Theories in Management and Marketing

A few of the following may be useful in teaching some of the management and marketing courses. Accepted theories of business help to give our course content credibility.

BIOLOGY


The theory emphasizes the importance of understanding the interaction of activity within the organism and that between the organism and its environment. Concepts from the general systems theory have been taken up within different disciplines.

ECONOMICS


A problem which arises from the inability of traders/buyers to differentiate between the quality of certain products. Components – (1) There is a random variation in product quality in the market; (2) an asymmetry of information exists about the product quality; (3) there is a greater willingness for poor quality sellers to trade at low prices than higher-quality owners.


An analysis of demand with regard to consumer behavior and rationale when changes occur in variable factors such as price, income, substitute goods. Choice and revealed preferences are two important factors affecting consumer demand.

**Cost-Benefit Analysis.** First examined by French engineer and economist Jules Dupuit (1804-1866).

A determination of the total values of a proposed investment’s inputs and outputs. Such analysis examines opportunity costs, shadow prices, and estimates of future interest rates.


A fundamental aspect of economics in which individuals make rational choices from a range of alternatives that may be characterized by varying price. In determining a course of action, an individual must evaluate conditions of uncertainty and risk.


Profit alone is not the goal of the firm. Sales maximization or market share combined with satisfactory profits may be the main purpose of (at least) large firms.

Competitors differentiate their goods and services as little as possible in order to maximize demand from the public. The law explains why retailers tend to cluster together and airlines adopt similar flight schedules.


As investment increases, the rate of returns decreases because early investment was directed at the most lucrative possibilities; subsequent investment is channeled into less promising areas and the returns diminish.


This challenges the tradition assumption of profit maximization by management which is now seen as content to earn just satisfactory profits.


Price is determined by scarcity rather than usefulness. Water is essential to life but is has a relatively low price whereas diamonds have little use in comparison with water but because of their relative scarcity command high prices.

PYCHOLOGY


A theory of information processing which states that information which is broadly concordant with one’s beliefs and attitudes is likely to be accepted and processed by reciprocal approximation of divergent viewpoints. When a listener is presented with discordant information he or she may respond by stating his or her own position in an uncompromising fashion – sometimes the boomerang effect.


Responses to one set of stimuli can be evoked by other stimuli in a similar situation. If a response can be maintained while the stimulus environment is gradually altered or shifted (by adding or subtracting elements), the same response will eventually occur in a completely new situation.


The law posits that we have a tendency to perceive incomplete objects as complete by filling in or closing up gaps in sensory input and viewing asymmetric and unbalanced stimuli as symmetric and balanced. The brain synthesizes the missing parts of a perceived image thereby closing the gap between reality and the desired picture.

In group dynamics it refers to the forces which hold a group together. Cohesion is dependent upon (1) the extent to which interaction within a group has positive qualities for the group’s members; (2) the extent to which a group’s activities are rewarding for its members; (3) the usefulness of group membership for achieving an individual’s objectives.


Dissonance results when two simultaneously held ideas, attitudes or opinions are inconsistent or conflicting. Individuals modify their cognitions or behaviors in order to achieve dissonance reduction.


Any change in one part of a dynamic system influences all interrelated parts. The theory finds particular favor in the psychology of groups.


An increase in the quantity of material to be learned requires a disproportionate increase in the time required to learn it.


The theory posits the existence of communication channels permitting individuals covertly to indicate understanding, attitudes and judgments to others.


The extension of an overall impression of a person to influence the total judgment of that person. The effect is to evaluate an individual high on many traits because of a belief that the individual is high on one trait. Similar to this is the “devil effect” whereby a person evaluates another as low on many traits because of a belief that the individual is low on one trait which is assumed to be critical.


Motivation may be conceptualized as an invariant hierarchy of motives, as a pyramid, which consists of Physiological, safety, love and belonging, esteem, and the need to self-actualize at the apex.

LEARNING


This hypothesis posits that all things being equal a function or goal or behavior is facilitated by being used or exercised and is weakened by disuse. A limitation of the law is that where it is not observed, it is assumed that other things were not equal but does not indicate how.

This effect was devised to describe the hidden impact that a mass communication or propaganda message can have on its audience. The attitude change produced by the message is frequently not detectable until a period to time has passed, hence the term “sleeper effect.”

MARKETING


One of three basic marketing strategies (the others being undifferentiated and concentrated), whereby a seller begins with a basic product then makes minor changes to meet the needs of each target market. The practice encourages product innovation. Size of the firm is important for it will need it to achieve economies of scale thereby allowing it to lower its prices.


A “diffusion of innovation” theory, individual products pass through distinct phases: introduction, growth, mature, and decline. The duration of each stage of the cycle varies with the product and the type of management supporting it.

SOCIOLOGY


Groups maximize their own benefit by excluding non-members. At the same time they establish their identity as much by excluding non-members as by defining the characteristics of membership. Identity thus depends on the identification of outsiders or enemies.