FUNDAMENTALS OF MANAGEMENT

RICKY W. GRIFFIN

NINTH EDITION

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***Fundamentals of Management*, Ninth Edition**
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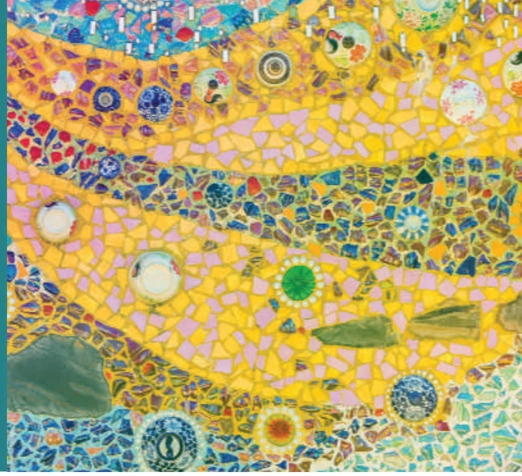
For Paul Hamm
One of the best men and greatest friends I've ever known

Brief Contents



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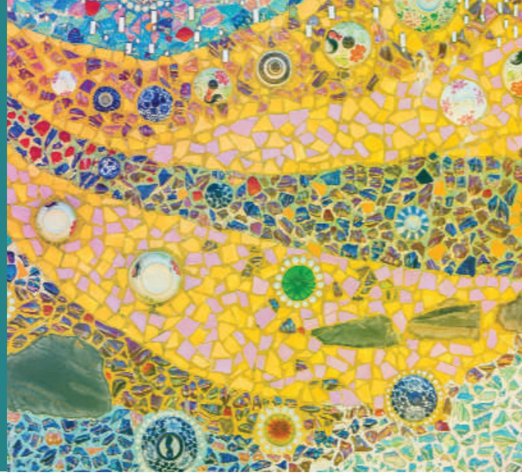


Preface

Hundreds of books have been written for introductory management courses. As the theory, research, and practice of management has grown and expanded, authors continued to mirror this expansion of material in their books. Writers have understood the importance of adding new material about traditional topics, such as planning and organizing, while simultaneously adding coverage of emerging newer topics, such as sustainability, ethics, and social media. As a by-product of this trend, our general survey textbooks have grown longer and longer. This has made traditional textbooks longer and longer but also more difficult to cover in one course.

Another trend in management education is a focus on teaching in a broader context. That is, introductory management courses are increasingly being taught with less emphasis on theory alone and more emphasis on the application of concepts. Teaching students how to apply management concepts successfully often involves focusing more on skills development and the human side of the organization. This trend requires that books cover theoretical concepts within a flexible framework that enables instructors to make use of interactive tools such as case studies, exercises, and projects. It also dictates that a text be as relevant to students as possible. Hence, while this book draws examples and cases from older large businesses like Ford, IBM, and General Electric, it also makes extensive use of newer firms such as Google, Tesla, Netflix, Facebook, Starbucks, Urban Outfitters, and others.

Indeed, this book represents a synthesis of these trends toward a more manageable and practical approach. By combining concise text discussion, proven pedagogical tools, lively and current content, an emphasis on organizational behavior, and exciting skills development material, *Fundamentals of Management* answers the need for a new approach to management education. This book provides almost limitless flexibility, a solid foundation of knowledge-based material, and an action-oriented learning dimension unique in the field. Indeed, over half a million students were introduced to the field of management using the first eight editions of this book. This ninth edition builds solidly on the successes of the earlier editions.

ORGANIZATION OF THE BOOK

Most management instructors today organize their course around the traditional management functions of planning, organizing, leading, and controlling. *Fundamentals of Management* uses these functions as its organizing framework. The book consists of five parts, with fifteen chapters.

Part One introduces management through two chapters. Chapter 1 provides a basic overview of the management process in organizations, and Chapter 2 introduces students to the environment of management. Part Two covers the first basic management function, planning. Chapter 3 introduces the fundamental concepts of planning and discusses strategic management. Managerial decision making is the topic of Chapter 4. Finally, Chapter 5 covers entrepreneurship and the management of new ventures.

The second basic management function, organizing, is the subject of Part Three. In Chapter 6, the fundamental concepts of organization structure and design are introduced and discussed. Chapter 7 explores organization change and organizational innovation. Chapter 8 is devoted to the management of human resources.

Many instructors and managers believe that the third basic management function, leading, is especially important in contemporary organizations. Thus, Part Four consists of five chapters devoted to this management function. Basic concepts and processes associated with individual behavior are introduced and discussed in Chapter 9. Employee motivation is the subject of Chapter 10. Chapter 11 examines leadership and influence processes in organizations. Communication in organizations is the topic of Chapter 12. The management of groups and teams is covered in Chapter 13.

The fourth management function, controlling, is the subject of Part Five. Chapter 14 introduces the fundamental concepts and issues associated with management of the control process. A special area of control today, managing for total quality, is discussed in Chapter 15.

SKILLS-FOCUSED PEDAGOGICAL FEATURES

Both the overarching framework and streamlined topical coverage make it possible to address new dimensions of management education without creating a book so long that it is unwieldy. Specifically, each chapter is followed by an exciting set of skills-based exercises and related activities. These resources have been created to bring an active and a behavioral orientation to management education by requiring students to solve problems, make decisions, respond to situations, and work in groups. In short, these materials simulate many of the day-to-day challenges and opportunities that real managers face.

Among these skills-based exercises are two different *Building Effective Skills* features organized around the set of basic management skills introduced in Chapter 1. The *Skills Self-Assessment Instrument* exercise helps readers learn something about their own approach to management. Finally, an *Experiential Exercise* provides additional action-oriented learning opportunities, usually in a group setting.

New to the ninth edition, each chapter also contains interesting boxed features, two per chapter centered around **sustainability**, **leadership**, **technology**, and **diversity**. These features depart briefly from the flow of the chapter to highlight or extend especially interesting or emerging points and issues related to boxed feature titles.

In addition to the end-of-chapter exercises, every chapter includes important time-tested and proven pedagogy: learning objectives, a chapter outline, an opening incident, key terms, a summary of key points, questions for review, questions for analysis, and an end-of-chapter case with questions.

CHANGES TO THE NINTH EDITION

The ninth edition of *Fundamentals of Management* retains the same basic structure and format as the previous edition. However, within that framework the content of the book has been thoroughly revised and updated. The following changes are illustrative of the new material that has been added:

(1) New topical coverage related to both domestic and global economic conditions is included. The book also places greater emphasis on the services sector of the economy. Coverage of the economic impact of unrest in the Middle East and Hurricane Harvey has also been added. Moreover, all data regarding international business activity, entrepreneurship and small businesses, and workforce diversity have been updated to the most current figures available.

(2) Several new management techniques are also included in this edition. Examples include prospect theory and evidence-based management. These and other new techniques are discussed in several places in the book.

(3) The latest research findings regarding globalization, strategic management, organizing, motivation, leadership, and control have been incorporated into the text and referenced at the end of the book. Over 150 new articles and books are cited.

(4) Virtually all of the cases and boxed inserts are new to this edition of *Fundamentals of Management*, while the few retained from earlier editions have been updated as needed.

They reflect a wide variety of organizations and illustrate both successful and less successful practices and decisions.

(5) As noted earlier, this book features a rich and diverse array of end-of-chapter materials to facilitate both learning and skill development. For this edition, a substantial portion of this material has been replaced or substantially revised.

SUPPLEMENTS

Instructor Support Materials

- Instructor Companion Website: Instructors can find course support materials, including Instructor's Resource Manual, Test Bank files, PowerPoint® slides, and DVD guide.
- On the Job DVD: "On the Job" videos provide behind-the-scene insights into management concepts at work within actual small and large businesses. Corresponding support material can be found in the DVD guide.
- Cengage Learning Testing, powered by Cognero® Instant Access: Cengage Learning Testing powered by Cognero® is a flexible, online system that allows you to: import, edit, and manipulate content from the text's test bank or elsewhere, including your own favorite test questions; create multiple test versions in an instant; and deliver tests from your LMS, your classroom, or wherever you want.

Student Support Materials

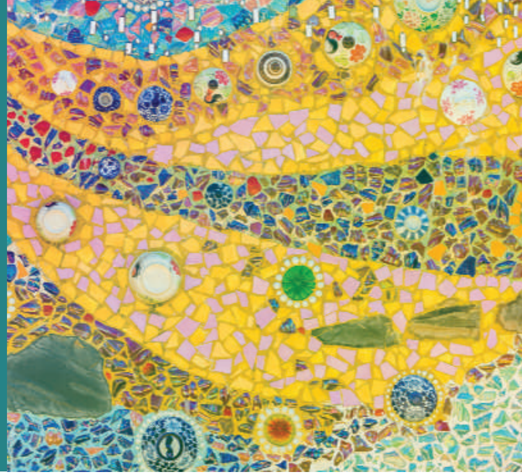
- MindTap® Management for Griffin's Fundamentals of Management, ninth edition, is the digital learning solution that helps instructors engage students and help them relate management concepts to their lives. Through interactive assignments students connect management concepts to real-world organizations and say how managers should perform in given situations. Finally, all activities are designed to teach students to problem-solve and think like management leaders. Through these activities and real-time course analytics, and an accessible reader, MindTap helps you turn cookie cutter into cutting edge, apathy into engagement, and memorizers into higher-level thinkers.

  Our adaptive learning solution provides customized questions, text, and video resources based on student proficiency. Priced to please students and administrators, this solution will help you develop the next generation of managers.
- The **learning path** is based on our **Engage**, **Connect**, **Perform**, and **Lead** model. Students are drawn into the material with self-assessments. Quizzes and homework assignments help students connect concepts with the real world, and higher level homework assignments ask students to analyze and manage complex situations.
  - **Self-Assessments** engage students by helping them make personal connections to the content presented in the chapter.
  - **Homework Assignments**
    - **Homework problem sets** are presented in our **Aplia** product. Question sets challenge students to think critically and begin to think like managers.
    - **Building Skills Assignments** encourage students to hone their emerging management skills.
    - **You Make the Decision Exercises** present challenging problems that cannot be solved with one specific correct answer. Students are presented with a series of decisions to be made based upon information they are given about a company and are scored according to the quality of their decisions.

- **Quizzes**
    - **Section Quizzes** assess students' basic comprehension of the reading material to help gauge their level of engagement and understanding of the content. These appear within each section of the eReader.
    - In addition, **Chapter Quizzes** appear as assignments in the learning path and cover the entire chapter.
- **Videos**
    - **Concept clips** present information on topics students typically struggle with.
    - **On the Job videos** engage students by presenting everyday businesses facing managerial challenges, placing concepts in real-world context, and making for great points of discussion.

o **In the News:** Links to online content help students discover the latest news about management today.

- **Group Exercises**
    - **Team Task assignments** challenge students to work in teams in our one-of-a-kind collaborative environment to solve real-world managerial problems and begin to experience firsthand what it's like to work in management.
    - **You Play the Part exercises** place students in different roles to enact various management-themed scenarios.
- **Study Tools**
    - **Test Your Knowledge:** Customizable practice quizzes, using test bank-like questions with immediate feedback, help students prepare for exams.
    - **Flashcards**



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Many reviewers have played a critical role in the continuous evolution and improvement of this project. They examined my work in detail and with a critical eye. I would like to tip my hat to the following reviewers, whose imprint can be found throughout this text:

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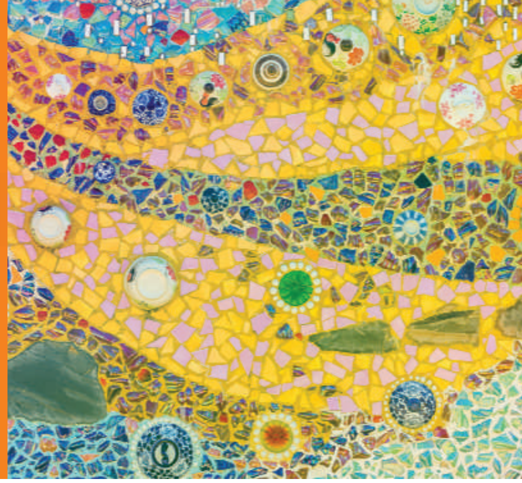
My wife, Glenda, and our children, Dustin, Ashley, Matt, and Lura, are of course due the greatest thanks. Their love, care, interest, and enthusiasm help sustain me in all that I do. And my grandchildren, Griffin, Sutton, and Drew, bring joy to my life and a smile to my face every time I think about them.

I enthusiastically invite your feedback on this book. If you have any questions, suggestions, or issues to discuss, please feel free to contact me. The most efficient way to reach me is through e-mail. My address is rgriffin@tamu.edu.

R.W.G.

CHAPTER 1

Understanding the Manager's Job



Learning Outcomes

After studying this chapter, you should be able to:

1. Define *management*, describe the kinds of managers found in organizations, identify and explain the four basic management functions, describe the fundamental management skills, and comment on management as a science and art.
2. Justify the importance of history and theory to managers, and explain the evolution of management thought through the classical, behavioral, and quantitative perspectives.
3. Identify and discuss key contemporary management perspectives represented by the systems and contingency perspectives, and identify the major challenges and opportunities faced by managers today.

Management in Action

Reed Hastings Creates Chaos with Netflix

"Don't be afraid to change the model."

—Netflix CEO Reed Hastings

Several years ago, Reed Hastings, a California entrepreneur, incurred a $40 late fee at Blockbuster. "It was six weeks late," he admits. "I had misplaced the cassette [and] I didn't want to tell my wife. . . . I was embarrassed about it." The next day he dropped off the VHS cassette and paid the late fee on his way to the local gym. As it turns out, his itinerary for the day was quite opportune: In the middle of his workout, he recalls, "I realized [the gym] had a much better business model. You could pay $30 or $40 a month and work out as little or as much as you wanted."

Thus was born the idea for Netflix—paying a monthly fee for unlimited video rentals. But Hastings knew he needed to start slowly. So, when Netflix was launched in 1997, its only real innovation involved the convenience of ordering movies online and receiving and returning them by mail; Netflix merely rented movies for $4 apiece plus $2 for postage (and, yes, it charged late fees). Basically, the customer base consisted of people who wanted to watch movies without having to leave their home. But Hastings and cofounder Marc Randolph then quickly moved to test the subscription-based model, unlimited rentals by mail for a flat fee, and, perhaps more important, no due dates (and thus no late fees). Current customers were first offered the opportunity to shift from their pay-per-rental plans to subscription plans on

Bloomberg/Getty Images

Reed Hastings has used a variety of management techniques to build Netflix into an entertainment powerhouse.

a free, trial basis and then given the chance to renew the subscription plan on a paid basis. "We knew it wouldn't be terrible," says Hastings, "but we didn't know if it would be great." In the first month, however, 80 percent of Netflix users who'd tried the no-cost subscription plan had renewed on a paid basis.

"Having unlimited due dates and no late fees," said Hastings back in 2003, "has worked in a powerful way and now seems obvious, but at that time, we had no idea if customers would even build and use an online queue." The "queue," as any Netflix user will tell you, is the list of movies that the customer wants to watch. Netflix maintains your queue, follows your online directions in keeping it up to date, and automatically sends you the next movie you want each time you send one back.

The essence of queuing—and of the Netflix business model—is clearly convenience. Although the ability to enhance customer convenience, even when combined with cost savings, often gives a company a competitive advantage in its industry, it doesn't always have the industry-wide effect that it has had in the case of Netflix. Not only did the Netflix subscriber model improve the service provided by the industry in an unexpected way, but ultimately it also weakened the competitive positions of companies already doing business in the industry—notably, Blockbuster. Blockbuster eventually declared bankruptcy and its few remaining assets are now owned by Dish Network. Netflix, meanwhile, has seen its market cap soar above the $50 billion mark by mid-2016 with more than 55 million subscribers in 52 countries.

How had Hastings's upstart company managed to put itself in such an enviable position? For one thing, it got off to a fast start. In 1997, when DVDs were just being test-marketed in the United States, Hastings and Randolph gambled that the new medium would eventually overtake videocassettes as the format of choice for both the home-movie industry and the home-movie renter. They were right, of course—by 2002, one in four U.S. households owned a DVD player, but the number today is more than nine in ten. (In any case, it would have cost about $4 to mail a videocassette both ways compared to the $0.78 that it costs to ship a DVD back and forth.)

More important, as the first company to rent movies by mail, Netflix was the first to establish a rental-by-mail customer base. At first, says Hastings, "people thought the idea was crazy. But it was precisely because it was a contrarian idea that [it] enabled us to get ahead of our competitors." As Netflix has continued to expand and nurture its subscriber base, it has also generated both brand recognition and brand loyalty. "Netflix has customer loyalty. It's a passion brand," explains Hastings, who hastens to add that keeping customers happy is crucial "because the more someone uses Netflix, the more likely they are to stay with us."

Netflix also puts a premium on hiring the very best people. Hastings hires bright people, pays them above-market wages, and provides innovative and interesting benefits. For instance, Netflix employees can take as much vacation time as they want so long as they perform their jobs at a high level. But at the same time, the firm has very high performance standards and employees sometimes complain about too much pressure. As Hastings says, "We treat our top performers very well. We provide average employees with reasonable severance package[s]."

Today Netflix continues to be at the forefront of innovation and has established a strong position in the growing video-on-demand market. In 2013, the company obtained exclusive rights to distribute the original series *The House of Cards*, *Hemlock Grove*, *Orange Is the New Black*, and the revival of *Arrested Development*. Netflix soon began to expand its list of original offerings and by 2018 was showing more original series and movies than any other media outlet. All told, Netflix's 55 million subscribers watch about 4 billion hours of programs every quarter on more than 1,000 different devices—indeed, on a normal evening, Netflix accounts for over a third of all Internet usage in North America!

Never one to stand still, Reed Hastings continues to look for the "next big thing." Unlike most traditional managers, Hastings doesn't have an office. He simply wanders around headquarters, talking to people about their work and their ideas, and occasionally grabbing an empty chair or desk to check his e-mail. When he needs solitude to think and ponder major decisions, he retreats to a rooftop "cube" with four glass walls overlooking the Santa Cruz Mountains. And from that cube Hastings will continue to ponder his next set of moves.[1]

organization A group of people working together in a structured and coordinated fashion to achieve a set of goals

This book is about managers like Reed Hastings and the work they do. In this chapter, we examine the general nature of management, its dimensions, and its challenges. We explain the basic concepts of management and managers, discuss the management process, and summarize the origins of contemporary management thought. We conclude this chapter by introducing critical challenges and issues that managers are facing now and will continue to encounter in the future.

management A set of activities (including planning and decision making, organizing, leading, and controlling) directed at an organization's resources (human, financial, physical, and information) with the aim of achieving organizational goals in an efficient and effective manner

manager Someone whose primary responsibility is to carry out the management process

efficient Using resources wisely in a cost-effective way

effective Making the right decisions and successfully implementing them

1-1 AN INTRODUCTION TO MANAGEMENT

An **organization** is a group of people working together in a structured and coordinated fashion to achieve a set of goals, which may include profit (Netflix or Starbucks), the discovery of knowledge (the University of Nebraska or the National Science Foundation), national defense (the U.S. Navy or Marines), the coordination of various local charities (the United Way of America), or social satisfaction (a fraternity or sorority).

Managers are responsible for using the organization's resources to help achieve its goals. More precisely, **management** can be defined as a set of activities (including planning and decision making, organizing, leading, and controlling) directed at an organization's resources (human, financial, physical, and information) with the aim of achieving organizational goals in an efficient and effective manner. A **manager**, then, is someone whose primary responsibility is to carry out the management process. By **efficient**, we mean using resources wisely in a cost-effective way. By **effective**, we mean making the right decisions and successfully implementing them. In general, successful organizations are both efficient and effective.[2]

Today's managers face myriad interesting and challenging situations. The average executive works at least 60 hours a week; has enormous demands placed on his or her time; and faces increased complexities posed by globalization, domestic competition, government regulation, shareholder pressure, emerging technologies, the growing impact of social media, and other technology-driven uncertainties. Their job is complicated even more by rapid changes, unexpected disruptions, and both minor and major crises. The manager's job is unpredictable and fraught with challenges, but it is also filled with opportunities to make a difference. Good managers can propel an organization into unprecedented realms of success, whereas poor managers can devastate even the strongest of organizations.[3]

Axel Bueckert/Shutterstock.com

To be effective businesses must produce products that consumers are willing to buy. A company could very efficiently produce portable cassette tape players like this one but will not be successful.

1-1a Kinds of Managers

Many different kinds of managers work in organizations today. Figure 1.1 shows how various kinds of managers within an organization can be differentiated by level and by area.

Levels of Management One way to classify managers is in terms of their level in the organization. *Top managers* make up the relatively small group of executives who manage the overall organization. Titles found in this group include president, vice president (VP), and chief executive officer (CEO). Top managers create the organization's goals, overall strategy, and operating policies. They also officially represent the organization to the external environment by meeting with government officials, executives of other organizations, and so forth.

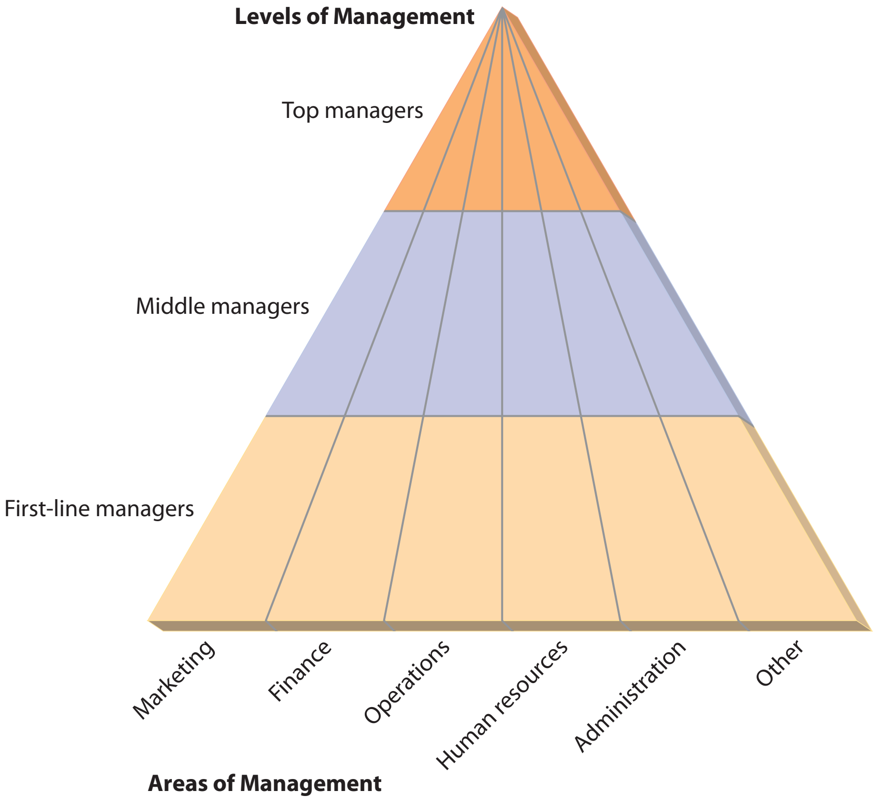


FIGURE 1.1

Kinds of Managers by Level and Area

Organizations generally have three levels of management, represented by top managers, middle managers, and first-line managers. Regardless of level, managers are also usually associated with a specific area within the organization, such as marketing, finance, operations, human resources, administration, or some other area.

Reed Hastings is a top manager. Howard Schultz, CEO of Starbucks, is also a top manager, as are Michelle Burns and Rajiv Chandrasekaran, two of the firm's executive VPs. Likewise, Sergey Brin and Larry Page (Google's founders and top executives), Tim Cook (CEO of Apple), and Mary Barra (CEO of General Motors) are also top managers. The job of a top manager is likely to be complex and varied. Top managers make decisions about activities such as acquiring other companies, investing in R&D, entering or abandoning various markets, and building new plants and office facilities. They often work long hours and spend much of their time in meetings or on the telephone. In most cases, top managers are also very well paid. In fact, the elite top managers of very large firms sometimes make several million dollars a year in salary, bonuses, and stock.[4] In 2017, Starbucks paid Howard Schultz $1,500,000 in salary for his work as CEO. Schultz was also awarded a bonus of $2,250,000, around $13,000,000 in stock and option awards, and $215,933 in other compensation.

Middle management is probably the largest group of managers in most organizations. Common middle-management titles include plant manager, operations manager, and division head. *Middle managers* are primarily responsible for implementing the policies and plans developed by top managers and for supervising and coordinating the activities of lower-level managers. Jason Hernandez, a regional manager at Starbucks responsible for the firm's operations in three eastern states, is a middle manager.

First-line managers supervise and coordinate the activities of operating employees. Common titles for first-line managers are supervisor, coordinator, and office manager. Positions like these are often the first held by employees who enter management from the ranks of operating personnel. Wayne Maxwell and Jenny Wagner, managers of Starbucks coffee shops in

Andrew Toth/Getty Images

Denise Morrison, CEO of Campbell Soup, is a top manager. She makes major decisions about the firm's competitive strategies, research and development investments, and new facilities.

Texas, are first-line managers. They oversee the day-to-day operations of their respective stores, hire operating employees to staff them, and handle other routine administrative duties required of them by the parent corporation. In contrast to top and middle managers, first-line managers typically spend a large proportion of their time supervising the work of their subordinates.

Managing in Different Areas of the Organization Regardless of their level, managers may work in various areas within an organization. In any given firm, for example, these areas may include marketing, financial, operations, human resources, administrative, and others.

Marketing managers work in areas related to the marketing function—getting consumers and clients to buy the organization's products or services (be they Samsung smartphones, Toyota automobiles, *Vogue* magazines, Associated Press news reports, streaming video rentals from Netflix, or lattes at Starbucks). These areas include new product development, promotion, and distribution. Given the importance of marketing for virtually all organizations, developing good managers in this area is critical.

Financial managers deal primarily with an organization's financial resources. They are responsible for activities such as accounting, cash management, and investments. In some businesses, especially banking and insurance, financial managers are found in large numbers.

Operations managers are concerned with creating and managing the systems that create an organization's products and services. Typical responsibilities of operations managers include production control, inventory control, quality control, plant layout, and site selection.

Human resources managers are responsible for hiring and developing employees. They are typically involved in human resource planning, recruiting and selecting employees, training and development, designing compensation and benefit systems, formulating performance appraisal systems, and discharging low-performing and problem employees.

Administrative, or general, managers are not associated with any particular management specialty. Probably the best example of an administrative management position is that of a hospital or clinic administrator. Administrative managers tend to be generalists; they have some basic familiarity with all functional areas of management rather than specialized training in any one area.[5]

Many organizations have specialized management positions in addition to those already described. Public relations managers, for example, deal with the public and media for firms such as Facebook, Instagram, and Unilever to protect and enhance the image of their organizations. R&D managers coordinate the activities of scientists and engineers working on scientific projects in organizations such as Google, Shell Oil, and NASA. Internal consultants are used in organizations such as Prudential Insurance to provide specialized expert advice to operating managers. International operations are often coordinated by specialized managers in organizations like Walmart and General Electric. The number, nature, and importance of these specialized managers vary tremendously from one organization to another. As contemporary organizations continue to grow in complexity and size, the number and importance of such managers are also likely to increase. Our "Tech Watch" feature highlights one newly emerging management position, the social media manager.

planning
Setting an organization's goals and deciding how best to achieve them

decision making
Part of the planning process that involves selecting a course of action from a set of alternatives

1-1b Basic Management Functions

Regardless of level or area, management involves the four basic functions of planning and decision making, organizing, leading, and controlling. This book is organized around these basic functions, as shown in Figure 1.2.

Planning and Decision Making In its simplest form, ***planning*** means setting an organization's goals and deciding how best to achieve them. **Decision making**, a part of the planning process, involves selecting a course of action from a set of alternatives. Planning and decision making help managers maintain their effectiveness by serving as guides for their future activities. In other words, the organization's goals and plans clearly help managers know how to

TECH WATCH

". . . But What Is a Social Media Manager?"

The last few years have been big for *social media*—technologies that allow users to create and exchange content. Twitter, Facebook, Instagram, and YouTube play central roles in the daily activities of many people today, especially younger people. Spending on social media advertising is approaching $5 billion per year, up 35 percent from 2012. Seven out of ten marketers say that they are increasing social media spending each year (compared to only half who are increasing direct marketing spending and less than 10 percent who are spending more on TV advertising).

According to Ashley Coombe, social media strategist for All Inclusive Marketing, "2013 was the year social media managers earned legitimacy. . . . Business owners began to realize that they could no longer hire their friend's daughter to do their social media just because she had a lot of friends on Facebook."

Just what do *social media managers* do? Why is your friend's daughter likely to be in over her head? It's a pretty new position, so job descriptions understandably vary. Here, however, is a generic description crafted by a veteran social media executive:

> The social media manager will implement the company's social media strategy, developing brand awareness, generating inbound traffic, and encouraging product adoption. This role coordinates with the internal marketing and PR teams to support their respective missions, ensuring consistency in voice and cultivating a social media referral network.

Primarily, social media managers handle information and communications through social media outlets—tracking trends and determining posting rates, creating positive communications, and maintaining a congenial media relationship with a company's community of customers. As you can also see from the job description, a key function of the position is *coordination*. Typically, social media managers work out of marketing departments and perform a variety of marketing-related tasks—replying to customer inquiries (sales), responding to customer complaints (customer service), and handling external communications (public relations). At the same time, however, because they often manage the use of social media among all of a company's employees and communicate information about all of its activities, the scope of responsibilities is companywide.

Even so, some social media managers aren't quite sure how much "legitimacy" they've earned. "At the last place I was a social manager," reports one brand specialist at a large corporation, "high-level VPs would come over and say I was messing around on the Internet too much." According to another veteran of corporate media management, "The biggest misconception is that, compared to other marketers, we don't understand analytics or don't have the education or background when it comes to the technical side." Old-school executives, charges a third social media strategist, "see [social media] as the warm and fuzzy side of marketing. In reality," he says, "it's a powerful revenue driver when it's given proper funding and attention. . . . When you show them the ROI, people start changing their minds."

References: Kelly Clay, "What Social Media Managers Need to Know about Facebook," www.forbes.com, accessed on January 4, 2017; Jennifer Beese, "The Top 7 Social Media Stories of 2013," *SproutSocial*, December 27, 2013, http://sproutsocial.com, accessed on January 4, 2017; Erik Sass, "Most Marketers Will Spend More on Social Media in 2014," *The Social Graf*, November 19, 2013, www.mediapost.com, accessed on January 4, 2017; The CMO Survey, "Social Media Spend Continues to Soar," www.cmosurvey.org, accessed on January 4, 2017; Blaise Grimes-Viort, "Social Media Manager Job Description," *Online Communities and Social Media*, http://blaisegv.com, accessed on January 4, 2017; Julian Rio, "Social Media Manager: What Role Does He Really Have?" *JulianRio.com Marketing Solutions*, www.julianrio.com, accessed on January 4, 2017; and "Confessions of Big Brand Social Media Managers," *Digiday*, http://digiday.com, accessed on January 4, 2017.

allocate their time and resources. Part 2 of this book is devoted to planning and decision-making activities and concepts.

organizing Determining how activities and resources are to be grouped

Organizing Once a manager has set goals and developed a workable plan, his or her next management function is to organize people and the other resources necessary to carry out the plan. Specifically, **organizing** involves determining how activities and resources are to be grouped. Although some people equate this function with the creation of an organization chart, we will see in Part 3 that it is actually much more.

leading The set of processes used to get members of the organization to work together to further the interests of the organization

Leading The third basic managerial function is leading. Some people consider leading to be both the most important and the most challenging of all managerial activities. **Leading** is the set of processes used to get members of the organization to work together to further the interests of the organization. We cover the leading function in detail in Part 4.

FIGURE 1.2

The Management Process

Management involves four basic activities—planning and decision making, organizing, leading, and controlling. Although there is a basic logic for describing these activities in this sequence (as indicated by the solid arrows), most managers engage in more than one activity at a time and often move back and forth between the activities in unpredictable ways (as shown by the dotted arrows).

controlling Monitoring organizational progress toward goal attainment

Controlling The final phase of the management process is **controlling**, or monitoring the organization's progress toward its goals. As the organization moves toward its goals, managers must monitor progress to ensure that it is performing in such a way as to arrive at its "destination" at the appointed time. Part 5 explores the control function.

1-1c Fundamental Management Skills

To carry out these management functions most effectively, managers rely on a number of different fundamental management skills of which the most important are technical, interpersonal, conceptual, diagnostic, communication, decision-making, and time management skills.[6] Our "Leading the Way" feature also illustrates how one successful manager has relied on both the basic management functions and fundamental management skills to propel herself to the top of a successful corporation.

technical skills The skills necessary to accomplish or understand the specific kind of work done in an organization

Technical Skills **Technical skills** are necessary to accomplish or understand the specific kind of work done in an organization. Technical skills are especially important for first-line managers. These managers spend much of their time training their subordinates and answering questions about work-related problems. If they are to be effective managers, they must know how to perform the tasks assigned to those they supervise. While Reed Hastings spends most of his time now dealing with strategic and management issues, he also keeps abreast of new and emerging technologies and trends that may affect Netflix.

interpersonal skills The ability to communicate with, understand, and motivate both individuals and groups

Interpersonal Skills Managers spend considerable time interacting with people both inside and outside the organization. For obvious reasons, then, they also need **interpersonal skills**—the ability to communicate with, understand, and motivate both individuals and groups. As a manager climbs the organizational ladder, he or she must be able to get along with subordinates, peers, and those at higher levels of the organization. Because of the multitude of roles that managers must fulfill, a manager must also be able to work with suppliers, customers, investors, and others outside the organization.

conceptual skills The manager's ability to think in the abstract

Conceptual Skills **Conceptual skills** depend on the manager's ability to think in the abstract. Managers need the mental capacity to understand the overall workings of the organization and its environment, to grasp how all the parts of the organization fit together, and to view the organization in a holistic manner. This ability allows them to think strategically, to see the "big picture," and to make broad-based decisions that serve the overall organization. Reed Hastings's idea to extend the paymentmodel used by health clubs to the video rental market came from his strong conceptual skills.

diagnostic skills The manager's ability to visualize the most appropriate response to a situation

Diagnostic Skills Successful managers also possess **diagnostic skills** or skills that enable them to visualize the most appropriate response to a situation. A physician diagnoses a patient's illness by analyzing symptoms and determining their probable cause. Similarly, a manager can diagnose and analyze a problem in the organization by studying its symptoms and then developing a solution.[7]

communication skills The manager's abilities both to effectively convey ideas and information to others and to effectively receive ideas and information from others

Communication Skills **Communication skills** refer to the manager's abilities to both effectively convey ideas and information to others and effectively receive ideas and information from others. These skills enable a manager to transmit ideas to subordinates so that they know what is expected, to coordinate work with peers and colleagues so that they work well together, and to keep higher-level managers informed about what is going on. In addition, communication skills help the manager listen to what others say and to understand the real meaning behind e-mails, letters, reports, and other written communication.

decision-making skills The manager's ability to correctly recognize and define problems and opportunities and to then select an appropriate course of action to solve problems and capitalize on opportunities

Decision-Making Skills Effective managers also have good decision-making skills. **Decision-making skills** refer to the manager's ability to correctly recognize and define problems and opportunities and to then select an appropriate course of action to solve problems and capitalize on opportunities. No manager makes the right decision all the time. However, effective managers make good decisions most of the time. And, when they do make a bad decision, they usually recognize their mistake quickly and then make good decisions to recover with as little cost or damage to their organization as possible. Managers at Netflix made a poor decision when they decided to split their mail delivery and streaming services into two businesses, but they quickly reversed themselves before things got too bad.

time management skills The manager's ability to prioritize work, to work efficiently, and to delegate appropriately

Time Management Skills Finally, effective managers usually have good time management skills. **Time management skills** refer to the manager's ability to prioritize work, to work efficiently, and to delegate appropriately. As already noted, managers face many different pressures and challenges. It is too easy for a manager to get bogged down doing work that can easily be postponed or delegated to others.[8] When this happens, unfortunately, more pressing and higher-priority work may get neglected.[9]

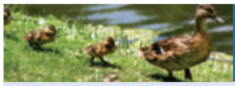
Matt Champlin/Moment/Getty Images

The Egyptians used basic management functions to construct the pyramids.

1-1d The Science and the Art of Management

Given the complexity inherent in the manager's job, a reasonable question relates to whether management is a science or an art. In fact, effective management is a blend of both science and art. And successful executives recognize the importance of combining both the science and art of management as they practice their craft.[10]

The Science of Management Many management problems and issues can be approached in ways that are rational, logical, objective, and systematic. Managers can gather data, facts, and objective information. They can use quantitative models and decision-making techniques to arrive at "correct" decisions. And they need to take such a scientific approach to solving problems whenever possible, especially when they are dealing with relatively routine and straightforward issues. When Starbucks considers entering



LEADING THE WAY

"On the Fast Track"

Kat Cole started her climb up the corporate ladder in orange shorts. At 16, she took a part-time job serving chicken wings and beer at Hooters, and 19 years later—at the relatively young age of 35—she was president of Cinnabon, a franchise that sells cinnamon-laced concoctions out of 1,100 locations in 56 countries. Cole now leads a team of employees that ranges over four generations in age and includes many men who are much older than she is.

Obviously, it was a fast climb, but Cole didn't skip any rungs (except getting a college degree—she dropped out but eventually earned an MBA). She got started by taking advantage of opportunities that opened up in the Hooters outlet where she was waiting tables. "When the cook quit," Cole reports, "I learned how to run the kitchen, and when the manager quit, I learned how to run a shift." By the time she was 18, her responsibilities included training new employees. "My general manager saw the potential in me," she recalls, "and my role as a trainer expanded to other stores."

A year later, while still in college, she was asked to join the company's international expansion team, which was headed to Australia. She spent 40 days with the team in Sydney, and within 10 days of her return to the United States, Cole was on her way to open the first Hooters in Central America, "then ones in South America, Asia, Africa, and Canada. By the time I was 20, I'd opened up the first Hooters on most continents outside the U.S. and was failing school. So I quit to become head of Hooters corporate training."

It was worth a 50 percent pay cut, because Cole rose quickly through the ranks, becoming an executive VP at age 26. When she was 29, mentors urged her to go back to school, and so she entered the MBA program at Georgia State. Companies like Cinnabon were already calling, but in 2010, Cole decided to stay at Hooters long enough to take advantage of one more opportunity—helping to manage the sale of the company. She found herself "dealing with analysts, brokers, investors, and the internal team. . . . I would go to class one day and learn about transactions, and I would go to work on Monday and be in the middle of the transaction, and I'd think, 'Thank God I went to class that day.' "

Later in 2010, at age 32, Cole took the job as chief operating officer (COO) of Cinnabon, and two months later, she finished her MBA. She was appointed president of the company in 2011. Under Cole's leadership, Cinnabon has opened 200 new outlets (called "bakeries") and entered licensing programs with such franchises as Burger King and Taco Bell. Cole has also launched a host of branded products, including a cinnamon-scented air freshener, a cinnamon-flavored vodka, and a cinnamon-spiced Keurig coffee blend (although she vetoed a cinnamon-flavored mouthwash). She has also partnered with international packaged-goods companies such as Pillsbury and Kellogg's and such big-box retailers as Costco, Walmart, and Target. Cinnabon now has 50,000 points of distribution around the world and is fast approaching $1 billion in annual sales. "My management style," she says, "is fast and direct. . . . We totally celebrate fast failure," adds Cole, who's perfectly willing to launch a product that's only 75 percent ready for market. "We move as fast as something feels good."

Clearly, speed to market isn't a strategy for the risk averse. Taking risks means making tough calls, but Cole figures that if she has to make a tough call, it's better to make it too soon rather than too late: "If you don't take a risk," she advises, "your competition will." Ironically, Cole regards moving fast and taking risks as good reasons for pausing to get other people's opinions. Her thinking? By the time you get around to making a decision, "there are usually lots of people around you who've known that it's the right thing to do for a long time. The key, in business and in leadership, is staying really close to the other people who kind of know what's going on so that it doesn't take you too long to figure it out."

References: Catherine Clifford, "How Kat Cole Went from Hooters Girl to President of Cinnabon by Age 32," www.entrepreneur.com, accessed on January 3, 2017; Jenna Goudreau, "From Hooters to Hot Buns: How Kat Cole Turned Cinnabon into a $1 Billion Brand," *Forbes.com*, November 27, 2012, www.forbes.com, accessed on January 3, 2017; Barbara Babbit Kaufman, "Kat Cole: From Hooters Girl to CEO, by Age 35," *Atlanta Business Chronicle*, August 23, 2013, www.bizjournals.com, accessed on January 3, 2017; Laura Dunn, "Women in Business: Q&A with Kat Cole, President of Cinnabon," *Huffington Post*, August 8, 2013, www.huffingtonpost.com, accessed on April 28, 2017; Lydia Dishman, "How Kat Cole Operates Cinnabon Like a Tech Startup," *Fast Company*, April 9, 2014, www.fastcompany.com, accessed on April 28, 2017; and Blair Chancey, "Leadership: Kat Cole Style," *QSR Magazine*, September 2011, www.qsrmagazine.com, accessed on June April 28, 2017.

a new market, its managers look closely at a wide variety of objective details as they formulate their plans. Technical, diagnostic, and decision-making skills are especially important when approaching a management task or problem from a scientific perspective.

The Art of Management Even though managers may try to be scientific as often as possible, they must frequently make decisions and solve problems on the basis of intuition, experience, instinct, and personal insights. Relying heavily on conceptual, communication, interpersonal, and time management skills, for example, a manager may have to decide among multiple courses of action that look equally attractive. And even "objective facts" may prove to be wrong. When Starbucks was planning its first store in New York City, market research clearly showed that New Yorkers strongly preferred drip coffee to more exotic espresso-style coffees. After first installing more drip coffee makers and fewer espresso makers than in their other stores, managers had to backtrack when the New Yorkers lined up clamoring for espresso. Starbucks now introduces a standard menu and layout in all its stores, regardless of presumed market differences, and makes necessary adjustments later.[11] Thus, managers must blend an element of intuition and personal insight with hard data and objective facts.

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1-2 THE EVOLUTION OF MANAGEMENT

Most managers today recognize the importance of history and theory in their work. For instance, knowing the origins of their organization and the kinds of practices that have led to success—or failure—can be an indispensable tool in managing the contemporary organization. Thus, in our next section, we briefly trace the history of management thought. Then we move forward to the present day by introducing contemporary management issues and challenges.

1-2a The Importance of Theory and History

Some people question the value of history and theory. Their arguments are usually based on the assumptions that history is not relevant to contemporary society and that theory is abstract and of no practical use. In reality, however, both theory and history are important to all managers today.

theory
A conceptual framework for organizing knowledge and providing a blueprint for action

Why Theory? A **theory** is simply a conceptual framework for organizing knowledge and providing a blueprint for action.[12] Although some theories seem abstract and irrelevant, others appear very simple and practical. Management theories, which are used to build organizations and guide them toward their goals, are grounded in reality.[13] Practically any organization that uses assembly lines (such as Nissan and Samsung) is drawing on what we describe later in this chapter as *scientific management*. Many organizations, including Nucor and Google, use the behavioral perspective (also introduced later in this chapter) to improve employee satisfaction and motivation. And naming a large company that does not use one or more techniques from the quantitative management perspective would be difficult. For example, retailers such as Best Buy and Target routinely use operations management to determine how many checkout lines they need to have open at any given time. In addition, most managers develop and refine their own theories of how they should run their organizations and manage the behavior of their employees. James Sinegal, founder and former CEO of Costco Wholesale, always argued that paying his employees above-market wages while focusing cost-cutting measure elsewhere were the key ingredients in the early success for his business. This belief was essentially based on his personal theory of competition in the warehouse retailing industry.

Why History? Awareness and understanding of important historical developments are also important to contemporary managers.[14] Understanding the historical context of management provides a sense of heritage and can help managers avoid the mistakes of others. Most courses in U.S. history devote time to business and economic developments in this country, including the Industrial Revolution, the early labor movement, and the Great Depression, and to captains of U.S. industry such as Cornelius Vanderbilt (railroads), John D. Rockefeller (oil), and Andrew Carnegie (steel). The contributions of those and other industrialists left a profound imprint on contemporary culture.[15]

Many managers are also realizing that they can benefit from a greater understanding of history in general. For example, Ian M. Ross of AT&T's Bell Laboratories cites *The Second World War* by Winston Churchill as a major influence on his approach to leadership. Other books often mentioned by managers for their relevance to today's business problems include such classics as Plato's *Republic*, Homer's *Iliad*, Sun Tzu's *The Art of War*, and Machiavelli's *The Prince*.[16] And recent business history books have also been directed at women managers and the lessons they can learn from the past.[17]

Managers at Wells Fargo clearly recognize the value of history. For example, the company maintains an extensive archival library of its old banking documents and records, and even employs a full-time corporate historian. As part of their orientation and training, new managers at Wells Fargo take courses to become acquainted with the bank's history.[18] Similarly, Shell Oil, Levi Strauss, Walmart, Lloyd's of London, Disney, Honda, and Unilever all maintain significant archives about their pasts and frequently evoke images from those pasts in their orientation and training programs, advertising campaigns, and other public relations activities.

1-2b The Historical Context of Management

The practice of management can be traced back thousands of years. The Egyptians used the management functions of planning, organizing, and controlling when they constructed the pyramids. Alexander the Great employed a staff organization to coordinate activities during his military campaigns. The Roman Empire developed a well-defined organizational structure that greatly facilitated communication and control. Socrates discussed management practices and concepts in 400 BC, Plato described job specialization in 350 BC, and the Persian scientist and philosopher al-Farabi listed several leadership traits in AD 900.[19]

In spite of this history, the serious study of management did not begin until the nineteenth century. Two of its pioneers were Robert Owen and Charles Babbage. Owen (1771–1858), a British industrialist and reformer, was one of the first managers to recognize the importance of an organization's human resources and to express concern for the personal welfare of his workers. Babbage (1792–1871), an English mathematician, focused his attention on efficiencies of production. He placed great faith in the division of labor and advocated the application of mathematics to such problems as the efficient use of facilities and materials.

1-2c The Classical Management Perspective

Early in the twentieth century, the preliminary ideas and writings of these and other managers and theorists converged with the emergence and evolution of large-scale businesses and management practices. This created interest and focused attention on how businesses should be operated. The first important ideas to emerge are now called the **classical management perspective**, which actually includes two different viewpoints: scientific management and administrative management.

classical management perspective Consists of two distinct branches—scientific management and administrative management

Scientific Management Productivity emerged as a serious business problem during the early years of the twentieth century. Business was expanding and capital was readily available, but labor was in short supply. Hence, managers began to search for ways to use existing labor more efficiently. In response to this need, experts began to focus on ways to improve the performance of individual workers. Their work led to the development of **scientific management**. Some of the earliest advocates of scientific management included Frederick W. Taylor (1856–1915), Frank Gilbreth (1868–1924), and Lillian Gilbreth (1878–1972).[20] Taylor played the dominant role.

scientific management Concerned with improving the performance of individual workers

One of Taylor's first jobs was as a foreman at the Midvale Steel Company in Philadelphia. There he observed what he called **soldiering**—employees deliberately working at a pace slower than their capabilities. Taylor studied and timed each element of the steelworkers' jobs. He determined what each worker should be producing, and then he designed the most efficient way of doing each part of the overall task. Next he implemented a piecework pay system.

soldiering Employees deliberately working at a slow pace

Bettmann/Getty Images

Frederick W. Taylor was one of the first management consultants and helped create scientific management. Time-and-motion studies and performance-based pay systems were among the innovations Taylor and his associates introduced. Mass production assembly line technologies also benefited from Taylor's ideas and insights.

Rather than paying all employees the same wage, he began increasing the pay of each worker who met and exceeded the target level of output set for his or her job.

After Taylor left Midvale, he worked as a consultant for several companies, including Simonds Rolling Machine Company and Bethlehem Steel. At Simonds he studied and redesigned jobs, introduced rest periods to reduce fatigue, and implemented a piecework pay system. The results were higher quality and quantity of output, and improved morale. At Bethlehem Steel, Taylor studied efficient ways of loading and unloading railcars and applied his conclusions with equally impressive results. During these experiences, he formulated the basic ideas that he called *scientific management*. Figure 1.3 illustrates the basic steps Taylor suggested. He believed that managers who followed his guidelines would improve the efficiency of their workers.[21]

Taylor's work had a major impact on U.S. industry. By applying his principles, many organizations achieved major gains in efficiency. Taylor was not without his detractors, however. Labor argued that scientific management was just a device to get more work from each employee and to reduce the total number of workers needed by a firm. There was a congressional investigation into Taylor's ideas, and evidence suggests that he falsified some of his findings.[22] Nevertheless, Taylor's work left a lasting imprint on business.[23]

Frank and Lillian Gilbreth, contemporaries of Taylor, were a husband-and-wife team of industrial engineers. One of Frank Gilbreth's most interesting contributions was to the craft of bricklaying. After studying bricklayers at work, he developed several procedures for doing the job more efficiently. For example, he specified standard materials and techniques, including the positioning of the bricklayer, the bricks, and the mortar at different levels. The results of these changes were a reduction from 18 separate physical movements to 5 and an increase in the output of about 200 percent. Lillian Gilbreth made equally important contributions to several different areas of work, helped shape the field of industrial psychology, and made substantive contributions to the field of personnel management. Working individually and together, the Gilbreths developed numerous techniques and strategies for eliminating inefficiency. They applied many of their ideas to their family and documented their experiences raising 12 children in the book and original 1950 movie *Cheaper by the Dozen*.

administrative management
Focuses on managing the total organization

Administrative Management Whereas scientific management deals with the jobs of individual employees, **administrative management** focuses on managing the total organization. The primary contributors to administrative management were Henri Fayol (1841–1925), Lyndall Urwick (1891–1983), and Max Weber (1864–1920).

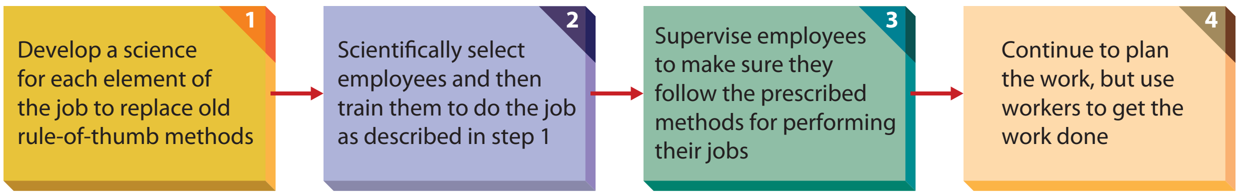


FIGURE 1.3

Steps in Scientific Management

Frederick Taylor developed this system of scientific management, which he believed would lead to a more efficient and productive workforce. Bethlehem Steel was among the first organizations to profit from scientific management and still practices some parts of it today.

Henri Fayol was administrative management's most articulate spokesperson. A French industrialist, Fayol was unknown to U.S. managers and scholars until his most important work, *General and Industrial Management*, was translated into English in 1930.[24] Drawing on his own managerial experience, he attempted to systematize management practice to provide guidance and direction to other managers. Fayol was also the first to identify the specific managerial functions of planning, organizing, leading, and controlling. He believed that these functions accurately reflect the core of the management process. Most contemporary management books (including this one) still use this framework, and practicing managers agree that these functions are critical parts of their jobs.

After a career as a British army officer, Lyndall Urwick became a noted management theorist and consultant. He integrated scientific management with the work of Fayol and other administrative management theorists. He also advanced modern thinking about the functions of planning, organizing, and controlling. Like Fayol, he developed a list of guidelines for improving managerial effectiveness. Urwick is noted not so much for his own contributions as for his synthesis and integration of the work of others.

Although Max Weber lived and worked at the same time as Fayol and Taylor, his contributions were not recognized until some years had passed. Weber was a German sociologist, and his most important work was not translated into English until 1947.[25] Weber's work on bureaucracy laid the foundation for contemporary organization theory, which is discussed in detail in Chapter 6. The concept of bureaucracy, as we discuss later in this book, is based on a rational set of guidelines for structuring organizations in the most efficient manner.

The Classical Management Perspective Today The classical management perspective provides many management techniques and approaches that are still relevant today. For example, many of the job specialization techniques and scientific methods espoused by Taylor and his contemporaries are still reflected in how several industrial jobs are designed today.[26] Moreover, many contemporary organizations still use some of the bureaucratic procedures suggested by Weber. Also, these early theorists were the first to focus attention on management as a meaningful field of study. Several aspects of the classical perspective are also relevant to our later discussions of planning, organizing, and controlling. And recent advances in areas such as business-to-business (B2B) digital commerce and supply chain management also have efficiency as their primary goal. On the other hand, the classical perspective focused on stable, simple organizations; many organizations today, in contrast, are changing and complex. They also proposed universal guidelines that we now recognize do not fit every organization. A third limitation of the classical management perspective is that it slighted the role of the individual in organizations. This role was much more fully developed by advocates of the behavioral management perspective.

1-2d The Behavioral Management Perspective

Early advocates of the classical management perspective viewed organizations and jobs from an essentially mechanistic point of view; that is, they essentially sought to conceptualize organizations as machines and workers as cogs within those machines. Even though many early writers recognized the role of individuals, their focus tended to be on how managers could control and standardize the behavior of their employees. In contrast, the **behavioral management perspective** placed much more emphasis on individual attitudes, behaviors, and group processes and recognized the importance of behavioral processes in the workplace.

behavioral management perspective
Emphasizes individual attitudes, behaviors, and group processes

The behavioral management perspective was stimulated by many writers and theoretical movements. One of those movements was industrial psychology, the practice of applying psychological concepts to industrial settings. Hugo Munsterberg (1863–1916), a noted German psychologist, is recognized as the father of industrial psychology. He established a psychological laboratory at Harvard University in 1892, and his pioneering book, *Psychology and Industrial Efficiency*, was translated into English in 1913.[27] Munsterberg suggested that psychologists could make valuable contributions to managers in the areas of employee selection and motivation. Industrial psychology is still a major course of study at many colleges and universities. Another early advocate of the behavioral approach to management was Mary

Parker Follett (1868–1933).[28] Follett worked during the scientific management era but quickly came to recognize the human element in the workplace. Indeed, her work clearly anticipated the behavioral management perspective, and she appreciated the need to understand the role of behavior in organizations.

The Hawthorne Studies Although Munsterberg and Follett made major contributions to the development of the behavioral approach to management, its primary catalyst was a series of studies conducted near Chicago at Western Electric's Hawthorne plant between 1927 and 1932. The research, originally sponsored by General Electric, was conducted by Elton Mayo and his associates.[29] Mayo was a faculty member and consultant at Harvard. The first study involved manipulating illumination for one group of workers and comparing their subsequent productivity with the productivity of another group whose illumination was not changed. Surprisingly, when illumination was increased for the experimental group, productivity went up in both groups. Productivity continued to increase in both groups, even when the lighting for the experimental group was decreased. Not until the lighting was reduced to the level of moonlight did productivity begin to decline (and General Electric withdrew its sponsorship).

Another experiment established a piecework incentive pay plan for a group of nine men assembling terminal banks for telephone exchanges. Scientific management would have predicted that each man would try to maximize his pay by producing as many units as possible. Mayo and his associates, however, found that the group itself informally established an acceptable level of output for its members. Workers who overproduced were branded *rate busters*, and underproducers were labeled *chiselers*. To be accepted by the group, workers produced at the accepted level. As they approached this acceptable level of output, workers slacked off to avoid overproducing.

Other studies, including an interview program involving several thousand workers, led Mayo and his associates to conclude that human behavior was much more important in the workplace than had been previously believed. In the lighting experiment, for example, the results were attributed to the fact that both groups received special attention and sympathetic supervision for perhaps the first time. The incentive pay plans did not work because wage incentives were less important to the individual workers than was social acceptance in

Courtesy of AT&T Archives and History Center

The Hawthorne studies were a series of early experiments that focused on behavior in the workplace. In one experiment involving this group of workers, for example, researchers monitored how productivity changed as a result of changes in working conditions. The Hawthorne studies and subsequent experiments led scientists to the conclusion that the human element is very important in the workplace.

determining output. In short, individual and social processes played major roles in shaping worker attitudes and behavior.

The Human Relations Movement The **human relations movement**, which grew from the Hawthorne studies and was a popular approach to management for many years, proposed that workers respond primarily to the social context of the workplace, including social conditioning, group norms, and interpersonal dynamics. A basic assumption of the human relations movement was that the manager's concern for workers would lead to increased satisfaction, which would in turn result in improved performance. Two writers who helped advance the human relations movement were Abraham Maslow (1908–1970) and Douglas McGregor (1906–1964).

In 1943, Maslow advanced a theory suggesting that people are motivated by a hierarchy of needs, including monetary incentives and social acceptance.[30] Maslow's hierarchy, perhaps the best-known human relations theory, is described in detail in Chapter 10. Meanwhile, Douglas McGregor's Theory X and Theory Y model best represents the essence of the human relations movement (see Table 1.1).[31] According to McGregor, Theory X and Theory Y reflect two extreme belief sets that different managers have about their workers. **Theory X** is a relatively pessimistic and negative view of workers and is consistent with the views of scientific management. **Theory Y** is more positive and represents the assumptions made by human relations advocates. In McGregor's view, Theory Y was a more appropriate philosophy for managers to adhere to. Both Maslow and McGregor notably influenced the thinking of many practicing managers.

Theory X A pessimistic and negative view of workers, consistent with the views of scientific management

Theory Y A positive view of workers; it represents the assumptions that human relations advocates make

Contemporary Behavioral Science in Management Munsterberg, Mayo, Maslow, McGregor, and others have made valuable contributions to management. Contemporary theorists, however, have noted that many of the human relationists' assertions were simplistic and provided inadequate descriptions of work behavior. Current behavioral perspectives on management, known as **organizational behavior**, acknowledge that human behavior in organizations is much more complex than the human relationists realized. The field of organizational behavior draws from a broad, interdisciplinary base of psychology, sociology, anthropology, economics, and medicine. Organizational behavior takes a holistic view of behavior and addresses

organizational behavior Contemporary field focusing on behavioral perspectives on management

Douglas McGregor developed Theory X and Theory Y. He argued that Theory X best represented the views of scientific management and Theory Y represented the human relations approach. McGregor believed that Theory Y was the best philosophy for all managers.

Table 1.1 Theory X and Theory Y

Theory X Assumptions	1. People do not like work and try to avoid it. 2. People do not like work, so managers have to control, direct, coerce, and threaten employees to get them to work toward organizational goals. 3. People prefer to be directed, to avoid responsibility, and to want security; they have little ambition.
Theory Y Assumptions	1. People do not naturally dislike work; work is a natural part of their lives. 2. People are internally motivated to reach objectives to which they are committed. 3. People are committed to goals to the degree that they receive personal rewards when they reach their objectives. 4. People will both seek and accept responsibility under favorable conditions. 5. People have the capacity to be innovative in solving organizational problems. 6. People are bright, but under most organizational conditions, their potential is underutilized.

Source: D. McGregor and W. Bennis, *The Human Side Enterprise: 25th Anniversary Printing*, 1960. Copyright © 1960 The McGraw-Hill Companies, Inc. Reprinted with permission.

Directphoto Collection/Alamy Stock Photo

Automobile manufacturers around the world today use crash test dummies like this one to test safety features in their cars. Statistical techniques and methods derived from management science help engineers and managers assess the effectiveness of various safety features. The results include safer vehicles and lower costs for manufacturers.

individual, group, and organization processes. These processes are major elements in contemporary management theory.[32] Important topics in this field include job satisfaction, stress, motivation, leadership, group dynamics, organizational politics, interpersonal conflict, and the structure and design of organizations.[33] A contingency orientation also characterizes the field (discussed more fully later in this chapter). Our discussions of organizing (Chapters 6–8) and leading (Chapters 9–13) are heavily influenced by organizational behavior. And, finally, managers need a solid understanding of human behavior as they address diversity-related issues such as ethnicity and religion in the workplace. Indeed, all these topics are useful to help managers better deal with the consequences of layoffs and job cuts and to motivate today's workers.

The Behavioral Management Perspective Today The primary contributions of this approach relate to how it has changed managerial thinking. Managers are now more likely to recognize the importance of behavioral processes and to view employees as valuable resources instead of mere tools. However, organizational behavior is still relatively imprecise in its ability to predict behavior, especially the behavior of a specific individual. It is not always accepted or understood by practicing managers. Hence the contributions of the behavioral school are just beginning to be fully realized.

1-2e The Quantitative Management Perspective

The third major school of management thought began to emerge during World War II. During the war, government officials and scientists in England and the United States worked to help the military deploy its resources more efficiently and effectively. These groups took some of the mathematical approaches to management developed decades earlier by Taylor and Gantt and applied these approaches to logistical problems during the war.[34] They learned that problems regarding troop, equipment, and submarine deployment, for example, could all be solved through mathematical analysis. After the war, companies such as DuPont and General Electric began to use the same techniques for deploying employees, choosing plant locations, and planning warehouses. Basically, then, this perspective is concerned with applying quantitative techniques to management. More specifically, the **quantitative management perspective** focuses on decision making, cost-effectiveness, mathematical models, and the use of computers. There are two branches of the quantitative approach: management science and operations management.

quantitative management perspective
Applies quantitative techniques to management

Management Science Unfortunately, the term *management science* appears to be related to scientific management, the approach developed by Taylor and others early in the twentieth century. But the two have little in common and should not be confused. **Management science** focuses specifically on the development of mathematical models. A mathematical model is a simplified representation of a system, process, or relationship.

management science
Focuses specifically on the development of mathematical models

At its most basic level, management science focuses on models, equations, and similar representations of reality. For example, managers at Detroit Edison use mathematical models to determine how best to route repair crews during blackouts. Citizens Bank of New England uses models to figure out how many tellers need to be on duty at each location at various times throughout the day. In recent years, paralleling the advent of the personal computer, management science techniques have become increasingly sophisticated. For example, automobile manufacturers Daimler AG and General Motors use realistic computer simulations to study collision damage to cars. These simulations help them lower costs by crashing actual test cars only after multiple simulations.

Operations Management Operations management is somewhat less mathematical and statistically sophisticated than management science, and it can be applied more directly to

operations management
Concerned with helping the organization produce its products or services more efficiently

managerial situations. Indeed, we can think of **operations management** as a form of applied management science. Operations management techniques are generally concerned with helping the organization produce its products or services more efficiently and can be applied to a wide range of problems.

For example, Unilever and Home Depot, each uses operations management techniques to manage its inventories. (Inventory management is concerned with specific inventory problems, such as balancing carrying costs and ordering costs and determining the optimal order quantity.) Linear programming (which involves computing simultaneous solutions to a set of linear equations) helps United Airlines plan its flight schedules, Consolidated Freightways develop its shipping routes, and General Instrument Corporation plan what instruments to produce at various times. Other operations management techniques include queuing theory, break-even analysis, and simulation. All these techniques and procedures apply directly to operations, but they are also helpful in areas such as finance, marketing, and human resource management.[35]


Photo 12/Alamy Stock Photo

Disney is a master of synergy. The firm's movies, theme park attractions, and merchandise, for example, are all linked together so that each enhances the others. For instance, the Disney movie *Frozen* was widely promoted at Disney World and Disneyland before the movie ever opened. And long after the movie left theaters, people could still buy *Frozen* DVDs and merchandise throughout all Disney retail outlets.

The Quantitative Management Perspective Today Like the other management perspectives, the quantitative management perspective has made important contributions and has certain limitations. It has provided managers with an abundance of decision-making tools and techniques and has increased understanding of overall organizational processes. This perspective has been particularly useful in the areas of planning and controlling. Relatively new management concepts such as supply chain management and new techniques such as enterprise resource planning, both discussed later in this book, also evolved from the quantitative management perspective. Even more recently, mathematicians are using tools and techniques from the quantitative perspective to develop models that might be helpful in the war against terrorism.[36] However, mathematical models cannot fully account for individual behaviors and attitudes. Some believe that the time needed to develop competence in quantitative techniques retards the development of other managerial skills. Finally, mathematical models typically require a set of assumptions that may not be realistic.

VISIT MINDTAP® TO TAKE A SECTION QUIZ

1-3 CONTEMPORARY MANAGEMENT PERSPECTIVES

It is important to recognize that the classical, behavioral, and quantitative approaches to management are not necessarily contradictory or mutually exclusive. Even though each of the three perspectives makes very different assumptions and predictions, each can also complement the others. Indeed, a complete understanding of management requires an appreciation of all three perspectives. The systems and contingency perspectives can help us integrate these earlier approaches and enlarge our understanding of all three.

1-3a The Systems Perspective

system
An interrelated set of elements functioning as a whole

The systems perspective is one important contemporary management perspective. A **system** is an interrelated set of elements functioning as a whole.[37] As shown in Figure 1.4, by viewing an organization as a system, we can identify four basic elements: inputs, transformation processes, outputs, and feedback. First, inputs are the material, human, financial, and information resources that an organization gets from its environment. Next, through technological and managerial processes, inputs are transformed into outputs. Outputs include products, services, or both (tangible and intangible); profits, losses, or both (even not-for-profit

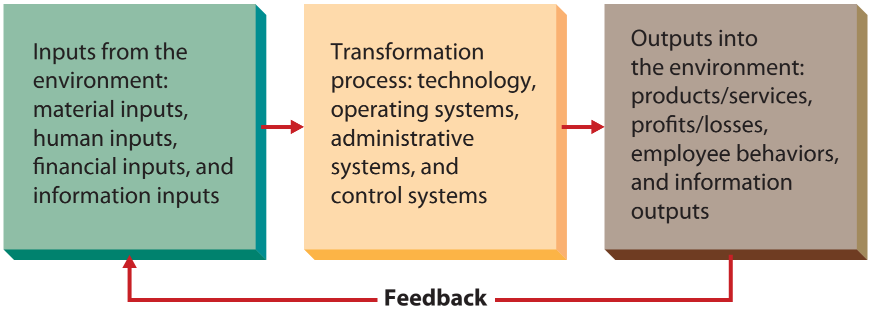


FIGURE 1.4

The Systems Perspective of Organizations

By viewing organizations as systems, managers can better understand the importance of their environment and the level of interdependence among their organization's subsystems. Managers must also understand how their decisions affect and are affected by the organization's other subsystems.

organizations must operate within their budgets); employee behaviors; and information. Finally, the environment reacts to these outputs and provides feedback to the system.

Thinking of organizations as systems provides us with a variety of important viewpoints on organizations, such as the concepts of open systems, subsystems, synergy, and entropy. **Open systems** are systems that interact with their environment, whereas **closed systems** do not interact with their environment. Although organizations are open systems, some make the mistake of ignoring their environment and behaving as though it is not important.

open system
A system that interacts with its environment

closed system
A system that does not interact with its environment

The systems perspective also stresses the importance of **subsystems**—systems within a broader system. For example, the marketing, production, and finance functions within Mattel are systems in their own right but are also subsystems within the overall organization. Because they are interdependent, a change in one subsystem can affect other subsystems as well. If the production department at Mattel lowers the quality of the toys being made (by buying lower-quality materials, for example), the effects are felt in finance (improved cash flow in the short run owing to lower costs) and marketing (decreased sales in the long run because of customer dissatisfaction). Managers must therefore remember that although organizational subsystems can be managed with some degree of autonomy, their interdependence should not be overlooked. For instance, recent research has underscored the interdependence of strategy and operations in businesses.[38]

subsystem
A system within a broader system

Synergy suggests that organizational units (or subsystems) may often be more successful working together than working alone. The Walt Disney Company, for example, benefits greatly from synergy. The company's movies, theme parks, television programs, and merchandise-licensing programs, all benefit one another. Children who enjoy Disney movies like *Finding Dory* and *Frozen* want to go to Disney World to see the attractions and shows based on the movies and their favorite characters; and when they shop at Target, they see and want to buy stuffed toys and action figures of the same characters. Music from the films generates additional revenues for the firm, as do computer games and other licensing arrangements for lunchboxes, clothing, and so forth. Synergy is an important concept for managers because it emphasizes the importance of working together in a cooperative and coordinated fashion.[39]

synergy
Two or more subsystems working together to produce more than the total of what they might produce working alone

Finally, **entropy** is a normal process that leads to system decline. When an organization does not monitor feedback from its environment and make appropriate adjustments, it may fail. For example, witness the problems and eventual demise of Blockbuster and Circuit City. Each of these organizations went bankrupt because it failed to revitalize itself and keep pace with changes in its environment. A primary objective of management, from a systems perspective, is to continually reenergize the organization to avoid entropy.

entropy
A normal process leading to system decline

1-3b The Contingency Perspective

Another noteworthy recent addition to management thinking is the contingency perspective. The classical, behavioral, and quantitative approaches are considered **universal perspectives**

universal perspective
An attempt to identify the one best way to do something

contingency perspective Suggests that appropriate managerial behavior in a given situation depends on, or is contingent on, unique elements in a given situation

because they try to identify the "one best way" to manage organizations. The **contingency perspective**, in contrast, suggests that universal theories cannot be applied to organizations because each organization is unique. Instead, the contingency perspective suggests that appropriate managerial behavior in a given situation depends on, or is contingent on, unique elements in that situation.[40]

Stated differently, effective managerial behavior in one situation cannot always be generalized to other situations. Recall, for example, that Frederick Taylor assumed that all workers would generate the highest possible level of output to maximize their own personal economic gain. We can imagine some people being motivated primarily by money—but we can just as easily imagine other people being motivated by the desire for leisure time, status, social acceptance, or any combination of these (as Mayo found at the Hawthorne plant). When Reed Hastings launched Netflix, he was intimately involved with virtually every small decision made to get the company up and running. But as the firm grew into a major international business he has stepped back and taken on a more strategic role. Hence, his management style and approach have changed because the situation in which he manages has changed.

1-3c Contemporary Management Issues and Challenges

Interest in management theory and practice has heightened in recent years as new issues and challenges have emerged. No new paradigm has been formulated that replaces the traditional views, but managers continue to strive toward a better understanding of how they can better compete and lead their organizations toward improved effectiveness.

Contemporary Applied Perspectives Several applied authors have significant influence on modern management theory and practice. Among the most popular applied authors today are Peter Senge, Stephen Covey, Tom Peters, Jim Collins, Michael Porter, John Kotter, and Gary Hamel.[41] Their books highlight the management practices of successful firms such as Shell Oil, Ford, and IBM, or they outline conceptual or theoretical models or frameworks to guide managers as they formulate strategies or motivate their employees. Malcolm Gladwell's books *The Tipping Point*, *Blink*, and *Outliers* have all caught the attention of many contemporary managers. Scott Adams, creator of the popular comic strip *Dilbert*, also remains popular today. Adams is a former communications industry worker who developed his strip to illustrate some of the absurdities that occasionally afflict contemporary organizational life. The daily strip is routinely e-mailed and posted outside office doors, above copy machines, and beside water coolers in hundreds of offices.

Contemporary Management Challenges Managers today also face an imposing set of challenges as they guide and direct the fortunes of their companies. Coverage of each of these challenges is thoroughly integrated throughout this book. In addition, many of them are highlighted or given focused coverage in one or more special ways.

One significant challenge (and opportunity) is globalization. Managing in a global economy poses many different challenges and opportunities. For example, at a macro level, property ownership arrangements vary widely. So does the availability of natural resources and infrastructure components, as well as government's role in business. Moreover, behavioral processes vary widely across cultural and national boundaries. For example, values, symbols, and beliefs differ sharply among cultures. Different work norms and the role that work plays in a person's life, for example, influence patterns of both work-related behavior and attitudes toward work. They also affect the nature of supervisory relationships, decision-making styles and processes, and organizational configurations. Group and intergroup processes, responses to stress, and the nature of political behaviors also differ from culture to culture.

Another management challenge that has taken on renewed importance is ethics and social responsibility and their relationship to corporate governance. Unfortunately, business scandals involving unethical conduct have become almost commonplace today. For example, the effects of Allen Stanford's alleged $7 billion Ponzi scheme ruined the financial futures of thousands of people. From a social responsibility perspective, increasing attention has been focused on pollution and business's obligation to help clean up our environment, business contributions to social causes, and so forth. The proper framework for corporate governance is often at the center of these debates and discussions.[42]

Quality also continues to pose an important management challenge today. Quality is an important issue for several reasons. First, more and more organizations are using quality as a basis for competition. Lexus, for example, stresses its high rankings in the J. D. Power survey of customer satisfaction in its print advertising. Second, improving quality tends to increase productivity because making higher-quality products generally results in less waste and rework. Third, enhancing quality lowers costs. Managers at Whistler Corporation once realized that the firm was using 100 of its 250 employees to repair defective radar detectors that had been built incorrectly in the first place.

The shift toward a service economy also continues to be important. Traditionally, most U.S. businesses were manufacturers—using tangible resources like raw materials and machinery to create tangible products like automobiles and steel. And manufacturing is indeed still important in the U.S. economy. In the last few decades, however, the service sector of the economy has become much more important. Although there are obviously many similarities between managing in a manufacturing organization and managing in a service organization, there are also many fundamental differences.

The economic recession of 2008–2010 and slow recovery in 2011–2017 have also created myriad challenges, as well as some opportunities, for managers. Most businesses struggled, and some failed to survive. But some managers also used this period as a framework for reducing their costs, streamlining their operating systems and procedures, and fine-tuning their business strategies. As the economy slowly began to rebound in 2015, firms like Ford, Target, and Delia seemed to be well positioned for new growth and cautiously began hiring new employees.

A related challenge for managers is the rapidly changing workplace.[43] Indeed, this new workplace is accompanied by both dramatic challenges and amazing opportunities. Among other things, workplace changes relate in part to both workforce reductions and expansion. For example, many firms hired large numbers of new workers during the economic expansion that was taking place between 2002 and early 2008. But as the recession of 2008–2010 took hold, many of those same firms had to reduce their workforces, while others cut hours and pay and suspended all hiring until conditions showed signs of improvement. But even more central to the idea of workplace change are developments such as workforce diversity and the characteristics of new workers themselves.

The management of diversity continues to be an important organizational opportunity—and challenge—today. The term *diversity* refers to differences among people. Diversity may be reflected along numerous dimensions, but most managers tend to focus on age, gender, ethnicity, and physical abilities and disabilities.[44] For example, the average age of workers in the United States is gradually increasing. An increasing number of women have also entered the U.S. workforce. Fifty years ago, only about one-third of U.S. women worked outside their homes; today, 60 percent of women aged 16 and older are in the workforce. The ethnic composition of the workplace is also changing.

Aside from its demographic composition, the workforce today is changing in other ways. During the 1980s, many people entering the workforce came to be called yuppies, slang for *young urban professionals*. These individuals were highly motivated by career prospects, sought employment with big corporations, and often were willing to make work their highest priority. Thus, they put in long hours and could be expected to remain loyal to the company, regardless of what happened.

But younger people entering the workforce over the past 20–30 years are frequently quite different from their parents and other older workers. Generation X, Generation Y, and the Millennials, as these groups are called, tend to be less devoted to long-term career prospects and less willing to adapt to a corporate mind-set that stresses conformity and uniformity. Instead, they often seek work in smaller, more entrepreneurial firms that allow flexibility and individuality. They also place a premium on lifestyle preferences, often putting location high on their list of priorities when selecting an employer.

Thus, managers are increasingly faced with the challenge of, first, creating an environment that will be attractive to today's worker; and, second, addressing the challenge of providing new and different incentives to keep people motivated and interested in their work. They must build enough flexibility into the organization to accommodate an ever-changing set of lifestyles and preferences. And, of course, as these generations eventually move into top spots of major corporations, there may even be entirely new paradigms for managing that cannot be foreseen today.[45]

Managers must also be prepared to address organization change.[46] This has always been a concern, but the rapid, constant environmental change faced by businesses today has made change management even more critical. Simply put, an organization that fails to monitor its environment and to change to keep pace with that environment is doomed to failure. But more and more managers are seeing change as an opportunity, not a cause for alarm. Indeed, some managers think that if things get too calm in an organization and people start to become complacent, they should shake things up to get everyone energized.

New technology, especially as it relates to information, also poses an increasingly important challenge for managers. Communications advances such as smartphones and other wireless communication networks have made it easier than ever for managers to communicate with one another. Social media has also quickly established itself as a major force in all walks of contemporary life. At the same time, these innovations have increased the work pace for managers, cut into their time for thoughtful contemplation of decisions, and increased the amount of information they must process. Issues associated with employee privacy have also emerged. For instance, controversies have arisen when businesses take action against people for things they do in their personal lives—posting negative comments about their employer on Facebook, for example.

VISIT MINDTAP® TO TAKE A SECTION QUIZ

SUMMARY OF LEARNING OUTCOMES AND KEY POINTS

1. Define *management*, describe the kinds of managers found in organizations, identify and explain the four basic management functions, describe the fundamental management skills, and comment on management as a science and art.

- Management is a set of activities (planning and decision making, organizing, leading, and controlling) directed at using an organization's resources (human, financial, physical, and information) to achieve organizational goals in an efficient and effective manner.
- A manager is someone whose primary responsibility is to carry out the management process within an organization.
- Managers can be classified by level: top managers, middle managers, and first-line managers.
- Managers can also be classified by area: marketing, finances, operations, human resources, administration, and specialized.
- The basic activities of the management process include planning and decision making (determining courses of action), organizing (coordinating activities and resources), leading (motivating and managing people), and controlling (monitoring and evaluating activities).
- Effective managers also tend to have the following skills: technical, interpersonal, conceptual, diagnostic, communication, decision making, and time management.
- The effective practice of management requires a synthesis of science and art: a blend of rational objectivity and intuitive insight.

2. Justify the importance of history and theory to managers, and explain the evolution of management thought through the classical, behavioral, and quantitative perspectives.

- Understanding the historical context and precursors of management and organizations provides a sense of heritage and can also help managers avoid repeating the mistakes of others.
- The classical management perspective, which paid little attention to the role of workers, had two major branches: scientific management (concerned with improving efficiency and work methods for

individual workers) and administrative management (concerned with how organizations themselves should be structured and arranged for efficient operations).

- The behavioral management perspective, characterized by a concern for individual and group behavior, emerged primarily as a result of the Hawthorne studies. The human relations movement recognized the importance and potential of behavioral processes in organizations but made many overly simplistic assumptions about those processes. Organizational behavior, a more realistic outgrowth of the behavioral perspective, is of interest to many contemporary managers.
- The quantitative management perspective, which attempts to apply quantitative techniques to decision making and problem solving, has two components: management science and operations management. These areas are also of considerable importance to contemporary managers. Their contributions have been facilitated by the tremendous increase in the use of personal computers and integrated information networks.

3. Identify and discuss key contemporary management perspectives represented by the systems and contingency perspectives, and identify the major challenges and opportunities faced by managers today.
   - There are two relatively recent additions to management theory that can serve as frameworks for integrating the other perspectives: the systems perspective and the contingency perspective.
   - The important issues and challenges that contemporary managers face include globalization, ethics and social responsibility, product and service quality, the service economy, the economic recession of 2008–2010, the new workplace, workforce diversity, organization change, and technology.

DISCUSSION QUESTIONS

Questions for Review

1. What are the three basic levels of management that can be identified in most organizations? How precise are the lines differentiating these levels? In which of the basic areas do managers work?
2. What are the four basic functions that make up the management process? How are they related to one another?
3. Identify several of the important skills that help managers succeed. Give an example of each. How might the importance of different skills vary by level and area within an organization?
4. Briefly describe the principles of scientific management and administrative management. What assumptions do these perspectives make about workers? To what extent are these assumptions still valid today?
5. Describe the systems perspective. Why is a business organization considered an open system?

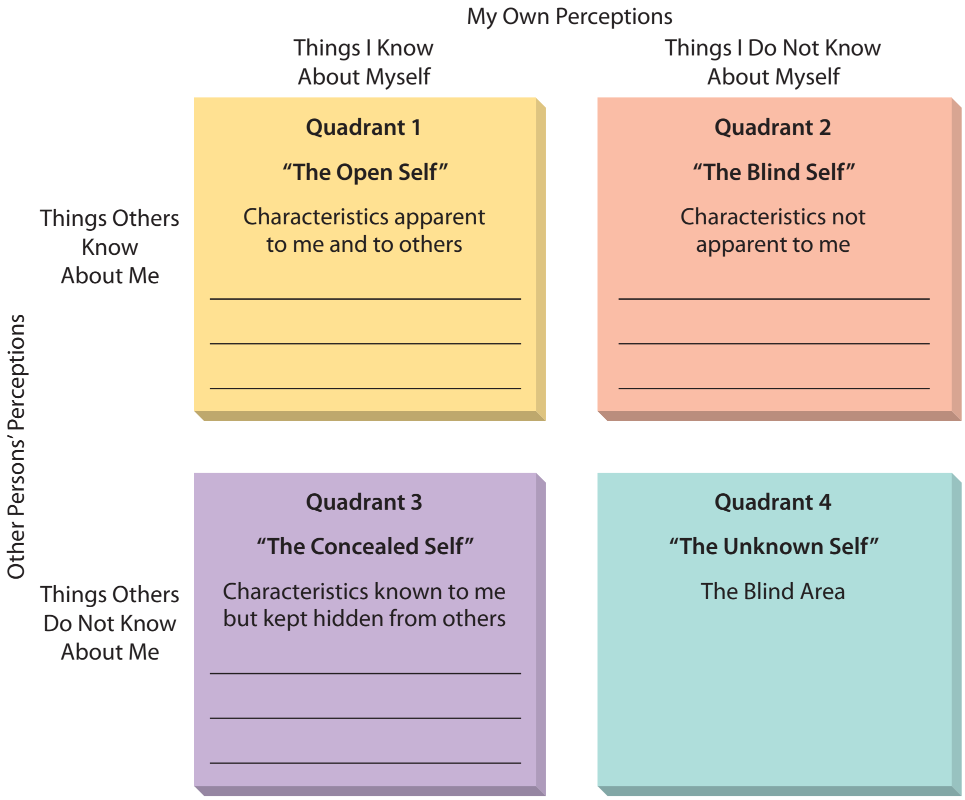
Questions for Analysis

1. Recall a recent group project or task in which you have participated. Explain how members of the group displayed each of the managerial skills.
2. The text notes that management is both a science and an art. Recall an interaction you have had with someone at a higher level in an organization (manager, teacher, group leader, or the like). In that interaction, how did the individual use science? If he or she did not use science, what could have been done to use science? In that interaction, how did the individual use art? If she or he did not use art, what could have been done to use art?
3. Watch a movie that involves an organization of some type. *Harry Potter*, *Avatar*, *The Avengers*, *Flight*, and *Up in the Air* would all be good choices. Identify as many management activities and skills as you can.
4. Young, innovative, or high-tech firms often adopt the strategy of ignoring history or attempting to do something radically new. In what ways might this strategy help them? In what ways might this strategy hinder their efforts?
5. Can a manager use tools and techniques from several different perspectives at the same time? For example, can a manager use both classical and behavioral perspectives? Give an example of a time when a manager did this, and explain how it enabled him or her to be effective.

EXPERIENTIAL EXERCISE

Johari Window

Purpose: This exercise has two purposes: to encourage you to analyze yourself more accurately and to start you working on small-group cohesiveness. This exercise encourages you to share data about yourself and then to assimilate and process feedback. Small groups are typically more trusting and work better together, as you will be able to see after this exercise has been completed. The Johari Window is a particularly good model for understanding the perceptual process in interpersonal relationships.



This skill builder focuses on the human resources model and will help you develop your mentor role. One of the skills of a mentor is self-awareness.

Introduction: Each individual has four sets of personality characteristics. One set, which includes such characteristics as working hard, is well known to the individual and to others. A second set is unknown to the individual but obvious to others. For example, in a working situation, a peer group might observe that your jumping in to move the group off dead center is appropriate. At other times, you jump in when the group is not really finished, and you seem to interrupt. A third set of personality characteristics is known to the individual but not to others. These are situations that you have elected not to share, perhaps because of a lack of trust. Finally, there is a fourth set, which is not known to the individual or to others, such as why you are uncomfortable at office parties.

Instructions: Look at the Johari Window. In quadrant 1, list three things that you know about yourself and that you think others know. List three things in quadrant 3 that others do not know about you. Finally, in quadrant 2, list three things that you did not know about yourself last semester that you learned from others.

Source: Adapted from Joseph Luft, *Group Processes: An Introduction to Group Dynamics* (Palo Alto, CA: Mayfield, 1970), pp. 10–11; and William C. Morris and Marshall Sashkin, *Organizational Behavior in Action* (St. Paul, MN: West, 1976), p. 56.

VISIT MINDTAP® FOR ADDITIONAL SKILLS EXERCISES

BUILDING EFFECTIVE TIME MANAGEMENT SKILLS

Exercise Overview

Time management skills refer to the ability to prioritize tasks, to work efficiently, and to delegate appropriately. This exercise allows you to assess your own current time management skills and to gather some suggestions for how you can improve in this area.

Exercise Background

As we saw in this chapter, effective managers must be prepared to switch back and forth among the four basic activities in the management process. They must also be able to fulfill a number of different roles in their organizations, and they must exercise various managerial skills in doing so. On top of everything else, their schedules are busy and full of tasks—personal and job-related activities that require them to "switch gears" frequently throughout the workday.

Stephen Covey, a management consultant and the author of *The 7 Habits of Highly Effective People*, has developed a system for prioritizing tasks. First, he divides them into two categories—urgent and critical. *Urgent* tasks, such as those with approaching deadlines, must be performed right away. *Critical* tasks are tasks of high importance—say, those that will affect significant areas of one's life or work. Next, Covey plots both types of tasks on a grid with four quadrants: A task may be *urgent*, *critical*, *urgent and critical*, or *not urgent and not critical*.

Most managers, says Covey, spend too much time on tasks that are *urgent* when in fact they should be focused on tasks that are *critical*. He observes, for example, that managers who concentrate on urgent tasks meet their deadlines but tend to neglect critical areas such as long-term planning. (Unfortunately, the same people are also prone to neglect critical areas of their personal lives.) In short, effective managers must learn to balance the demands of urgent tasks with those of critical tasks by redistributing the amount of time devoted to each type.

Exercise Task

1. Visit one of the websites of Franklin Covey (the firm cofounded by Stephen Covey) and locate a time management survey. If you cannot locate one associated with Franklin Covey, there are many others available through a quick Internet search. Complete a survey that will provide you with a time management score.
2. Now spend some time interpreting your score, examine the assessment of your current use of time and the suggestions for how you can improve your time management. In what ways do you agree and disagree with your personal assessment? Explain your reasons for agreeing or disagreeing.
3. Think of a task that you regularly perform and that, if you were being perfectly honest, you could label *not urgent and not critical*. How much time do you spend on this task? What might be a more appropriate amount of time? To what other tasks could you give some of the time that you spend on this *not urgent and not critical* task?
4. What one thing can you do today to make better use of your time? Try it to see if your time management improves.

MANAGEMENT AT WORK

Some Keys to Making a Steinway

Everybody knows what a grand piano looks like, although it's hard to describe its contour as anything other than "piano shaped." From a bird's-eye view, you might recognize something like a great big holster. The *case*—the curved lateral surface that runs around the whole instrument—appears to be a single continuous piece of wood, but it isn't really. If you look carefully at the case of a piano built by Steinway & Sons, you'll see that you're actually looking at a remarkable composite of raw material, craftsmanship, and technology. The process by which this component is made—like most of the processes for making a Steinway grand—is a prime example of a *technical*, or *task*, *subsystem* at work in a highly specialized factory.

The *case* starts out as a *rim*, which is constructed out of separate slats of wood, mostly maple (eastern rock maple, to be precise). Once raw boards have been cut and planed, they're glued along their lengthwise edges to the width of 12½ inches. These composite pieces are then jointed and glued end to end to form slats 22 feet long—the measure of the piano's perimeter. Next, a total of 18 separate slats—14 layers of maple and 4 layers of other types of wood—are glued and stacked together to form a *book*—one (seemingly) continuous "board" 3¼ inches thick. Then comes the process that's a favorite of visitors on the Steinway factory tour—bending this rim into the shape of a piano. Steinway does it pretty much the same way that it has for more than a century—by hand and all at once. Because the special glue is in the process of drying, a crew of six has just 20 minutes to wrestle the book, with block and tackle and wooden levers and mallets, into a *rim-bending press*—"a giant piano-shaped vise," as Steinway describes it—which will force the wood to "forget" its natural inclination to be straight and assume the familiar contour of a grand piano.

Visitors report the sound of splintering wood, but Steinway artisans assure them that the specially cured wood isn't likely to break or the specially mixed glue to lose its grip. It's a good thing, too, both because the wood is expensive and because the precision Steinway process can't afford much wasted effort. The company needs 12 months, 12,000 parts, 450 craftspeople, and countless hours of skilled labor to produce a grand piano. Today, the New York factory turns out about 10 pianos in a day or 2,500 a year. (A mass producer might build 2,000 pianos a week.) The result of this painstaking task system, according to one business journalist with a good ear, is "both impossibly perfect instruments and a scarcity," and that's why Steinways are so expensive—currently, somewhere between $45,000 and $110,000.

But Steinway pianos, the company reminds potential buyers, have always been "built to a standard, not to a price." "It's a product," says company executive Leo F. Spellman, "that in some sense speaks to people and will have a legacy long after we're gone. What [Steinway] craftsmen work on today will be here for another 50 or 100 years." Approximately 90 percent of all concert pianists prefer the sound of a Steinway, and the company's attention to manufacturing detail reflects the fact that when a piano is being played, the entire instrument vibrates—and thus affects its sound. In other words—and not surprisingly—the better the raw materials, design, and construction, the better the sound.

That's one of the reasons Steinway craftsmen put so much care into the construction of the piano's case: It's a major factor in the way the body of the instrument resonates. The maple wood for the case, for example, arrives at the factory with water content of 80 percent. It's then dried, both in the open air and in kilns, until the water content is reduced to about 10 percent—suitable for both strength and pliability. To ensure that strength and pliability remain stable, the slats must be cut so that they're horizontally grained and arranged, with the "inside" of one slat—the side that grew toward the center of the tree—facing the "outside" of the next one in the book. The case is removed from the press after one day and then stored for ten weeks in a humidity-controlled *rim-bending room*. Afterward, it's ready to be sawed, planed, and sanded to specification—a process called *frazing*. A black lacquer finish is added, and only then is the case ready to be installed as a component of a grand piano in progress.

The Steinway process also puts a premium on skilled workers. Steinway has always been an employer of immigrant labor, beginning with the German craftsmen and laborers hired by founder Henry Steinway in the 1860s and 1870s. Today, Steinway employees come from much different places—Haitians and Dominicans in the 1980s, exiles from war-torn Yugoslavia in the 1990s—and it still takes time to train them. It takes about a year, for instance, to train a case maker, and "when you lose one of them for a long period of time," says Gino Romano, a senior supervisor hired in 1964, "it has a serious effect on our output." Romano recalls one year in mid-June when a case maker was injured in a car accident and was out for several weeks. His department fell behind schedule, and it was September before Romano could find a suitable replacement (an experienced case maker in Florida who happened to be a relative of another Steinway worker).

The company's employees don't necessarily share Spellman's sense of the company's legacy, but many of them are well aware of the brand recognition commanded by the products they craft, according to Romano:

> *The payback is not in [the factory]. The payback is outside, when you get the celebrity treatment for building a Steinway, when you meet somebody for the first time and they ooh and ahh: "You build Steinways? Wow." You're automatically put on a higher level, and you go, "I didn't realize I was that notable."*

Case Questions

1. Explain the process by which a Steinway grand piano is constructed as a *subsystem* of a larger *system*. From what the text tells you, give some examples of how the production subsystem is affected by the management, financial, and marketing subsystems.
2. Discuss the Steinway process in terms of the *systems perspective* of organizations summarized in Figure 1.4. Explain the role of each of the three elements highlighted by the figure—*inputs from the environment*, the *transformation process*, and *outputs into the environment*.
3. Discuss some of the ways the principles of *behavioral management* and *operations management* can throw light on the Steinway process. How about the *contingency perspective*? In what ways does the Steinway process reflect a *universal perspective*, and in what ways does it reflect a *contingency perspective*?

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You Make the Call

Reed Hastings Doesn't Like Standing Still

1. You're a Netflix employee, and Reed Hastings has just stopped by your desk. "I'd like to know," he says, "what you like most and least about working here." How do you think you might respond?
2. You're a major Netflix stockholder attending the firm's annual board meeting. When you bump into Reed Hastings at a reception, he asks you, "How do you think we're doing with this company?" How would you respond?
3. You're the founder and owner of a small media company, and Netflix has indicated an interest in buying your business. Reed Hastings wants you to stay on and run the business as a unit of Netflix. In addition to price, what other factors (if any) are important to you?
4. You've been contacted by a marketing research company doing work for Netflix. The researcher asks if you use Netflix and, if not, why? If you do use Netflix, the researcher asks what you like and dislike most about it. What would you say?

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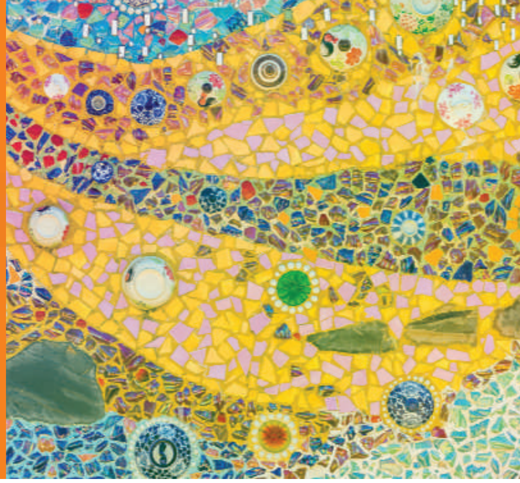

CHAPTER 2

The Environments of Organizations and Managers

Learning Outcomes

After studying this chapter, you should be able to:

1. Discuss the nature of an organization's environments and identify the components of its general, task, and internal environments.
2. Describe the ethical and social environment of management, including individual ethics, the concept of social responsibility, and how organizations can manage social responsibility.
3. Discuss the international environment of management, including trends in international business, levels of international business activities, and the context of international business.
4. Describe the importance and determinants of an organization's culture, as well as how organizational culture can be managed.

Management in Action

The Canary in Starbucks' Coal Mine

"If the only reason you're invested in sustainability is because it's the 'right thing to do,' you're in trouble."

—Jim Hanna, director of environmental affairs, Starbucks

According to Starbucks VP of Global Responsibility Ben Packard, the company's efforts to establish itself as a leading sustainable brand start with part of its *mission*: "We aim to take care of the communities that we depend on for our retail business by . . . finding meaningful ways to be engaged with those communities," says Packard. "And we aim to take care of those communities where we source our core products, like coffee, tea, and cocoa." It's a matter of "nurturing the human spirit," explains Packard, who adds that incorporating that value into the firm's *culture* has allowed Starbucks to set and meet "very bold standards" in sustainability.

Starbucks sells hot and cold beverages out of more than 23,000 stores in 64 countries, and those stores account for about 80 percent of the company's *carbon footprint*—the total of its greenhouse gas emissions (primarily carbon dioxide). In order to reduce its footprint, Starbucks has set a series of realistic goals to be met by 2020, including the widespread recycling of the disposable cups that it hands out with almost every beverage sold—about 4 billion per year. Actually, those cups constitute only a miniscule fraction of Starbucks' carbon footprint, but according to Jim Hanna, the company's director of environmental affairs, "perception is reality" when it comes to disposable cups: What most

Richard Ellis / Alamy Stock Photo

Starbucks is dedicated to sustainability as a fundamental part of its business practices but also believes that these practices should have visibility in order to build goodwill among customers and employees. This Starbucks shop in Chicago is built from recycled shipping containers.

people see is the litter strewn about the streets or tumbling out of overflowing trash cans.

Before we go any further, we should point out that although Starbucks has incorporated sustainability practices into its operations since 1990, it hasn't always been as sensitive to environmental issues as some people would like. If you were a regular at Starbucks before 2008, you might have noticed a sink called a "dipper well." Baristas used it to quick-rinse equipment, and the water was kept running to ensure that pipes stayed clean. Unfortunately, leaving the water running in 10,000 stores worldwide used up more than 6 million gallons of water per day—enough to fill an Olympic-size swimming pool every 83 minutes. The company had been warned that the dipper-well system wasn't good for its environmental reputation, but only after a blitz of bad PR in the global press did Starbucks finally turn off the water. Today, says Ben Packard, "we look at water on the supply side of coffee"—as a resource to be protected—and Starbucks has plans to cut in-store water consumption by 25 percent.

That goal is part of the company's Shared Planet Program, which was launched in 2008. A year later, Starbucks announced that, as part of the same initiative, all of its new stores would satisfy certification requirements for LEED (Leadership in Energy & Environmental Design), a rating system for the construction and operation of environment-friendly buildings. Because the guidelines were developed for office buildings, Starbucks helped to create programs for both new and renovated retail spaces, and 75 percent of all Starbucks locations opening in 2014 attained LEED certification. "My dream," says Hanna, "is that we solve the cup issue and a customer walks into a store and says, 'Look at that ultra-efficient air conditioning unit.' "

By 2020, Starbucks also plans to "ethically source" 100 percent of the coffee that it buys from producers. Over the past 40 years, Starbucks has invested more than $70 million in programs to support sustainable and socially sound agricultural practices among the roughly 1 million people—most of them in Latin America—who represent its coffee supply chain. Programs include loans to help farmers develop not only sustainable growing practices but forest-conservation practices as well.

Since 2008, Starbucks has partnered with Conservation International (CI), a U.S.-based nonprofit environmental organization, to implement C.A.F.E. (Coffee and Farmer Equity) practices—a set of independently developed guidelines for monitoring the economic, social, and environmental impact of coffee-production programs and practices. By 2012, 98 percent of the small coffee farms operating according to Starbucks-promoted C.A.F.E. practices had managed to improve soil fertility, and 100 percent of the school-age children on those farms were able to attend school.

CI chairman and CEO Peter Seligmann points out that Starbucks' sustainability efforts are motivated in large part by the need to deal with a major issue in the company's environment, both business and natural: namely, *climate change*—"figuring out how to ensure that coffee farming can be a part of the climate solution," as Ben Packard puts it. "The convergence of climate change and ecosystem deterioration," explains Seligmann, "is what creates stress on the ability of coffee farmers to produce crops." The coffee bean grows only in specific climates, and those climates are particularly vulnerable to rising global temperatures. Thus if Starbucks intends to survive over the long term, it makes good business sense to ensure that it has access to its most important ingredient. "We're the canary in the coal mine," quips Jim Hanna, likening the fate of the first victim of unbreathable air to the company's potential fate as one of the first victims of climate change.