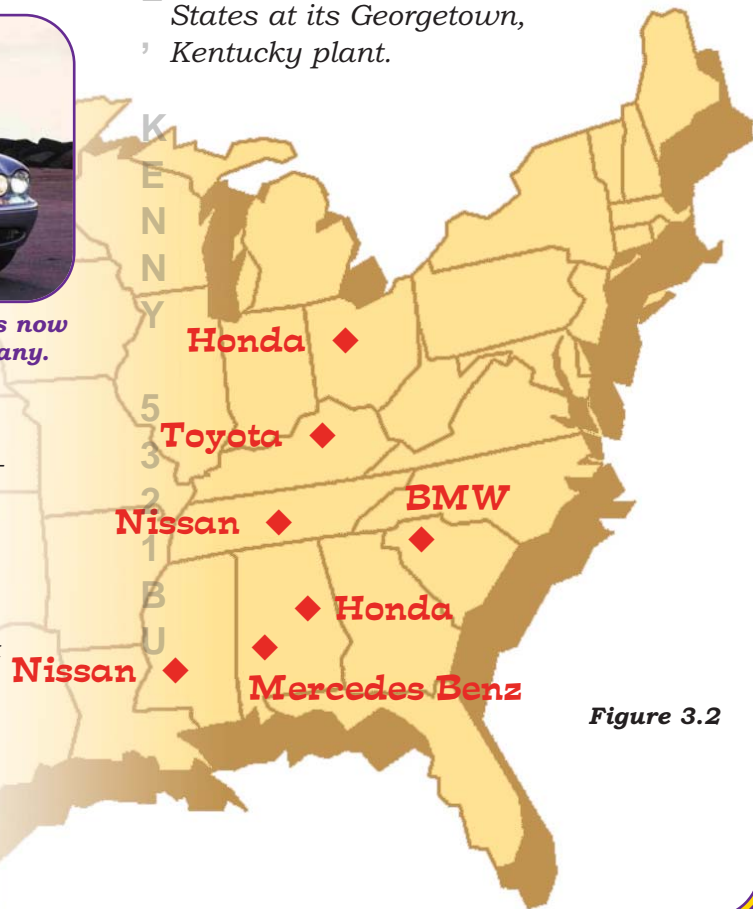


**The British Jaguar automobile is now owned by the Ford Motor Company.**

BMW, another German leader in the luxury auto market, manufactures two of its models, the X5 and Z4, at its plant in Spartanburg, South Carolina. Like Mercedes, BMW expanded its plant shortly after opening it to add additional product lines.

Japanese auto manufacturers have a long established presence in the United States.

Honda celebrated 25 years of operations at its plant in Maryville, Ohio in 2004. The Marysville plant is one of four production facilities in Ohio. Honda also manufactures the Odyssey minivan at a plant in Lincoln, Alabama. Nissan is expanding its U.S. operations by constructing a plant in Canton, Mississippi, a \$1.43 billion investment, to manufacture minivans and Altimas. The Canton facility joins Nissan's Smyrna, Tennessee plant. And Toyota, manufacturer of the extremely popular Camry, produces most of the Camrys sold in the United States at its Georgetown, Kentucky plant.



**Figure 3.2**



## Unit Three

### Interdependence

# III

### Decisions for Discussion

## INDIANA

In an attempt to improve the efficiency of processing unemployment claims, Indiana's state government contracted with an Indian firm, Tata America International Corporation, to update its computers. Tata America's bid for the contract was \$15.2 million, \$8.1 million less than the next lowest bid. Two other U.S. based companies bid on the contract, but no Indiana firm was large enough to compete for it. Proponents of the deal pointed out that outsourcing the work would develop new workforces and increase consumer buying power in fast-growing markets such as India, China, and Russia. As many as 65 jobs would be created in Indiana and local subcontractors would be hired.

Governor Joe Kernan cancelled the contract after residents of Indiana, outraged at the state's award of the contract to a foreign firm, protested. Kernan justified the cancellation of the contract by saying that the Department of Workforce Development had structured the invitation to bid on the contract in such a way Indiana companies were "virtually knocked out of the running." Opponents charged that state officials had a legal obligation to put Indiana residents first.

Department of Workforce Development officials argued that the contract would have saved Indiana taxpayers millions and would not have cost any Indiana citizen a job. The Indiana legislature responded by introducing legislation that contracts with state agencies must include the provision that only U.S. citizens authorized to work in the United States can be hired.

#### Discussion Questions

1. Which side do you support?
2. Was the governor justified in canceling the contract?
3. Who would have benefited from the contract?
4. Was Governor Kernan's decision in the best interest of Indiana's taxpayers?

## Unit Three

### Interdependence



### Decisions for Discussion

#### What Can Brown Do for Toshiba?



Japanese electronics manufacturer Toshiba and U.S. delivery service provider UPS partnered to provide Toshiba notebook computer customers improved repair service. UPS employees at its Louisville, Kentucky hub, trained by Toshiba, repair computers shipped by UPS from UPS Stores. Toshiba notebook owners in need of repair service simply take the computer to one of thousands of UPS Stores and drop it off. UPS packs the computer and ships it to Louisville. At the Louisville facility, Toshiba certified UPS employees repair the computer and repack it for return directly to the customer through the UPS delivery system, sometimes by the next day. UPS's expertise in household delivery and its network of retail locations compliments its supply chain management proficiency in the delivery of parts from Toshiba to the Louisville hub for use in the repairs. UPS previously operated similar arrangements with InFocus, for digital projectors, and Lexmark International, for printers. Under Toshiba's old system, repairs typically took eight to ten days. With the UPS partnership, repair time, from drop off to return, was reduced to four days.

# TOSHIBA

#### Discussion Questions:

1. How do consumers benefit from this arrangement?
2. How do Toshiba and UPS benefit from this arrangement?
3. Do you think this is a more efficient process than having consumers ship directly?

## Unit Three

### Interdependence

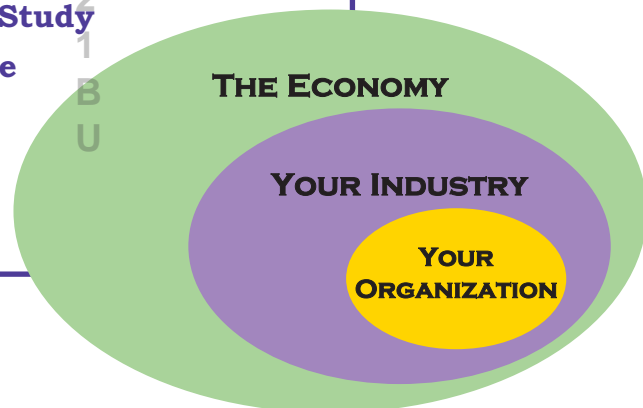
# III

### T-Bills in Tokyo?

Most U.S. citizens know that the United States government, through the Department of the Treasury, sells securities, primarily bills, bonds and notes, to finance government operations. Many people participate in programs where small amounts are deducted from each paycheck or their bank account and invested in small denomination Treasury bonds. T-bills and other securities provide a way to invest with an almost zero risk of default.

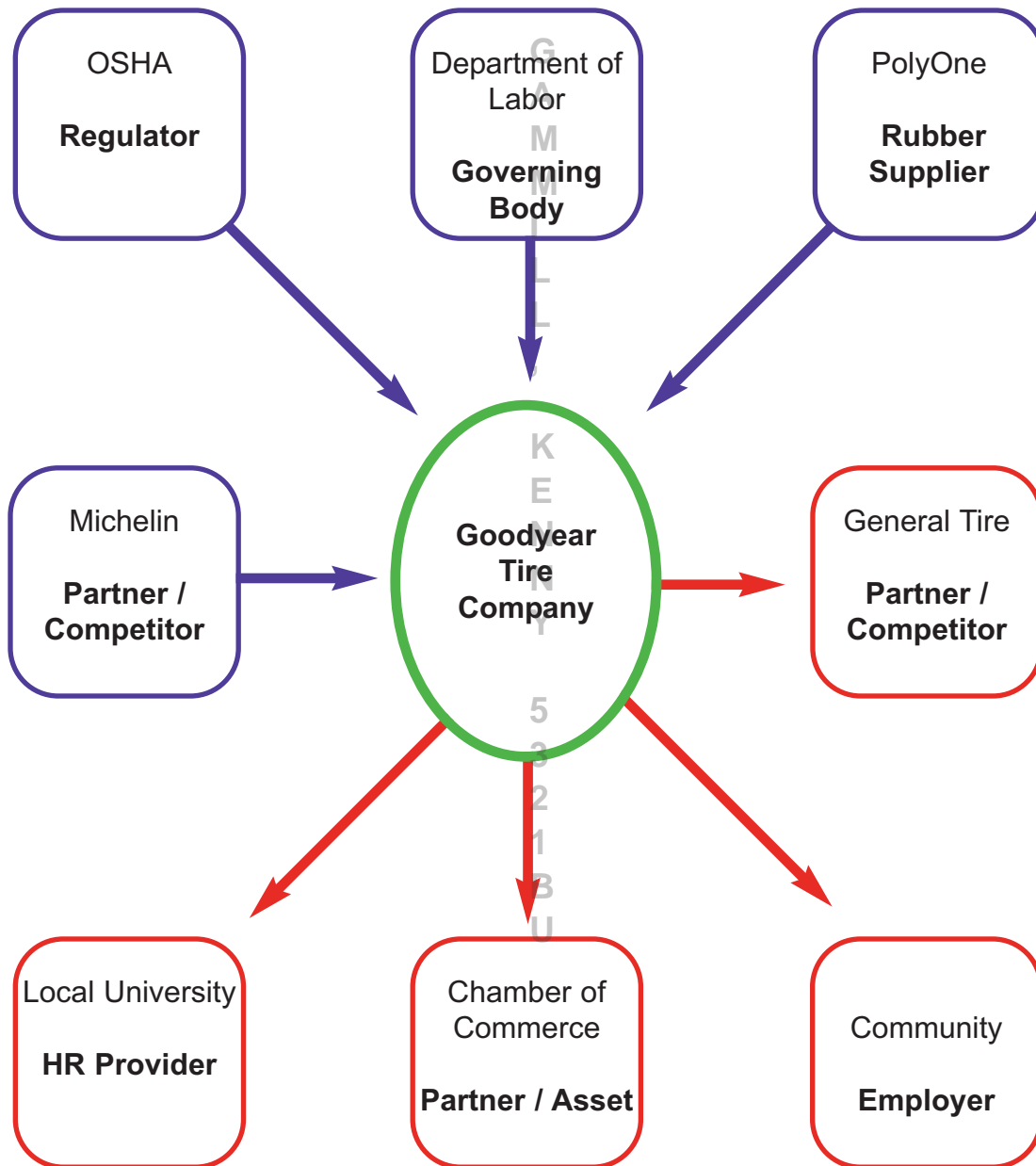
Ownership of U.S. Treasury securities is not limited to individuals or to U.S. citizens. In fact, did you know that foreign governments routinely purchase U.S. Treasury securities? Approximately \$1.3 trillion in U.S. Treasury securities are owned by foreign governments, primarily through their equivalents of the Federal Reserve Bank. Japan (\$720 billion) and Mainland China (\$174 billion) are the largest holders of U.S. Treasury securities. Why would foreign governments invest in Treasury securities? The primary reason is to protect the value of their own currencies in the international currency markets.

**The next 6 pages illustrate examples of interdependence in different types of organizations: a tire manufacturer, a college, and a hospital. Study the examples and compare them to your own organization.**

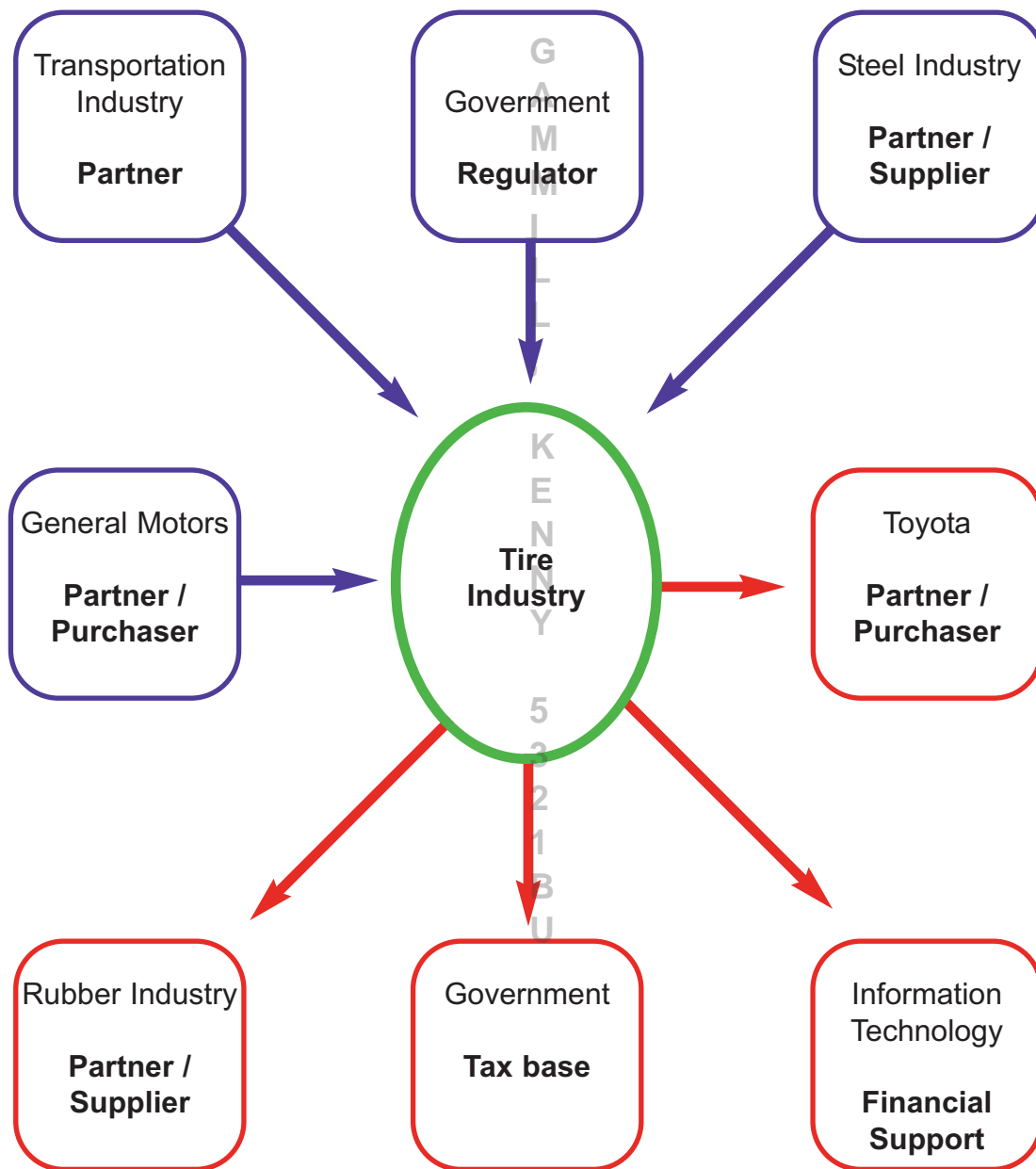




**INTERDEPENDENCE STRUCTURE WORKSHEET**  
**COMPANY LEVEL**  
**MANUFACTURING EXAMPLE - GOODYEAR TIRE CO.**



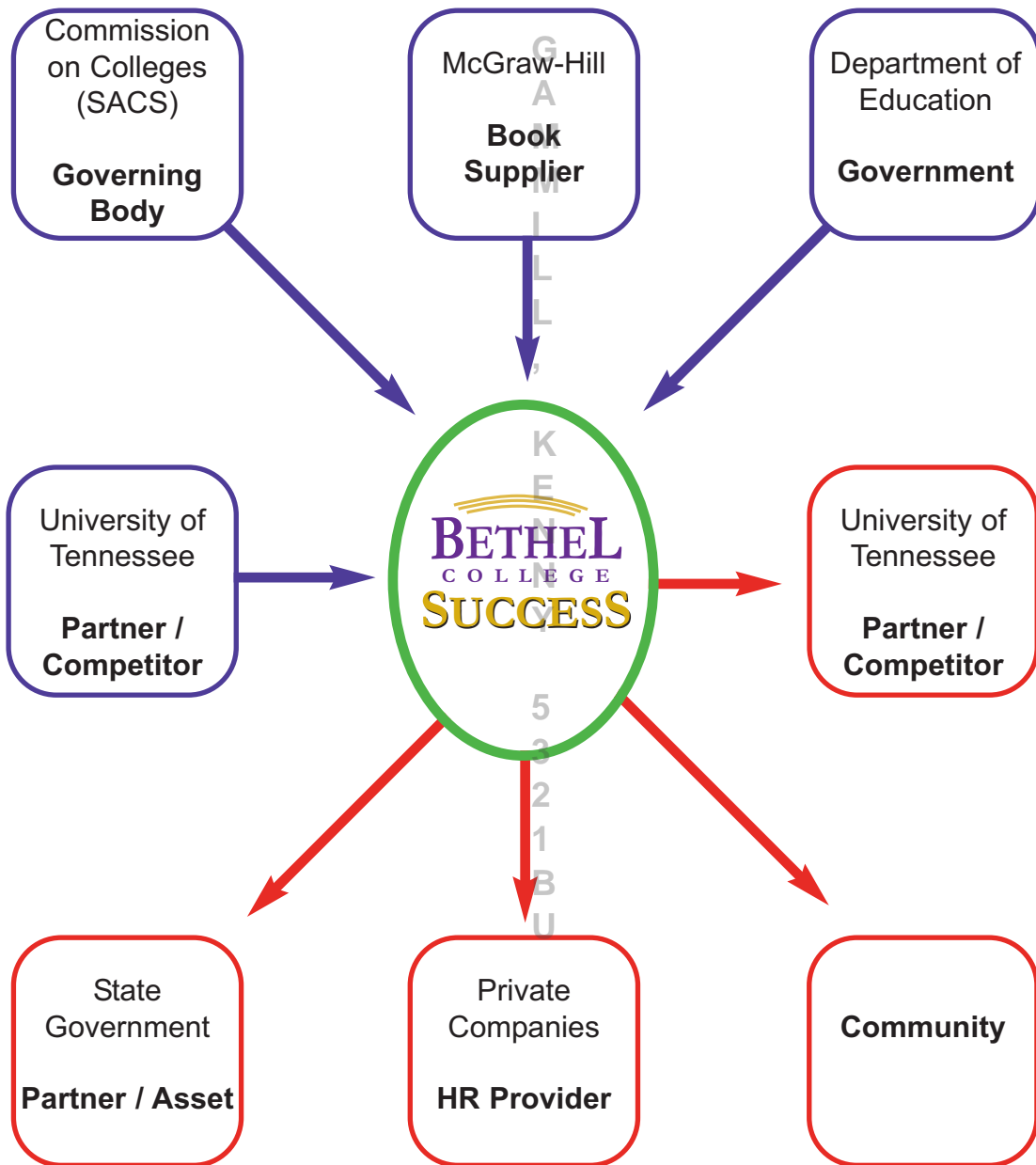
**INTERDEPENDENCE STRUCTURE WORKSHEET**  
**INDUSTRY LEVEL**  
**MANUFACTURING EXAMPLE - GOODYEAR TIRE CO.**



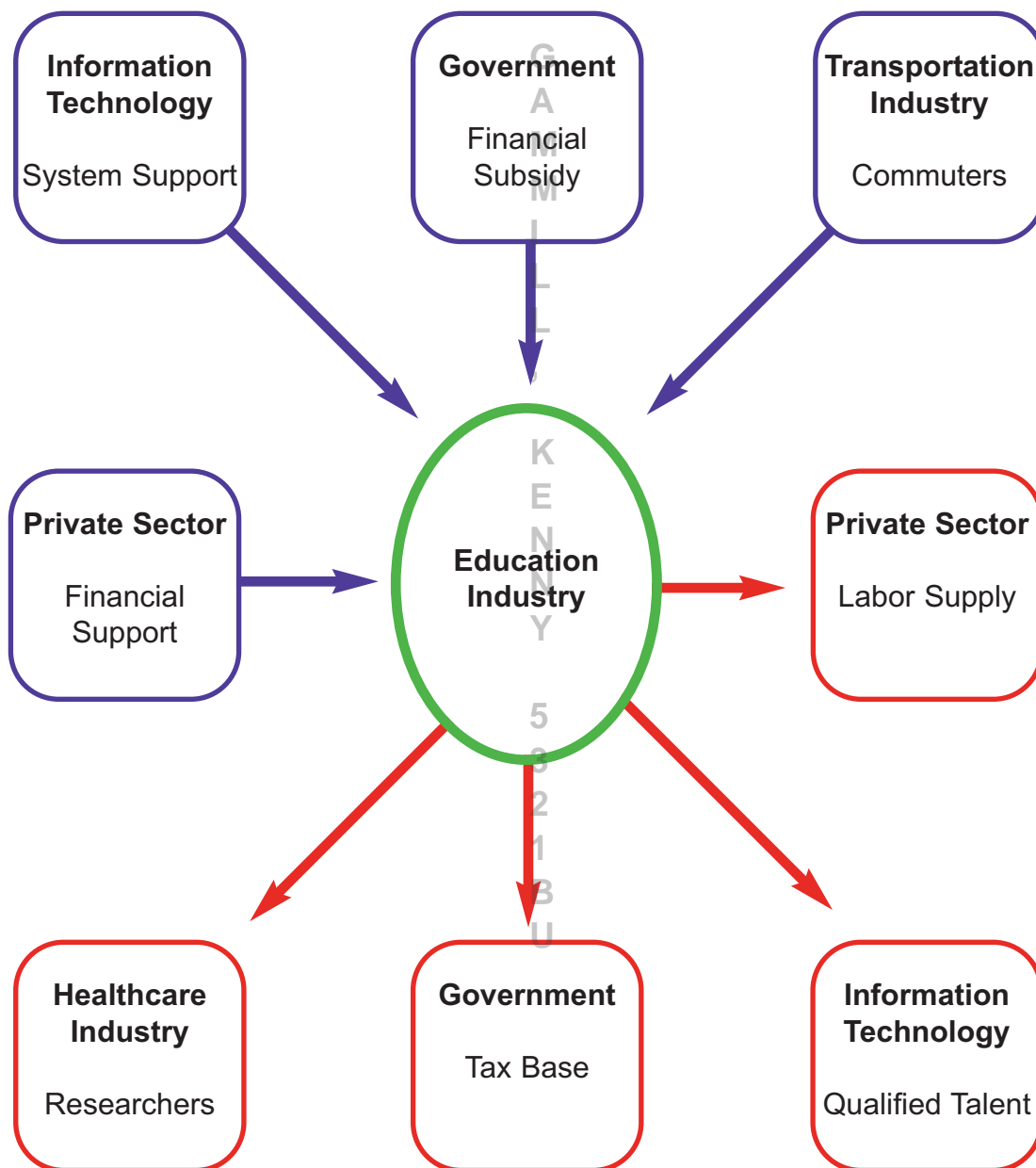
**Unit Three**  
*Interdependence*



**INTERDEPENDENCE STRUCTURE WORKSHEET**  
**COMPANY LEVEL**  
**SERVICE EXAMPLE - A COLLEGE**



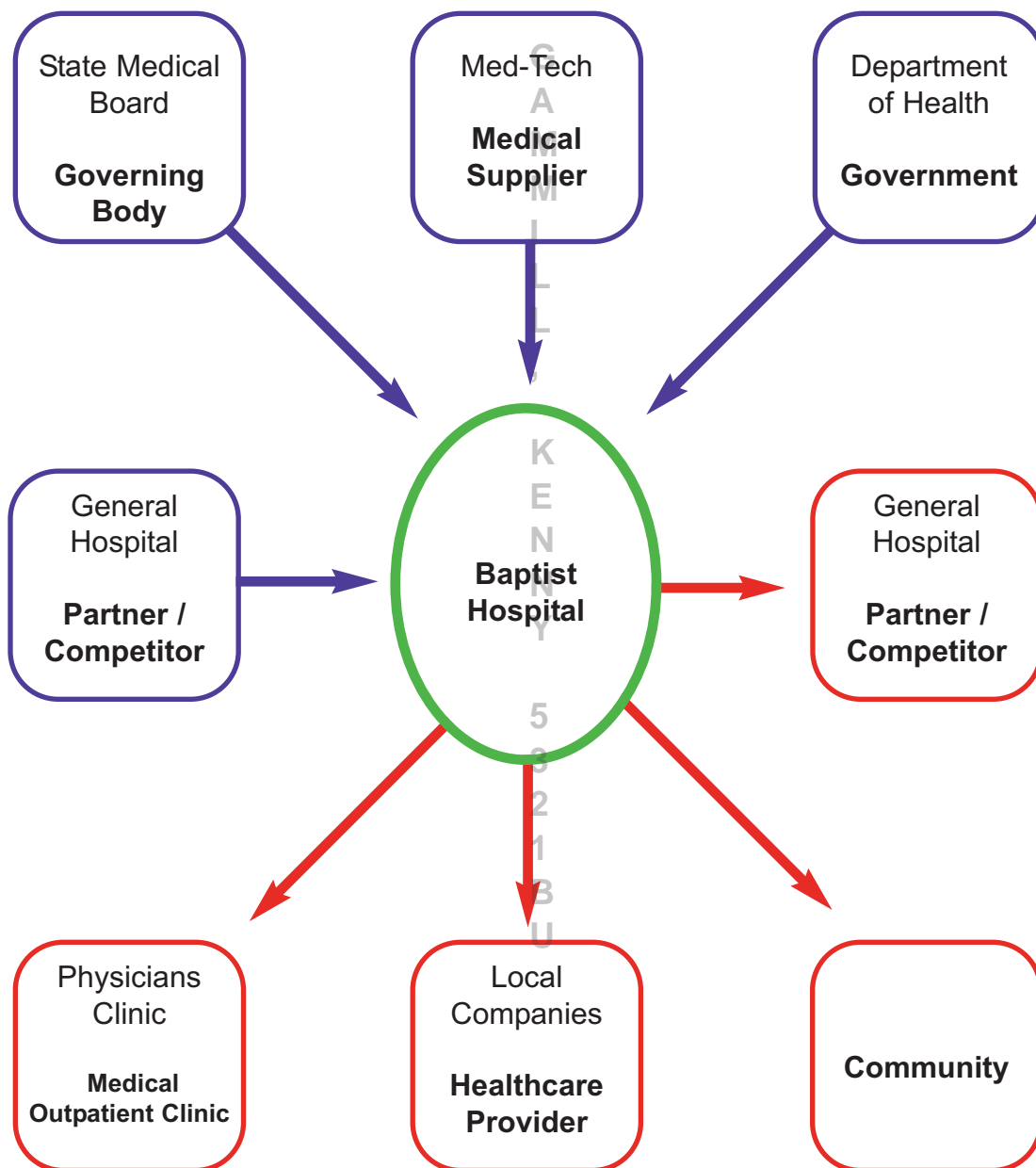
**INTERDEPENDENCE STRUCTURE WORKSHEET**  
**INDUSTRY LEVEL**  
**SERVICE EXAMPLE - BETHEL COLLEGE**



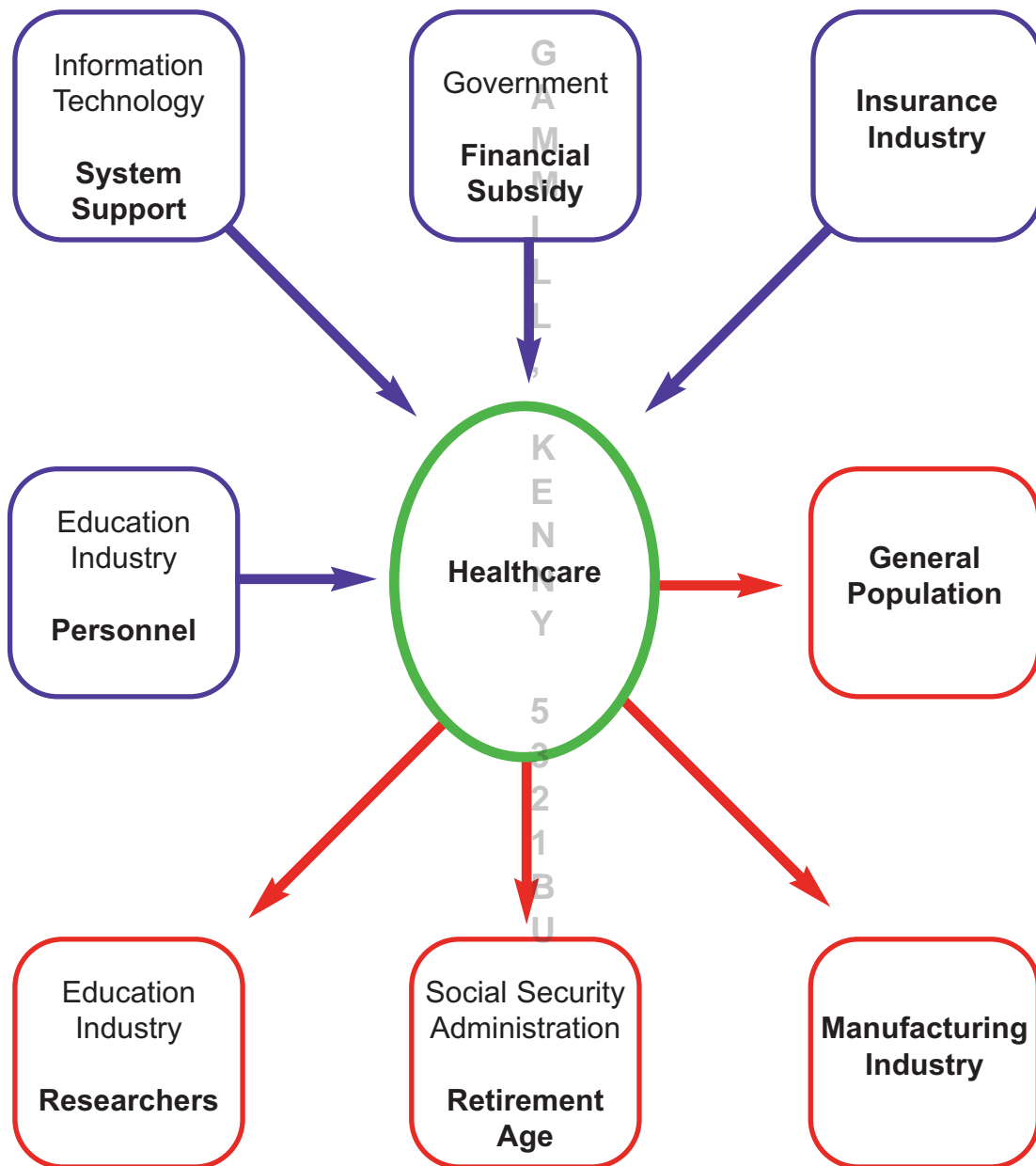
**Unit Three**  
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**INTERDEPENDENCE STRUCTURE WORKSHEET**  
**COMPANY LEVEL**  
**SERVICE EXAMPLE - HEALTHCARE**



**INTERDEPENDENCE STRUCTURE WORKSHEET**  
**INDUSTRY LEVEL**  
**SERVICE EXAMPLE - HEALTHCARE**

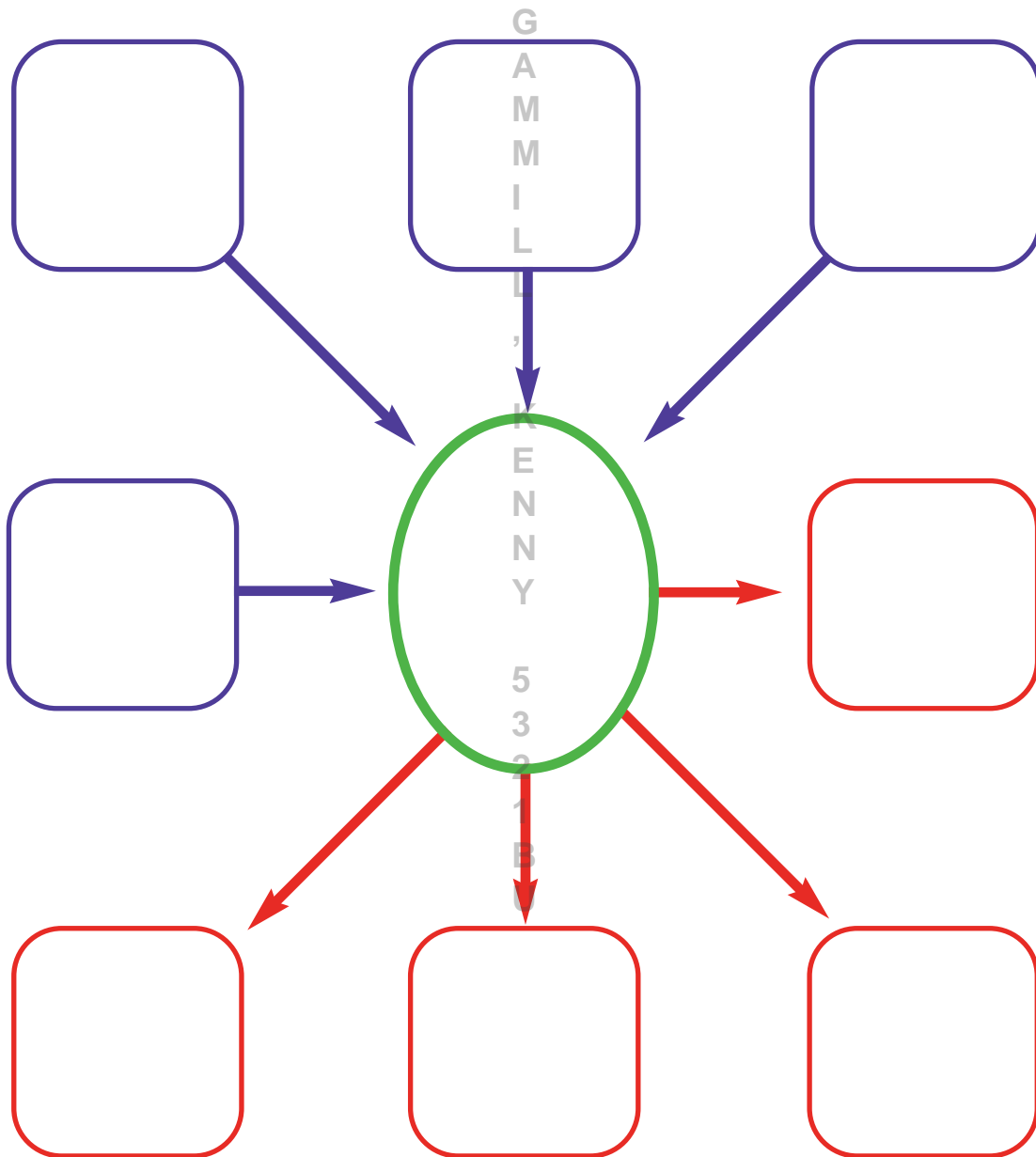




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## INTERDEPENDENCE STRUCTURE WORKSHEET COMPANY LEVEL

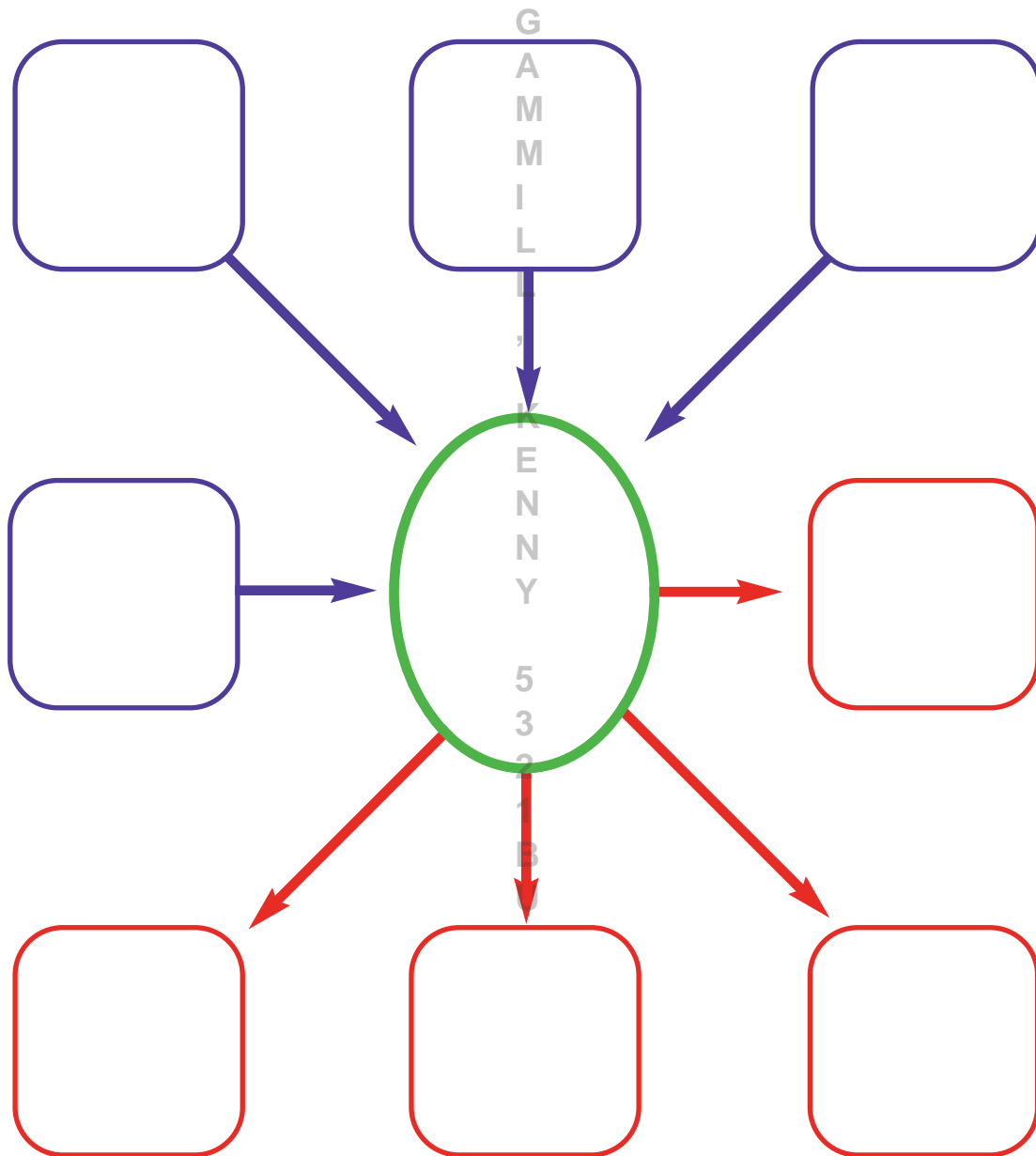
- Start by placing **your organization** in the center oval.
- Identify specific organizations that may affect the structure or performance of yours, list the nature of the connections, and place them in the boxes as you label them (suppliers, distributors, competitors, government agencies, etc.). Place those that affect you in the blue boxes and those that you affect in the red boxes.



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## INTERDEPENDENCE STRUCTURE WORKSHEET INDUSTRY LEVEL

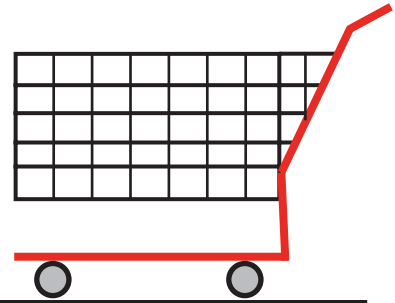
- Start by placing **your industry** in the center oval.
- Identify general industries within the economy that may affect your industry and list the nature of the relationships connecting them to yours. Place those affecting you in the blue boxes and those that you affect in the red boxes.



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# Let's Go Shopping!

Visit your local retail supercenter to discover where your everyday items are made.



*At a local retail store (Walmart, Kmart, Target, etc.), log 15 items randomly. List the name of the product, its country of origin, and the price.*

	<b>Item</b>	<b>Made in:</b>	<b>\$</b>
(Example)	<i>T-shirt</i>	<i>China</i>	<i>8.99</i>
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____
4.	_____	_____	_____
5.	_____	_____	_____
6.	_____	_____	_____
7.	_____	_____	_____
8.	_____	_____	_____
9.	_____	_____	_____
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12.	_____	_____	_____
13.	_____	_____	_____
14.	_____	_____	_____
15.	_____	_____	_____

**Systems  
~n~  
Practice**



**System & Structure**

**Unit Four**  
*System & Structure*

# IV

The organization's *mission statement* is supported by its *goals*, which are made up of *objectives*, that contain the *processes*.

**#1** *Articulate the Organizational Mission Statement*

**#2** *Identify Goals to help fulfill your Mission*

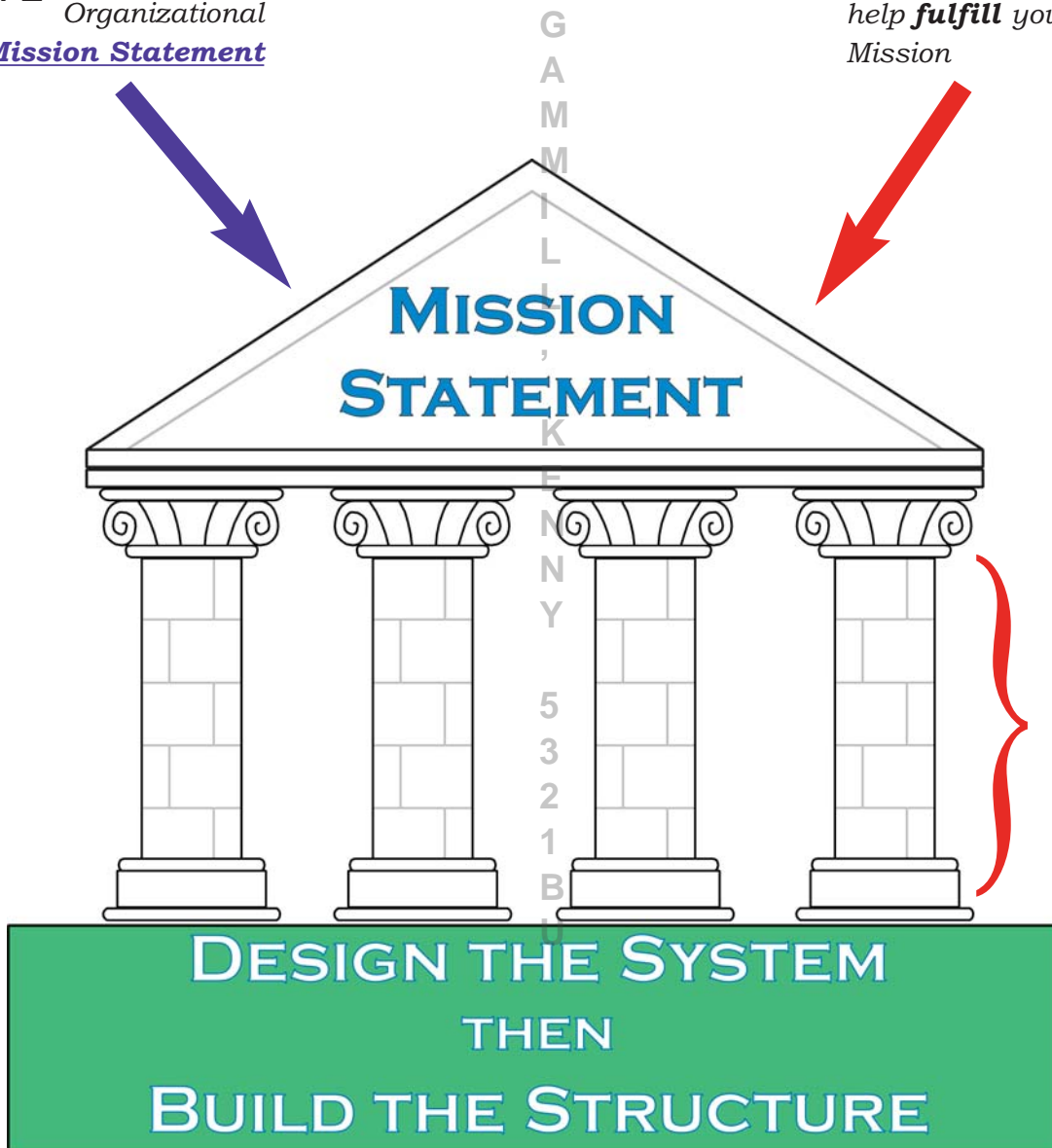


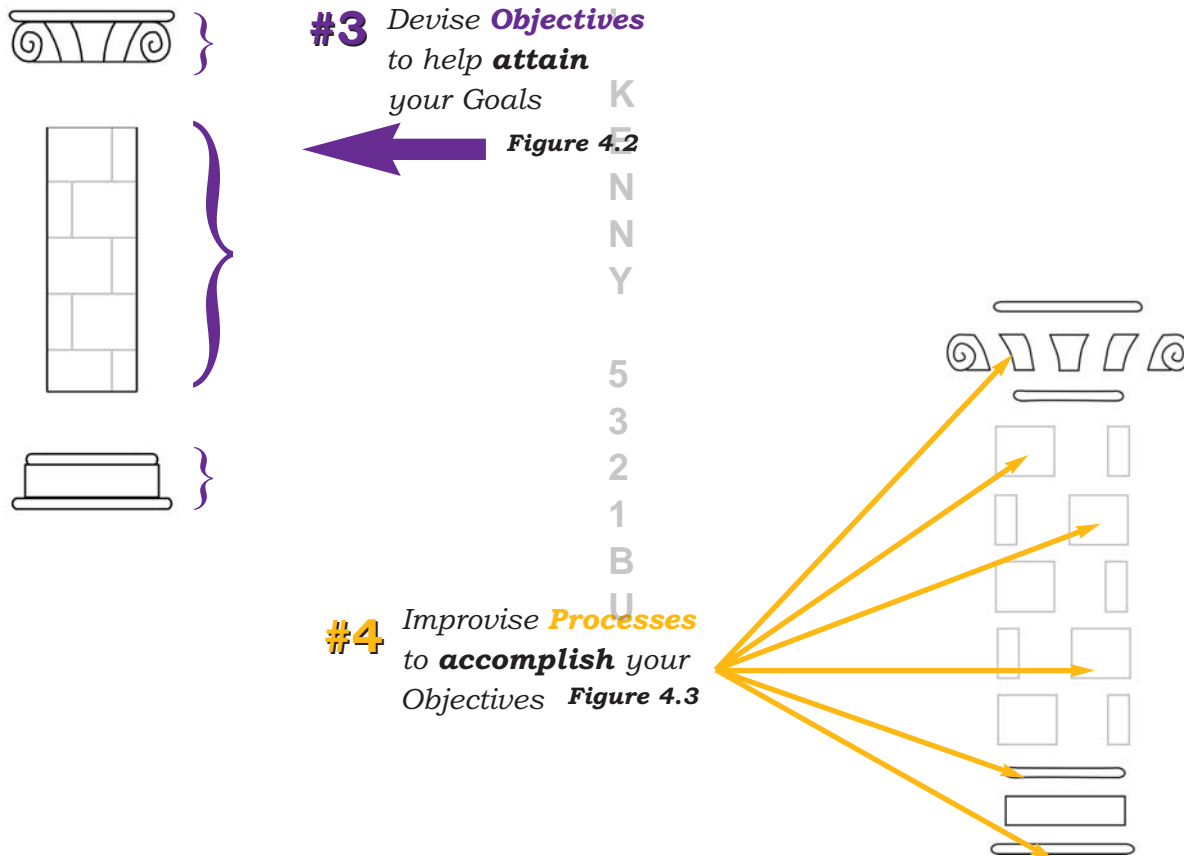
Figure 4.1

# Unit Four

## System & Structure

# IV

As organizations evaluate the opportunities available, **they must do so in the context of the organization's mission.** The organization's mission, or vision, is its reason for existence. The mission defines the organization's goals -- the major achievements necessary for the accomplishment of the mission--as the goals define the objectives--steps required to achieve the goals. Achievement of the objectives is the outcome, or result, of the effective and efficient management of the processes that occur within the organization. A work process is the sequence of steps that lead to the attainment of the organization's stated objectives. Each of these levels represent stages as we move through the organization from the macro (mission/vision) to the micro (processes).





# Unit Four

## System & Structure



Figure 4.4- Illustrates how a college is an example of System and Structure.

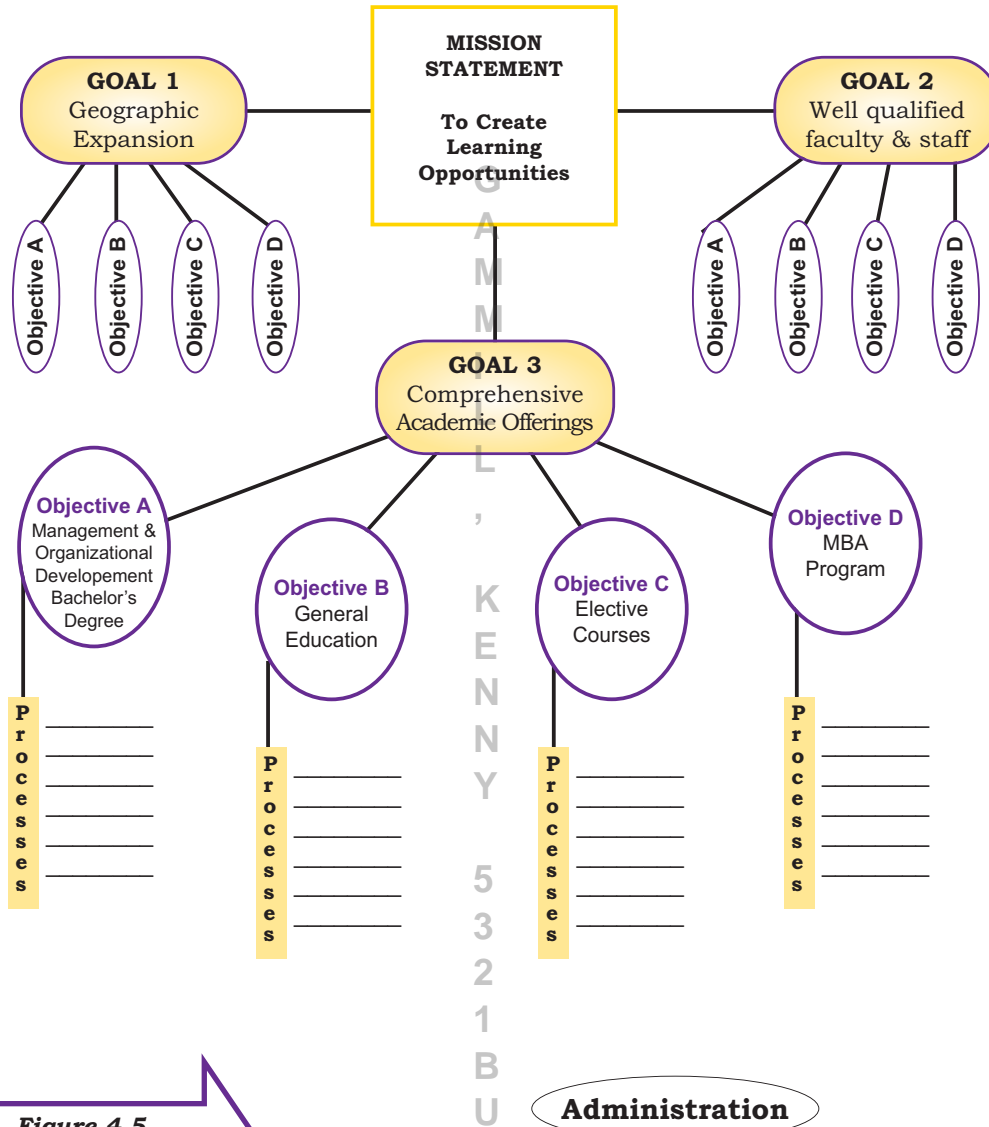
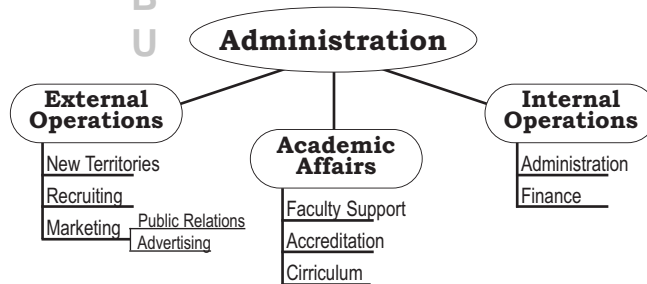


Figure 4.5  
After a system is created, then a structure can be devised to support it.



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## MACRO SYSTEM ANALYSIS FORM

Name \_\_\_\_\_ Date \_\_\_\_\_

**Mission/Vision Statement:** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



### Top Organizational Goals

- I. \_\_\_\_\_
- II. \_\_\_\_\_
- III. \_\_\_\_\_

### Objectives for Each Goal

<u>Goal I</u>	<u>Goal II</u>	<u>Goal III</u>
1. _____	1. _____	1. _____
_____	_____	_____
_____	_____	_____
2. _____	2. _____	2. _____
_____	_____	_____
_____	_____	_____
3. _____	3. _____	3. _____
_____	_____	_____
_____	_____	_____