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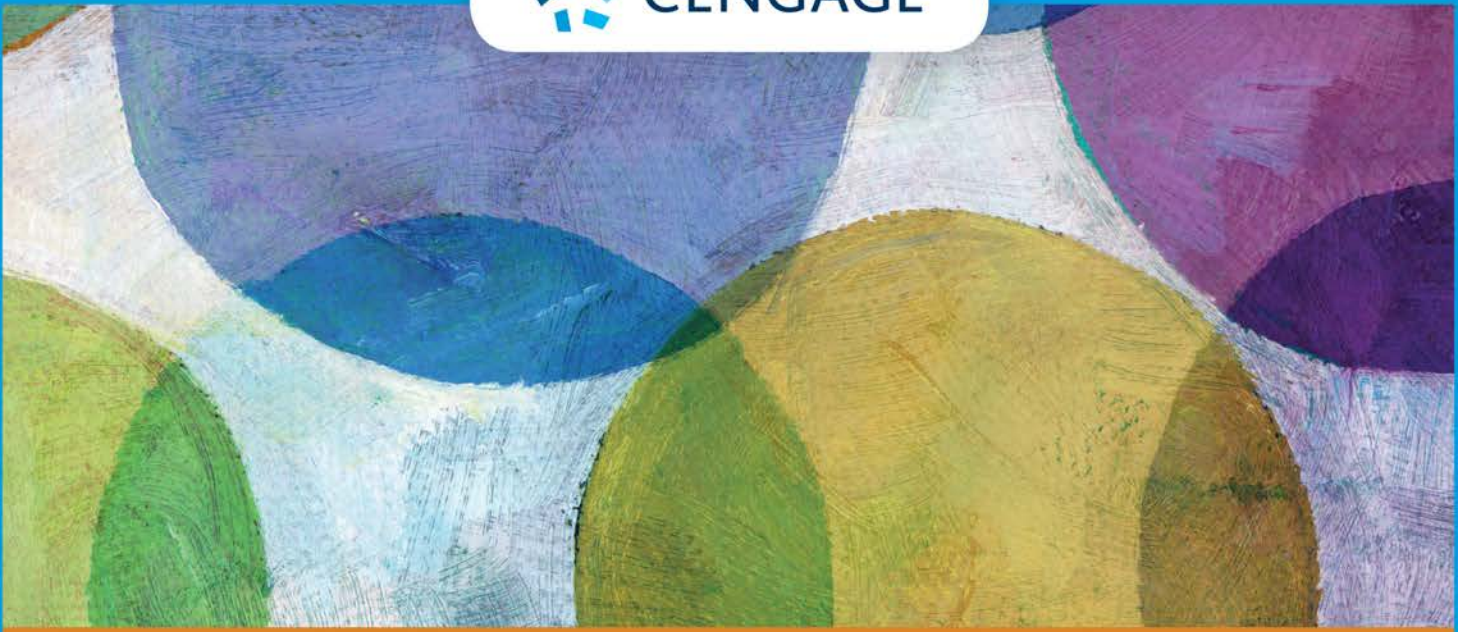
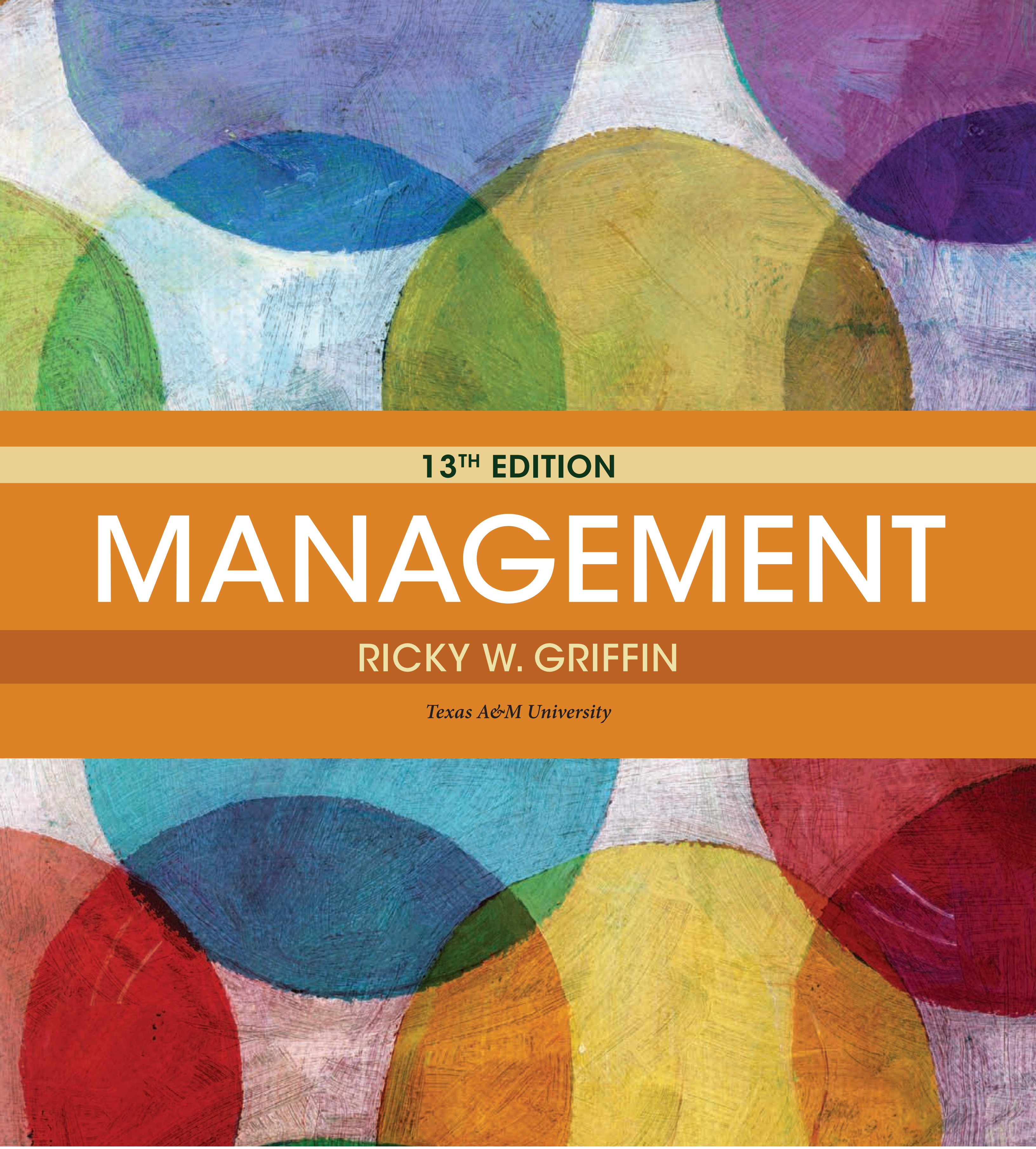


13TH EDITION

MANAGEMENT

RICKY W. GRIFFIN



13TH EDITION

MANAGEMENT

RICKY W. GRIFFIN

Texas A&M University

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Australia • Brazil • Canada • Mexico • Singapore • United Kingdom • United States

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For Glenda—a survivor, my hero, my inspiration, my best friend,
my island, my rock, and the center of my universe
R.W.G

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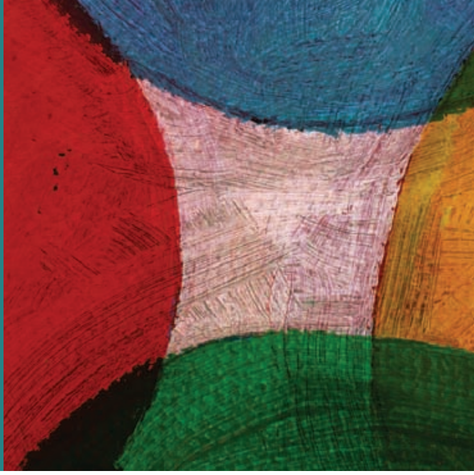

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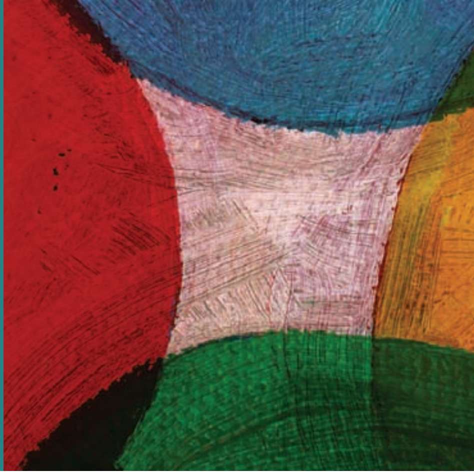

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Preface

Since the publication of its first edition in 1984, over two million students at hundreds of colleges and universities on five continents have used *Management* in preparation for their careers in business. In this thirteenth edition, I have retained all the elements that have contributed to the book's success in the past while also taking a clear look toward the future—the future of business, of management, and of learning.

Writing a survey book poses a number of challenges. First, because it is a survey, it has to be comprehensive. Second, it has to be accurate and objective. Third, because management is a real activity, the book has to be relevant. Fourth, it has to be timely and up-to-date. And fifth, it must be as interesting and as engaging as possible. Feedback on previous editions of the text has always suggested that the book meets and exceeds these goals. In this edition, I think these goals have been met even more effectively.

I believe that current and previous users of *Management* will be pleased with how we have retained the essential ingredients of a comprehensive management textbook while adding a variety of new elements and perspectives. I also believe that those new to this edition will be drawn to the solid foundations of management theory and practice combined with new and exciting material.

HIGHLIGHTS AND IMPROVEMENTS IN THE THIRTEENTH EDITION

The thirteenth edition of *Management* is a substantial revision of the earlier work. Rather than simply adding the "hot topics" of the moment, I continue to thoroughly revise this book with the long-term view in mind. There are significant revisions of all chapters; an increased emphasis on the service sector, ethics, global management, and information technology; and an integrated organization of chapters. The book has also been streamlined to an economical 20 chapters while maintaining its comprehensive coverage. These changes reflect what I believe, and what reviewers and employers have confirmed, students will need to know as they enter a brand new world of management. In addition, several integrated pedagogical features such as "Manager's Checklist" will also prove to be invaluable.

Revisions in the Thirteenth Edition

While the thirteenth edition represents a comprehensive revision of the previous edition, there are also a number of specific changes that have been made. These include:

(1) Coverage of the 2020 COVID-19 pandemic and its impact on managers has been integrated throughout the book.
(2) The text has been revised in many places to reflect on and discuss the uncertain fluctuations in the global economy and how those fluctuations affect managers.
(3) The text also covers the continued unrest in the Middle East and its implications for business.
(4) All data and statistics related to small business, international business, unionization, executive compensation, and other areas of business have been updated to the most current information available.

(5) All of the chapter opening cases ("Management in Action") are new or heavily updated and revised.
(6) All of the chapter closing cases ("Management at Work") are new or heavily updated and revised.
(7) The thirteenth edition includes a total of 40 all-new boxed features (two per chapter).
(8) There are over 200 new examples in the thirteenth edition. In addition, those examples retained from the previous edition have all been checked for currency and continued applicability.
(9) The latest research on international business, entrepreneurship, strategic management, decision making, organization design, organization change, individual behavior, leadership, teams, motivation, control, information technology, productivity, and quality management has been cited and integrated throughout the text.
(10) All supplements have been updated to match these text changes, including the *Course-Mate* website.

Integrated Coverage

Many textbooks set certain material off from the rest of the text in a separate section at the end of the book or a website called "Emerging Trends," "Special Challenges," or something similar. New and emerging topics, and other material that doesn't easily fit anywhere else, are covered in such a section. Unfortunately, by setting those topics apart in this way, the material often gets ignored or receives low-priority treatment.

But I decided several editions back that if this material was really worth having in the book at all, it needed to be fully merged with the core material. Thus, all material —both traditional and contemporary—is integrated throughout the text in order to provide more uniform and cohesive coverage of the entire field of management. This framework also helps to streamline the book's overall organization into six logical and symmetrical parts. Because reviewers and students have responded so favorably to this approach, it has been retained in the thirteenth edition. Furthermore, cross-referencing strengthens the integrated coverage throughout the text.

Logical Chapter Organization

This integrated approach to management also results in a logical and very effective chapter organization. Part 1 introduces the field of management, while Part 2 focuses on the environment of management. The remaining four parts cover the basic managerial functions of planning and decision making, organizing, leading, and controlling.

FEATURES OF THE BOOK

Basic Themes

Several key themes are prominent in this edition of *Management.* COVID-19 and its impact on managers, businesses, and the overall economy is highlighted throughout the book. Another critical theme is the ethical scrutiny under which managers work today. While the book has always included substantial coverage of ethics and social responsibility, even more attention has been devoted this time to topics such as corporate governance, ethical leadership, and the proper role of auditing. A third continuing theme is the global character of the field of management, which is reinforced throughout the book by examples and cases. A fourth key theme, digital technology, is integrated throughout the book. Still another theme is the balance of theory and practice: Managers need to have a sound basis for their decisions, but the theories that provide that basis must be grounded in reality. Throughout the book I explain the theoretical frameworks that guide managerial activities and provide illustrations and examples of how and when those theories do and do not work. A sixth theme is that management is a generic activity not confined to large businesses. I use examples and discuss management in both small and large businesses as well as in not-for-profit organizations.

A Pedagogical System that Works

The pedagogical elements built into *Management, Thirteenth Edition*, continue to be effective learning and teaching aids for students and instructors.

- Learning outcomes preview key themes at the start of every chapter. Key terms and concepts are highlighted in color and defined in the margin near where they are discussed. Effective figures, tables, and photographs with their own detailed captions help bring the material to life.
- An important continuing feature in this edition is "Manager's Checklist." Each major section in every chapter concludes with one to four bullet points that succinctly summarize the major take-aways from that section. These are designed to capture the essential points from that section that are most relevant to current and future managers.
- The Summary of Learning Objectives and Key Points ties content and student learning back to the objectives introduced at the beginning of the chapter.
- Three kinds of questions at the end of every chapter are designed to test different levels of student understanding. "Questions for Review" ask students to recall specific information, "Questions for Analysis" ask students to integrate and synthesize material, and "Questions for Application" ask students to apply what they've learned to their own experiences.
- Each chapter also includes useful skill-development exercises. These exercises give students insight into how they approach various management situations and how they can work to improve their management skills in the future. The exercises are derived from the overall managerial skills framework developed in Chapter 1. For this edition, many of the exercises were replaced or substantially revised.
- Finally, each chapter also includes a Skill-Building Personal Assessment. These self-assessments give students insights into their individual strengths, weaknesses, and perspectives that are relevant to them as current or future managers.

Applications That Keep Students Engaged

To fully appreciate the role and scope of management in contemporary society, it is important to see examples and illustrations of how concepts work in the real world. I rely heavily on fully researched examples to illustrate real-world applications. They vary in length, and all were carefully reviewed for their timeliness. To give the broadest view possible, I include examples of both traditional management roles and nontraditional roles; profit-seeking businesses and nonprofits; large corporations and small businesses; manufacturers and services; and international and U.S. situations. Furthermore, in this edition I have developed a better balance of large and established businesses (such as Home Depot, Coca-Cola, Boeing, Halliburton, and General Electric) and newer, emerging businesses (such as Google, Starbucks, Facebook, and Urban Outfitters).

Other applications include the following:

- Opening incidents at the beginning of every chapter. These vignettes, titled "Management in Action," draw the student into the chapter with a real-world scenario that introduces a particular management theme. Highlights include The Cheesecake Factory, Netflix, Kodak, Unilever, Apple, and many more.
- A companion end-of-chapter feature called "You Make the Call." This feature is tied back to the chapter-opening incident; it requires the student to play the role of a consultant, a manager, or other stakeholder in the organization featured earlier. Students are asked to comment, critique, or make suggestions about how well the business is doing and/or what it needs to do differently.
- Call-out quotations. Spread throughout each chapter, these quotations provide real insights into how managers and other experts see the world of business as it relates to the topic at hand.

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- Boxed features. Each chapter includes two boxed features. These boxes are intended to depart briefly from the flow of the chapter to highlight or extend especially interesting or emerging points and issues. There are five types of featured boxes represented throughout the text:
    - A *World of Difference* (the role of diversity in organizations)
    - *Tech Watch:* (the role and impact of technology in business)
    - *Leading the Way* (the role and importance of leadership in business)
    - *Doing Business on Plant Earth* (sustainability)
    - *Beyond Traditional Business* (management in nonbusiness organizations)
- End-of-chapter cases. Each chapter concludes with a detailed case study, called "Management at Work," written especially for the context of this book. These cases represent companies familiar to students, including Alphabet, Spotify, Lenovo, Amazon, and many more.

Instructor Support Materials

- Instructor Companion Website: Instructors can find course support materials, including the Instructor's Resource Manual, Test Bank files, and PowerPoint® slides.
- Instructor's Manual: Designed to provide support for instructors new to the course, as well as innovative materials for experienced professors, the Instructor's Manual includes activities and assessments for each chapter and their correlation to specific learning objectives, an outline, key terms with definitions, a chapter summary, and ideas for engaging with students—such as discussion questions, ice breakers, case studies, and social learning activities that may be conducted in an on-ground, hybrid, or online modality.
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- PowerPoint Lecture Presentation: The PowerPoint Lecture Presentations are closely tied to the Instructor Manual, providing ample opportunities for generating classroom discussion and interaction. They offer ready-to-use, visual outlines of each chapter, which may be easily customized for your lectures.
- Guide to Teaching Online: This guide presents technological and pedagogical considerations and suggestions for teaching the Management course when you can't be in the same room with students.
- Transition Guide: This guide highlights all of the changes in the text and in the digital offerings from the previous edition to this edition.

Student Support Materials

- MindTap brings together quality learning and convenience through seamless, LMS integrated access to a curated set learning tools designed intentionally for the Principles of Management learner. Each MindTap follows a "Learn It, Apply It, Study It" structure that guides students through bite sized learning exercises, followed by authentic scenario-based application opportunities and then gives them the necessary tools to prepare for quizzes and exams.
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- LEARN IT ACTIVITIES: New "Learn It" modules are designed to help students learn the basics of theories and concepts presented in a chapter through digestible summaries and randomized questions that help check their comprehension of the chapter material.
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- YOU MAKE THE DECISION: You Make the Decision mini-simulation activities build critical thinking and decision-making skills by challenging students to use what they know about concepts and theories in the context of a scenario as it unfolds. Throughout the scenario, the student would be provided with information and subsequently faced with decisions. The scenario can change dynamically based on the decisions the students make throughout the short simulation, resulting in different end points that showcase the consequences of the decisions made along the way.

I would also like to 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 email at *rgriffin@tamu.edu*.

Ricky W. Griffin

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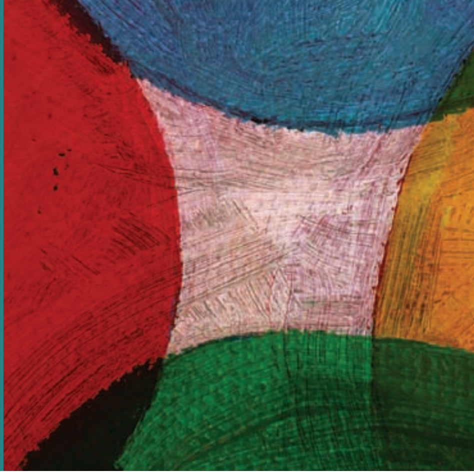

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R.W.G.

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CHAPTER 1

Managing and the Manager's Job

Learning Outcomes

After studying this chapter, you should be able to:

1-1 Describe the concepts of managers and management and their importance to contemporary organizations.

1-2 Explain the four basic management functions in organizations.

1-3 Describe the kinds of managers found at different levels and in different areas of the organization.

1-4 Identify the basic managerial roles played by managers and the skills they need to be successful.

1-5 Discuss the science and the art of management, how people become managers, and the scope of management in organizations.

1-6 Characterize the new workplace that is emerging in organizations today.

This book is about managers, the work they do, and the organizations they lead. In Chapter 1, we examine the general nature of management, its dimensions, and its challenges. We explain the concepts of management and managers, discuss the management process, present an overview of the book, and identify various kinds of managers. We describe the different roles and skills of managers, discuss the nature of managerial work, and examine the scope of management in contemporary organizations. In Chapter 2, we describe how both the practice and the theory of management have evolved. As a unit, then, these first two chapters provide an introduction to the field by introducing both contemporary and historical perspectives on management. To begin our journey, let's first examine the work of one senior manager, Reed Hastings.

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 for not returning a VHS tape to Blockbuster Home Video. "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."

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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 co-founder 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 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 long-time Netflix user will tell you, was the list of movies that the customer wanted to watch. Netflix maintained your queue, followed your online directions in keeping it up to date, and automatically sent you the next movie you wanted each time you sent one back.

The essence of queuing—and of the original Netflix business model—is clearly convenience. Today, with most users streaming content rather than using DVDs, Netflix has replaced traditional queuing with menus that keep track of what shows you have been watching and suggesting new ones related to your viewing habits. 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 industrywide 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 $151 billion mark in early 2020, with more than 61 million subscribers in 57 countries.

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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

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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 (streaming) 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 such original offerings as *Russian Doll* and *Unbelievable* and by 2020 was showing more original series and movies than any other media outlet. One very prominent Netflix movie, *The Irishman*, was nominated for several Academy Awards in 2020. All told, Netflix's 61 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]

1-1 AN INTRODUCTION TO MANAGEMENT

Reed Hastings is clearly a manager. So, too, are John Donahoe (CEO of Nike), Mary Barra (CEO of General Motors), Ken Kobayashi (chairman of Mitsubishi), Hartwig Fischer (director of the British Museum), Richard Hayne (president of Urban Outfitters), Jerry Jones (owner and general manager of the Dallas Cowboys football team), Pope Francis (head of the Roman Catholic Church), and Fadi and Hege Kalaouze (co-presidents of Aggieland Outfitters in College Station, Texas). As diverse as they and their organizations are, all of these managers are confronted by many of the same challenges, strive to achieve many of the same goals, and apply many of the same concepts of effective management in their work.

For better or worse, our society is strongly influenced by managers and their organizations. Most people in the United States are born in a hospital (an organization), educated by public or private schools (all organizations), depend on organizations for their income, and buy virtually all of their consumable products and services from businesses (organizations). And much of our behavior is influenced by various government agencies (also organizations). We define an **organization** as a group of people working together in a structured and

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

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Businesses use a variety of resources. This construction project, for example, involves both workers (human resources) and building materials (physical resources). The project was financed by a local bank (financial resources) and is being built as part of a new development in a growing area (information resources).

coordinated fashion to achieve a set of goals. The goals may include profit (Starbucks Corporation), the discovery of knowledge (University of Missouri), national defense (the U.S. Army), coordination of various local charities (United Way of America), or social satisfaction (a sorority). Because organizations play such major roles in our lives, understanding how they operate and how they are managed is important.

Although defining the term *organization* is relatively simple, the concept of *management* is a bit more elusive. It is perhaps best understood from a resource-based perspective. As we discuss more completely in Chapter 2, all organizations use four basic kinds of resources from their environment: human, financial, physical, and information. Human resources include managerial talent and labor. Financial resources are the capital used by the organization to finance both ongoing and long-term operations. Physical resources include raw materials, office and production facilities, and equipment. Information resources are usable data needed to make effective decisions. Examples of resources used in four very different kinds of organizations are shown in Table 1.1.

Managers are responsible for combining and coordinating these various resources to achieve the organization's goals. A manager at Royal Dutch/Shell Group, for example, uses the talents of executives and drilling platform workers, profits earmarked for reinvestment, existing refineries and office facilities, and sales forecasts to make decisions regarding the amount of petroleum to be refined and distributed during the next quarter. Similarly, the mayor (manager) of New York City might use police officers, a government grant (perhaps supplemented with surplus tax revenues), existing police stations, and detailed crime statistics to launch a major crime prevention program in the city.

Table 1.1 Examples of Resources Used By Organizations

Organization	Human Resources	Financial Resources	Physical Resources	Information Resources
Royal Dutch/Shell Group	Drilling platform workers Corporate executives	Profits Stockholder investments	Refineries Office buildings	Sales forecasts Trends in alternative energy sources
Michigan State University	Faculty Administrative staff	Alumni contributions Government grants	Computers Campus facilities	Research reports Government publications
New York City	Police officers Municipal employees	Tax revenue Government grants	Sanitation equipment Municipal buildings	Economic forecasts Crime statistics
Susan's Corner Grocery Store	Grocery clerks Bookkeeper	Profits Owner investment	Building Display shelving	Price lists from suppliers Online ads for competitors

All organizations—regardless of whether they are large or small, profit-seeking or not-for-profit, domestic or multinational—use some combination of human, financial, physical, and information resources to achieve their goals. These resources are generally obtained from the organization's environment.

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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

How do these and other managers combine and coordinate the various kinds of resources? They do so by carrying out four basic managerial functions or activities: planning and decision making, organizing, leading, and controlling. **Management**, then, as illustrated in Figure 1.1, 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.

The last phrase in our definition is especially important because it highlights the basic purpose of management—to ensure that an organization's goals are achieved in an efficient and effective manner. By **efficient**, we mean using resources wisely and in a cost-effective way. For example, a firm like Toyota Motor Corporation, which produces high-quality products at relatively low costs, is efficient. By **effective**, we mean making the right decisions and successfully implementing them. Toyota also makes cars with the styling and quality to inspire consumer interest and confidence. Sony, meanwhile, could very efficiently produce portable CD players but still not succeed because the market for such devices has largely been supplanted by digital music storage and playbacks on devices such as smartphones. A firm that produces products that no one wants is therefore not effective. Similarly, when Tesla first launched its electric cars, the demand was so great that the company did not have to initially worry too much about efficiency. Of course, as supply caught up with demand, this situation changed, and efficiency became more important. In general, successful organizations are both efficient and effective.[2]

efficient
Using resources wisely and in a cost-effective way

effective
Making the right decisions and successfully implementing them

> **"Not only can you not plan the impact you're going to have, you often won't recognize it even while you're having it."**
>
> —Richard Costolo, Former Twitter CEO[3]

MIX TAPE
AUTO REVERSE
90
CrO₂

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 likely be very successful.

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With this basic understanding of management, defining the term *manager* becomes relatively simple: A **manager** is someone whose primary responsibility is to carry out the management process. In particular, a manager is someone who plans and makes decisions, organizes, leads, and controls human, financial, physical, and information resources. Today's managers face a variety of interesting and challenging situations. The average executive works over 62.5 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, and various security-related uncertainties.[4] The job is complicated even more by rapid changes (such as recent fluctuations in oil prices and myriad breakthroughs in technology), unexpected disruptions (including security breaches), and both minor and major crises (such as the COVID-19 pandemic in 2020 and the annual impact of hurricanes and winter storms). 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.[5]

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

Many of the characteristics that contribute to the complexity and uncertainty of management stem from the environment in which organizations function. For example, as shown in Figure 1.1, the resources used by organizations to create products and services all come from the environment. Thus, it is critical that managers understand this environment. Part 2 of the text discusses the environmental context of management in detail. Chapter 3 provides a general overview and discussion of the organization's environment from a variety of perspectives. Chapter 4 focuses specifically on the ethical and social environment of management, and Chapter 5 explores the global environment of management. After reading these chapters, you will be better prepared to study the essential activities that comprise the management process.

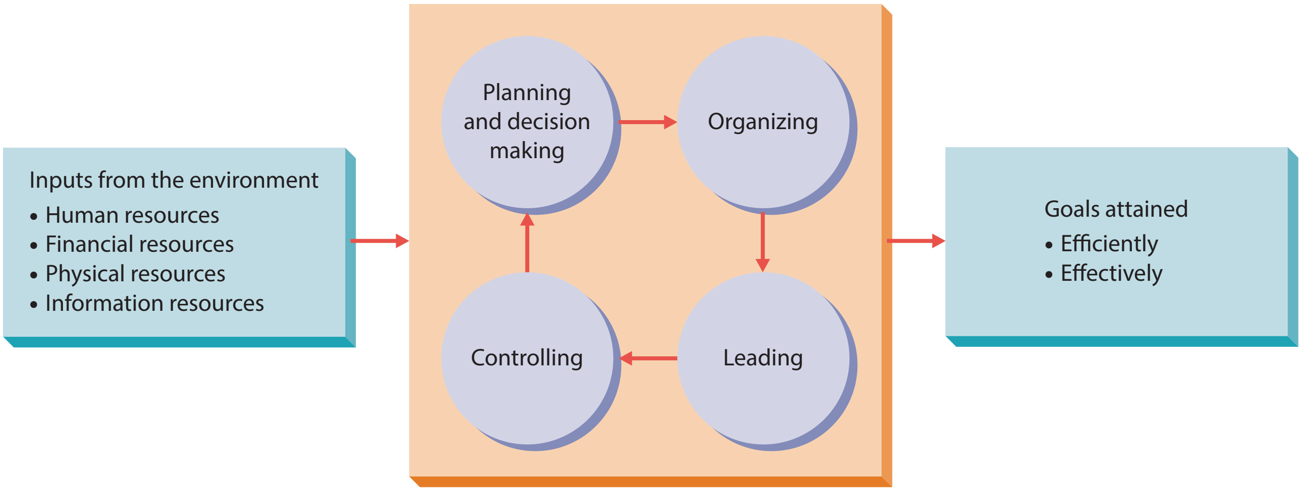

FIGURE 1.1

Management in Organizations

Basic managerial activities include planning and decision making, organizing, leading, and controlling. Managers engage in these activities to combine human, financial, physical, and information resources efficiently and effectively and to work toward achieving the goals of the organization.

1-2 THE MANAGEMENT PROCESS (WHAT DO MANAGERS DO?)

We noted earlier that management involves the four basic functions of planning and decision making, organizing, leading, and controlling. Because these functions represent the framework around which this book is organized, we introduce them here and note where they are discussed more fully. Their basic definitions and interrelationships are shown in Figure 1.2. (Note that Figure 1.2 is an expanded version of the central part of Figure 1.1.)

Consider the management process at Alphabet, Inc., parent company of Google. Sergey Brin and Larry Page, Google's founders and Alphabet's top managers, must first create goals and plans that articulate what they want the company to become. Then they rely on effective organization to help make those goals and plans reality. Brin and Page also pay close attention to the people who work for the company. And they keep a close eye on how well the company is performing. Each of these activities represents one of the four basic managerial functions illustrated in the figure—setting goals is part of planning, setting up the organization is part of organizing, managing people is part of leading, and monitoring performance is part of controlling.

It is important to note, however, that the functions of management do not usually occur in a tidy, step-by-step fashion. Managers do not plan on Monday, make decisions on Tuesday, organize on Wednesday, lead on Thursday, and control on Friday. At any given time, for example, a manager is likely to be engaged in several different activities simultaneously. Indeed, from one setting to another, managerial tasks are as different as they are similar. The similarities that pervade most settings are the phases in the management process. Important differences include the emphasis, sequencing, and implications of each phase.[6] Thus, the solid lines in Figure 1.2 indicate how, in theory, the functions of management are performed. The dotted lines, however, represent the true reality of management. In the sections that follow, we explore each of these activities.

1-2a Planning and Decision Making: Determining Courses of Action

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 maintain managerial

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

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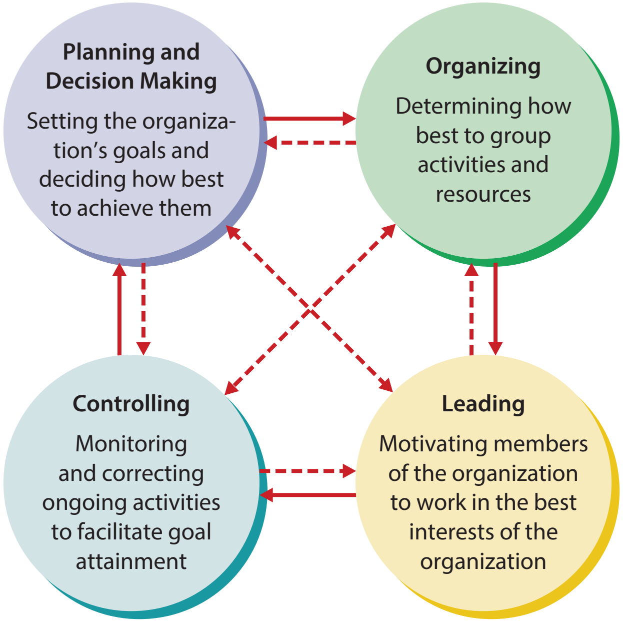
Planning and Decision Making
Setting the organization's goals and deciding how best to achieve them
Organizing
Determining how best to group activities and resources
Controlling
Monitoring and correcting ongoing activities to facilitate goal attainment
Leading
Motivating members of the organization to work in the best interests of the organization

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).

effectiveness by serving as guides for future activities. In other words, the organization's goals and plans clearly help managers know how to allocate their time and resources. When James Hackett took over the struggling Ford Motor Company in 2018, he walked into a business that had low cash reserves, an unpopular product line, a confusing strategy, and a culture that was so resistant to change that one insider said it was "calcified." His first agenda was to set specific performance goals for all of Ford's top executives and clarify the strategic direction that would guide Ford in the future. He also worked to ensure that decision making was more transparent.[7] The four chapters making up Part 3 of this text are devoted to planning and decision making. Chapter 6 examines the basic elements of planning and decision making, including the role and importance of organizational goals. Chapter 7 looks at strategy and strategic planning, which provide overall direction and focus for the organization. Chapter 8 explores managerial decision making and problem solving in detail. Finally, Chapter 9 addresses planning and decision making as they relate to the management of new ventures and entrepreneurial activities, increasingly important parts of managerial work.

1-2b Organizing: Coordinating Activities and Resources

organizing
Determining how activities and resources are to be grouped

Once a manager has set goals and developed a workable plan, the 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. After James Hackett clarified Ford's strategy, he then overhauled the company's bureaucratic structure in order to facilitate coordination across divisions and promote faster decision making. Organizing is the subject of Part 4. Chapter 10 introduces the basic elements of organizing, such as job design, departmentalization, authority relationships, span of control, and line and staff roles. Chapter 11 explains how managers fit these elements and concepts together to form an overall organization design. Organization change and innovation are the focus of Chapter 12. Finally,

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processes associated with managing the organization's workforce so as to most effectively carry out organizational roles and perform tasks are described in Chapter 13.

1-2c Leading: Motivating and Managing People

> **"We have good people. They just need a leader who can guide and inspire them."**
>
> —William Clay Ford, Chairman of Ford Motor Company[8]

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

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. James Hackett has taken several steps to change the leadership culture that existed at Ford. During the previous regime the firm had used a directive, top-down approach to management. But Hackett has decentralized many activities so as to put the responsibility for making decisions in the hands of those best qualified to make them. He also clarified channels of communication and revamped the incentive system used for senior managers. Leading involves a number of different processes and activities, which are discussed in Part 5. The starting point is understanding basic individual and interpersonal processes, which we focus on in Chapter 14. Motivating employees is discussed in Chapter 15, and leadership itself and the leader's efforts to influence others are covered in Chapter 16. Managing interpersonal relations and communication is the subject of Chapter 17. Finally, managing work groups and teams, another important part of leading, is addressed in Chapter 18.

1-2d Controlling: Monitoring and Evaluating Activities

controlling
Monitoring organizational progress toward goal attainment

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. A good analogy is that of a space mission to Mars. NASA does not simply shoot a rocket in the general direction of the planet and then look again in four months to see whether the rocket hit its mark. NASA monitors the spacecraft almost continuously and makes whatever course corrections are needed to keep it on track. Controlling similarly helps ensure the effectiveness and efficiency needed for successful management, but weak controls can end up costing an organization in many different ways. For example, after Boeing launched the 737 Max, the plane quickly became a best-seller. However, after two of the planes crashed, the firm had no choice but to take the others out of service and rework many of their advanced guidance systems. More effective controls would have identified these problems sooner and saved the company millions of dollars and avoided damaging its reputation. At Ford, Hackett installed a more rigorous financial reporting system so that he could better assess how various parts of the far-flung Ford empire were performing and get information he needed to make strategic decisions faster and easier than was the case when he first took over. The control function is explored in Part 6. First, Chapter 19 explores the basic elements of the control process, including the increasing importance of strategic control. Managing operations, quality, and productivity is explored in Chapter 20.

Manager's Checklist

- ☐ Managers use a mix of resources—human, financial, physical, and information— to promote efficiency and effectiveness.
- ☐ The management process involves a variety of functions. The primary management functions are planning and decision making, organizing, leading, and controlling.
- ☐ Remember, though, that as a manager your activities will typically not follow a predictable and logical sequence and that the resources you manage may vary in unexpected ways.

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1-3 KINDS OF MANAGERS

Not all managers are the same, of course, nor is the work they perform. Among other things, we can classify managers according to their level in the organization and the area in which they work.

1-3a Managing at Different Levels of the Organization

levels of management Differentiation of managers into three basic categories—top, middle, and first-line

Managers can be differentiated according to their level in the organization. Although large organizations typically have a number of **levels of management**, the most common view considers three basic levels: top, middle, and first-line managers, as shown in Figure 1.3.

Top Managers Top managers make up the relatively small group of executives who manage the overall organization. Titles found in this group include president, vice president, 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.

Kevin Johnson, CEO of Starbucks, is a top manager, as is Matthew Ryan, the firm's global chief marketing officer. Likewise, Sergey Brin, Larry Page, Tim Cook (CEO of Apple), and Mary Barra (CEO of General Motors) are also top managers. The job of a top manager is likely

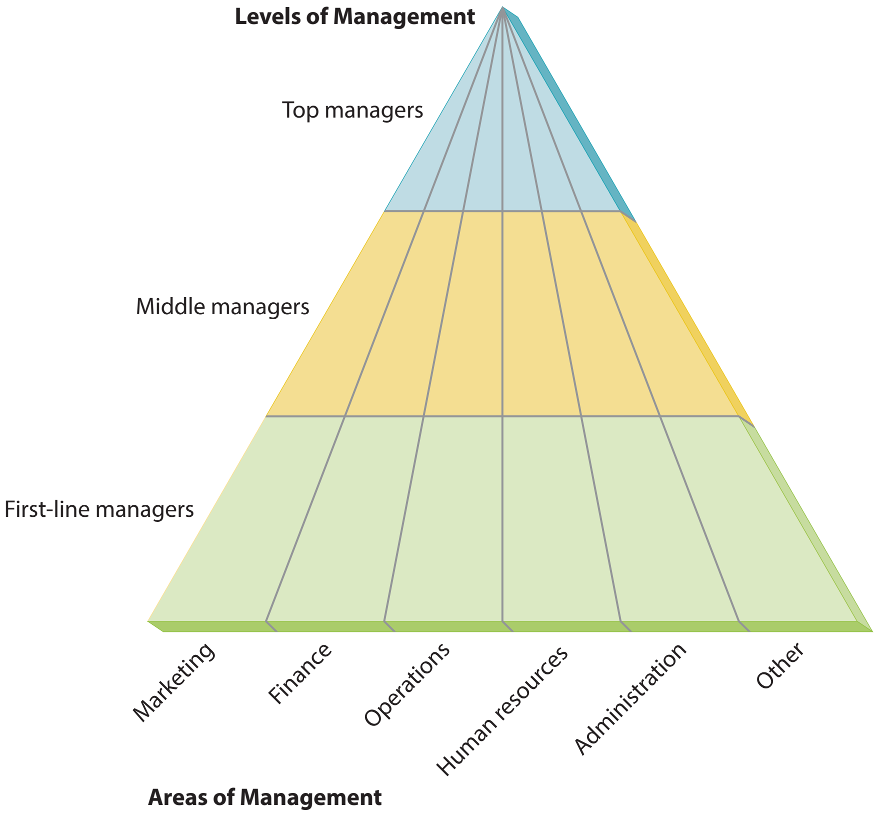

FIGURE 1.3

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.

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to be complex and varied. Top managers make decisions about such activities as acquiring other companies, investing in research and development, 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. Starbucks' Johnson received total compensation of $13.4 million in 2019. This total included salary, a bonus, stock and stock options, and other forms of compensation.

Middle Managers 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 responsible primarily for implementing the policies and plans developed by top managers and for supervising and coordinating the activities of lower-level managers.[9] Jason Hernandez, a regional manager at Starbucks responsible for the firm's operations in three eastern states, is a middle manager.

Ford plant managers, also middle managers, must meet various production quotas and goals and handle inventory management, quality control, equipment failures, and union problems. They also coordinate the work of supervisors within the plant. In recent years, many organizations have thinned the ranks of middle managers to lower costs and eliminate excess bureaucracy. Still, middle managers are necessary to bridge the upper and lower levels of the organization and to implement the strategies developed at the top. Although many organizations have found that they can indeed survive with fewer middle managers, those who remain play an even more important role in determining how successful the organization will be.

100+ MPGe
CURRENT VOLT
3768 lbs.
98 MPGe

Steve Lagreca/Shutterstock.com

Mary Barra, CEO of General Motors, is a top manager. She makes major decisions about the firm's competitive strategies, organizational structure, research and development investments, new facilities, other senior leaders, and strategic alliances.

First-Line Managers 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. John Koch and Nita Garcia, managers of Starbucks coffee shops in 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. Assembly-line supervisors at Ford plants are first-line managers. In contrast to top and middle managers, first-line managers typically spend a large proportion of their time supervising the work of subordinates.

1-3b Managing in Different Areas of the Organization

areas of management
Differentiation of managers into marketing, financial, operations, human resource, administration, and other areas

Regardless of their level, managers may work in various areas within an organization. In any given firm, for example, **areas of management** may include marketing, financial, operations, human resource, administrative, and other areas.

Marketing Managers 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, Honda cars, *Cosmopolitan* magazines, Associated Press news reports, flights on Southwest Airlines, 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 can be critical.

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

Operations Managers 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 Resource Managers Human resource 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 Managers 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.[10]

Other Kinds of Managers 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 like Alcoa and the Dow Chemical Company to protect and enhance the image of the organization. Research and development (R&D) managers coordinate the activities of scientists and engineers working on scientific projects in organizations such as Microsoft, NASA, and Boeing. Internal consultants are used in organizations such as Prudential Insurance and Raytheon to provide specialized expert advice to operating managers. International operations are often coordinated by specialized managers in organizations like Disney and Halliburton. 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. For instance, the *Tech Watch* feature discusses the emerging need for social media managers.

Just Life/Shutterstock.com

Most businesses rely on many different kinds of managers. This facilities manager is checking the calibration settings on an important piece of machinery. One of her employees originally made the calibrations, but the manager is now checking them because if the settings are incorrect it could be costly to the business.

Manager's Checklist

- ☐ Organizations need managers at multiple levels. The most common classifications by level are top, middle, and first-line managers. Large organizations usually have multiple levels within each of these broad categories.
- ☐ Organizations also need managers within different areas, such as marketing, finance, operations, human resource, general administration, and other areas.
- ☐ While it may seem like common sense, you should always have an understanding of the level and area of both your current job and the next job you aspire to have.

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TECH WATCH

Show Me the ROI

While operations, marketing, and financial managers have been common in organizations for several decades, recent years have seen the emergence of a new kind of manager—social media managers. According to Ashley Coombe, social media strategy consultant, "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." (2013 was the year that Twitter went public and Facebook acquired Instagram.)

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 with all of this newfound responsibility, 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."

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1-4 BASIC MANAGERIAL ROLES AND SKILLS

Regardless of their levels or areas within an organization, all managers must play certain roles and exhibit certain skills if they are to be successful. The concept of a role, in this sense, is similar to the role an actor plays in a theatrical production. A person does certain things, meets certain needs, and has certain responsibilities in the organization. In the sections that follow, we first highlight the basic roles managers play and then discuss the skills they need to be effective.

1-4a Managerial Roles

An important study revealed a number of interesting insights into the nature of managerial roles.[11] This study, based on detailed observations of a sample of CEOs, suggested that senior managers generally play ten different roles, and that these roles fall into three basic categories: interpersonal, informational, and decisional.

Interpersonal roles
The roles of figurehead, leader, and liaison, which involve dealing with other people

Interpersonal Roles The research noted above suggested that there are three **interpersonal roles** inherent in the senior manager's job. First, the manager is often expected

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One important role that managers play is that of figurehead. In this role the manager carries out a ceremonial or symbolic function. This manager, for example, is cutting a ribbon to open a new facility.

to serve as a *figurehead*—taking visitors to dinner, attending ribbon-cutting ceremonies, and the like. These activities are typically more ceremonial and symbolic than substantive. The manager is also expected to serve as a *leader*—hiring, training, and motivating employees. A manager who formally or informally shows subordinates how to do things and how to perform under pressure is leading. Finally, managers can have a *liaison* role. This role often involves serving as a coordinator or link among people, groups, or organizations. For example, companies in the computer industry may use liaisons to keep other companies informed about their plans. This enables Microsoft, for example, to create software for interfacing with new HP printers at the same time those printers are being developed. And, at the same time, managers at HP can incorporate new Microsoft features into the printers they introduce.

informational roles
The roles of monitor, disseminator, and spokesperson, which involve the processing of information

Informational Roles Three **informational roles** flow naturally from the interpersonal roles just discussed. The process of carrying out the interpersonal roles places the manager at a strategic point to gather and disseminate information. The first informational role is that of *monitor*, one who actively seeks information that may be of value. The manager questions subordinates, is receptive to unsolicited information, and attempts to be as well informed as possible. The manager is also a *disseminator* of information, transmitting relevant information back to others in the workplace. When the roles of monitor and disseminator are viewed together, the manager emerges as a vital link in the organization's chain of communication. The third informational role focuses on external communication. The *spokesperson* formally relays information to people outside the unit or outside the organization. For example, a plant manager at Whirlpool may transmit information to top-level managers so that they will be better informed about the plant's activities. The manager may also represent the organization before a chamber of commerce or consumer group. Although the roles of spokesperson and figurehead are similar, there is one basic difference between them. When a manager acts as a figurehead, the manager's presence as a symbol of the organization is what is of interest. In the spokesperson role, however, the manager carries substantive information and communicates it to others in a formal manner.

decisional roles
The roles of entrepreneur, disturbance handler, resource allocator, and negotiator, which relate primarily to making decisions

Decisional Roles The manager's informational roles typically lead to the **decisional roles**. The information acquired by the manager as a result of performing the informational roles has a major bearing on important decisions that he or she makes. Research has identified four decisional roles. First, the manager has the role of *entrepreneur*, the voluntary initiator of change. A manager at 3M Company developed the idea for the Post-it note pad but had to "sell" it to other skeptical managers inside the company. A second decisional role is initiated not by the manager but by some other individual or group. The manager responds to her role as *disturbance handler* by handling such problems as strikes, copyright infringements, or problems in public relations or with corporate image.

The third decisional role is that of *resource allocator*. As resource allocator, the manager decides how resources are distributed and with whom he or she will work most closely. For example, a manager typically allocates the funds in the unit's operating budget among the unit's members and projects. A fourth decisional role is that of *negotiator*. In this role the manager enters into negotiations with other groups or organizations as a representative of the company. For example, managers may negotiate a union contract, an agreement with

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Managers often play various informational roles such as disseminating information and serving as a spokesperson. This manager is responding to questions from the press during a press conference. It is obviously important that he be well informed about the questions and that he provides clear and accurate information.

a consultant, or a long-term relationship with a supplier. Negotiations may also be internal to the organization. The manager may, for instance, mediate a dispute between two subordinates or negotiate with another department for additional support.

It should also be stressed, of course, that since this pioneering research was conducted several years ago the nature of senior managerial roles may have changed. Some of the roles noted here may be less important, others may be more important, and new roles may have also emerged as a function of globalization, new technology, and so forth. Still, though, there is value in understanding that managers play a variety of different roles. The *A World of Difference* feature illustrates a number of different roles, as well as skills, that were essential in dealing with diversity issues at Sodexo.

A WORLD OF DIFFERENCE

PR and Performance in Diversity Scoring

In 2019, Sodexo came in second on DiversityInc's list of Top 50 Companies for Diversity, coming on the heels of top-ten finishes for five straight years. The company's press release promised that "sustaining its efforts to engage a diverse workforce and foster an inclusive culture . . . is essential" to its strategy, adding that Sodexo "has a long commitment to diversity in the workplace."

Strictly speaking, that commitment began in earnest 15 years ago when Sodexo, a French-based multinational provider of food and facilities-management services, agreed to pay $80 million to settle a lawsuit filed by black employees who charged that they weren't being promoted at the same rate as white coworkers. After fighting the case all the way to the U.S. Supreme Court, Sodexo (whose American arm is headquartered in Gaithersburg, Maryland) also agreed to implement a more structured hiring program and to set up a monitoring panel partly appointed by the plaintiffs.

"It was a very painful thing for the company," recalls Dr. Rohini Anand, senior VP and global chief diversity officer. Indian-born Anand, whose doctoral degree in Asian Studies from the University of Michigan focused on cross-cultural interactions, was hired in 2003, just over a year after the employee suit had first been filed. A specialist in multicultural issues, she began evaluating the experiences not only of African American employees but those of Hispanic, Asian, and gay and lesbian employees. Anand also instituted a program of metrics to measure the performance of every diversity-related initiative, including a *diversity scorecard* to align the results of such efforts as promotion and retention with organizational strategy.

By 2005—the year of the class-action settlement—Sodexo had pronounced itself "a leader in diversity," but the self-congratulations were a little premature. In fact, complaints about promotion practices—and even about incidents violating basic respect and dignity—continued to surface right up to the time that federal oversight over Sodexo employment practices came to an end. Issued in April 2010, a report titled "Missing the Mark: Revisiting Sodexo's Record on Diversity" charged that, between 2004 and 2009, the number of African American managers had increased by only 1 percent and that of minority managers as a whole by only 2 percent. Reported one African American employee: "I worked with a chef who would pull down his pants and use the 'n' word and had this thing about 'you people.' I brought it up with Human Resources, but they said since he was part black, it was okay."

As suggested by the run of DiversityInc citations in recent years, though, Anand's efforts may have begun to pay off. Anand likes at least some of the latest scorecard numbers. Today, for example, 10 to 15 percent of total bonuses for about 16,000 managers is tied to the attainment of diversity-related goals, as is 25 percent of upper-management bonuses. "We are trying to drive change," promises Sodexo North America CEO George Chavel. "We're not just pointing to those metrics but using them."

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1-4b Managerial Skills

In addition to fulfilling numerous roles, managers also need a number of specific skills if they are to succeed. The most fundamental management skills, summarized in Table 1.2, are technical, interpersonal, conceptual, diagnostic, communication, decision-making, and time-management skills.[12]

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

Technical Skills **Technical skills** are the skills necessary to accomplish or understand the specific kind of work being done in an organization. Technical skills are especially important for first-line managers. These managers spend much of their time training subordinates and answering questions about work-related problems. They must know how to perform the tasks assigned to those they supervise if they are to be effective managers. Gordon Bethune started his career in the military as a naval pilot. After leaving the Navy he became a maintenance manager for a now-defunct airline. Over the next several years he worked in operations and other functions at various airlines and then became a senior engineer for Boeing. He eventually became CEO of Continental Airlines and is credited with both saving the company and making it one of the top performers in the industry (before its merger with United). The technical nature of his previous jobs all helped him achieve great success as a top manager. While Sergey Brin and Larry Page spend most of their time now dealing with strategic and management issues, they also keep abreast of new and emerging technologies that may affect both Alphabet and Google.

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, the manager also needs **interpersonal skills**—the ability to communicate with, understand, and motivate both

Table 1.2 Basic Managerial Skills

Technical Skills: The skills necessary to accomplish or understand the specific kind of work being done in an organization
• Examples: The manager of a software development company who understands how to write and test relevant code and application; the manager of a restaurant chain knowing the basics of food preparation
Interpersonal Skills: The ability to communicate with, understand, and motivate both individuals and groups
• Examples: A manager who establishes a good relationship with an abrasive colleague; a manager who can reprimand someone for poor performance while maintaining a positive working relationship with that person
Conceptual Skills: The manager's ability to think in the abstract
• Examples: The manager who first sees a new market for an existing product; a manager who accurately forecasts a next-generation technology
Diagnostic Skills: The manager's ability to visualize the most appropriate response to a situation
• Examples: A manager who can understand why customer complaints are increasing; the manager who can quickly assess the impact of a new foreign trade agreement
Communication Skills: The abilities both to effectively convey ideas and information to others and to effectively receive ideas and information from others
• Examples: The manager who can write an email that is both informative and inspirational; a manager who can carefully listen to what others are saying and then craft an effective reply
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
• Examples: A manager who can quickly recognize the need for a decision and then frame the nature of the decision that is required; the manager who recognizes that an earlier decision did not result in a good outcome and so starts the decision-making process over again
Time-Management Skills: The manager's ability to prioritize work, to work efficiently, and to delegate appropriately
• Examples: The manager who routinely tackles the most pressing and significant tasks and delegates less significant tasks to others; a manager who does not easily get distracted by irrelevant issues

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 managers must fulfill, a manager must also be able to work with suppliers, customers, investors, and others outside the organization. Although some managers have succeeded with poor interpersonal skills, a manager who has good interpersonal skills is likely to be more successful. Sheryl Sandberg joined Facebook in 2008 as chief operating officer, following careers at the World Bank, the Treasury Department, and Google. Sandberg is renowned for her interpersonal skills and sharp intellect, balancing CEO Mark Zuckerberg's introversion. These skills have helped to cultivate strong relationships with key advertisers and bring continued growth and stability to Facebook.

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 allows them to think strategically, to see the "big picture," and to make broad-based decisions that serve the overall organization.

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 a manager 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.[13] When the founders and original owners of Starbucks failed to make a success of the business, Howard Schultz took over and reoriented the business away from mail order and moved it into retail coffee outlets. His diagnostic skills enabled him to understand both why the current business model was not working and how to construct a better one.

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 both to effectively convey ideas and information to others and to 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 emails, letters, reports, and other written communication. Surveys suggest that among corporate recruiters communication skills were very important—anywhere from 62 to 77 percent indicated that this was the most important skill set they looked for in new recruits.[14]

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. A few years ago, Starbucks introduced and heavily promoted a liquefied chocolate beverage called Chantico. However, customers largely ignored the drink due to its high calorie and fat content and it was quickly dropped from the company's menu. Flawed decision making may have led to the product launch, but more effective decision making quickly allowed the firm to reverse itself and minimize its losses.

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.[15] When this happens, unfortunately, more pressing

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and higher-priority work may get neglected.[16] Jeff Bezos, CEO of Amazon.com, schedules all his meetings three days out of the week but insists on keeping the other two days clear so that he can pursue his own ideas and maintain the flexibility to interact with his employees informally.[17]

> **"The important thing, besides getting up early, is to have a system by which you manage your tasks."**
>
> —Chad Dickerson, CEO Of ETSY[18]

Manager's Checklist

☐ Managers are called upon to play a variety of important roles.

☐ Managers also rely on a mix of key skills as they perform their jobs.

☐ You should strive to understand your relative strengths and weaknesses across the key management skills and how those strengths and weaknesses affect your job and job performance.

1-5 THE NATURE OF MANAGERIAL WORK

We have already noted that managerial work does not follow an orderly, systematic progression through the workweek. Indeed, the manager's job is fraught with uncertainty, change, interruption, and fragmented activities. Numerous studies suggest that in a typical day CEOs are likely to spend their time in both scheduled and unscheduled meetings and conversations, doing "desk work," talking on the telephone and participating in video conferences, reading and responding to email, and reacting to various situations requiring them to make decisions. (The time spent on each activity, of course, varies constantly.) Moreover, the nature of managerial work continues to change in complex and often unpredictable ways.[19]

In addition, managers perform a wide variety of tasks. In the course of a single day, for example, a manager might have to make a decision about the design of a new product, settle a dispute between two subordinates, hire a new assistant, write a report for her boss, coordinate a joint venture with an overseas colleague, form a task force to investigate a problem, search for information on the Internet, and deal with a labor grievance. Moreover, the pace of the manager's job can be relentless. He may feel bombarded by email, texts, telephone calls, and people waiting to see him. Decisions may have to be made quickly and plans formulated with little time for reflection.[20] But, in many ways, these same characteristics of managerial work also contribute to its richness and meaningfulness. Making critical decisions under intense pressure, and making them well, can be a major source of intrinsic satisfaction. And managers are usually well paid for the pressures they bear.

> **"Business is simple. Management's job is to take care of employees. The employees' job is to take care of the customers. Happy customers take care of the shareholders. It's a virtuous circle."**
>
> —John Mackey, Founder of Whole Foods[21]

1-5a 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 the art of management as they practice their craft.[22]

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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 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 also 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 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 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 then makes necessary adjustments later. Thus, managers must blend an element of intuition and personal insight with hard data and objective facts.

> **"Business is really an art form. At its best, it's the artistry of how people create things together."**
>
> —Peter Senge, A Leading Business Expert[23]

1-5b Becoming a Manager

How does one acquire the skills necessary to blend the science and art of management and to become a successful manager? Although there are as many variations as there are managers, the most common path involves a combination of education and experience.[24] Figure 1.4 illustrates how this generally happens.

Matej Kastelic/Shutterstock.com

Education plays an important role in helping managers develop their skills. These managers are attending a seminar to help them better understand current trends and challenges in their industry.

The Role of Education Many of you reading this book are doing so because you are enrolled in a management course at a college or university. Thus, you are acquiring management skills in an educational setting. When you complete the course (and this book), you will have a foundation for developing your management skills in more advanced courses. A college degree has become almost a requirement for career advancement in business, and virtually all CEOs in the United States have a college degree. MBA degrees are also common among successful executives today. Most foreign universities also offer academic programs in management, business, and/or economics.

Even after obtaining a degree, most prospective managers have not seen the end of their management education. Many middle and top managers periodically return to campus to participate in executive or management development programs ranging in duration from a few days to several weeks. First-line managers also take advantage of extension and continuing education programs offered by institutions of higher education and/or through online media. A recent innovation in extended management education is the executive MBA program

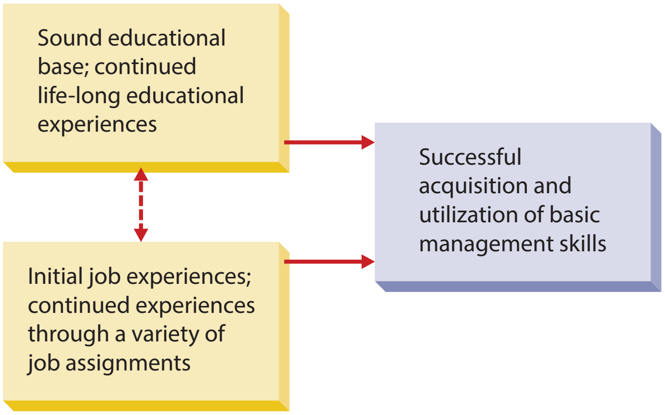
Sound educational base; continued life-long educational experiences
Initial job experiences; continued experiences through a variety of job assignments
Successful acquisition and utilization of basic management skills

FIGURE 1.4

Sources of Management Skills

Most managers acquire their skills as a result of education and experience. Though a few CEOs today do not hold college degrees, most students preparing for management careers earn college degrees and may go on to enroll in MBA programs.

offered by many top business schools, in which middle and top managers with several years of experience complete an accelerated program of study on weekends.[25] Finally, many large companies have in-house training programs for furthering managers' education. Indeed, some firms have even created what are essentially corporate universities to provide the specialized education they feel is required for their managers in order for them to remain successful.[26] McDonald's, Shell Oil, and Halliburton are among the leaders in this area. Regardless of the type of training, there is also a distinct trend toward online educational development for managers.[27] The primary advantage of education as a source of management skills is that, as a student, a person can follow a well-developed program of study, becoming familiar with current research and thinking on management. And many college students can devote full-time energy and attention to learning. On the negative side, management education is often very general, to meet the needs of a wide variety of students, and specific know-how may be hard to obtain. Furthermore, many aspects of the manager's job can be discussed in a book but cannot really be appreciated and understood until they are experienced in real life settings.

The Role of Experience This book will help provide you with a solid foundation for enhancing your management skills. Even if you were to memorize every word in every management book ever written, however, you could not then step into a top management position and immediately be effective. The reason? Management skills must also be learned through experience. Most managers advanced to their present positions from other jobs. Only by experiencing the day-to-day pressures a manager faces and by meeting a variety of managerial challenges can one develop insights into the real nature and character of managerial work.

For this reason, most large companies, and many smaller ones as well, have developed management training programs for their prospective managers. People are hired from college campuses, from other organizations, or from the ranks of the organization's first-line managers and operating employees. These people are systematically assigned to a variety of jobs. Over time, the person is exposed to most, if not all, of the major aspects of the organization. In this way the manager learns by experience. The training programs at some companies, such as Procter & Gamble, General Mills, and Shell Oil, are so good that other companies try to hire people who have graduated from them.[28] Even without formal training programs, managers can achieve success as they profit from varied experiences. For example, Herb Kelleher was a practicing attorney before he took over at Southwest Airlines and led it to become one of the most successful and admired businesses in the United States. Of course, natural ability, drive, and self-motivation also play roles in acquiring experience and developing management skills.

Most effective managers learn their skills through a combination of education and experience. Some type of college degree, even if it is not in business administration, usually provides a foundation for a management career. The person then gets his or her first job and subsequently progresses through a variety of management situations. During the manager's rise in the organization, occasional education "updates," such as management development programs, may supplement on-the-job experience. And, increasingly, managers need to acquire international expertise as part of their personal development. As with general managerial skills, international expertise can be acquired through a combination of education and experience.[29]

1-5c The Scope of Management

When most people think of managers and management, they think of profit-seeking organizations. Throughout this chapter, we use people like Sergey Brin and Larry Page of Alphabet and Google, Mary Barra of General Motors, and Reed Hastings of Netflix as examples. But we also provide examples from sports, religion, and other fields in which management is essential. Indeed, any group of two or more persons working together to achieve a goal and having human, material, financial, or informational resources at its disposal requires the practice of management.

Managing in Profit-Seeking Organizations Most of what we know about management comes from large profit-seeking organizations because their survival has long depended on efficiency and effectiveness. Examples of large businesses include industrial firms such as ExxonMobil, Toyota, BMW, Sony, Unilever, and Levi Strauss; commercial banks such as Citicorp, Fuji Bank, and Wells Fargo; insurance companies such as Prudential, State Farm, and Metropolitan Life; retailers such as Urban Outfitters, Amazon, Kroger, and Target; transportation companies such as United Airlines and Consolidated Freightways; utilities such as Pacific Gas & Electric and Consolidated Edison of New York; communication companies such as CBS and the New York Times Company; and service organizations such as Kelly Services, KinderCare Learning Centers, and Century 21 Real Estate.

Although many people associate management primarily with large businesses, effective management is also essential for small businesses, which play an important role in the country's economy. In fact, most of this nation's businesses are small. In some respects, effective management is more important in a small business than in a large one. A large firm such as ExxonMobil or Apple can recover relatively easily from losing several thousand dollars on an incorrect decision; even losses of millions of dollars would not threaten their long-term survival. But it may be that a small business can ill afford even a much smaller loss. Of course, some small businesses become big ones. Dell Computer, for example, was started by one person—Michael Dell—in 1984. By 2020 it had become one of the largest businesses in the United States, with annual revenues of almost $91 billion.

Globalization and international management are also very important. The list of U.S. firms doing business in other countries is staggering. ExxonMobil, for example, derives around 65 percent of its revenues

Image Source/Getty Images

A U.S.-based manager meets with his Middle East–based colleagues to strategize their global marketing plans.

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Steve Jennings/Getty Images

Marina Park, CEO of Girl Scouts of Northern California, speaks at the podium at the ceremony for Girl Scouts of the USA and the National Park Service. As head of this nonprofit, Park is often called upon for speaking engagements.

from foreign markets, and Coca-Cola derives over half of its sales from foreign markets. Other major U.S. exporters include General Motors, General Electric, Boeing, and Caterpillar. And even numbers like Ford's are deceptive. For example, the automaker has large subsidiaries based in many European countries whose sales are not included as foreign revenue. Moreover, a number of major firms that do business in the United States have their headquarters in other countries. Firms in this category include the Royal Dutch/Shell Group (the Netherlands), Fiat S.p.A. (Italy), Nestlé S.A. (Switzerland), and Four Seasons (Canada). International management is not, however, confined to profit-seeking organizations. Several international sports federations (such as Little League Baseball), branches (embassies) of the federal government, and the Roman Catholic Church are established in most countries as well. In some respects, the military was one of the first multinational organizations. International management is covered in depth in Chapter 5.

Managing in Not-for-Profit Organizations Intangible goals such as education, social services, public protection, and recreation are often the primary aim of not-for-profit organizations. Examples include United Way of America, the U.S. Postal Service, Girl Scouts of the U.S.A., the International Olympic Committee, art galleries, museums, and the Public Broadcasting System (PBS). Although these and similar organizations may not have to be profitable to attract investors, they must still employ sound management practices if they are to survive and work toward their goals.[30] And they must handle money in an efficient and effective way. If the United Way were to begin to spend larger portions of its contributions on salaries and perks for its top managers, contributors would lose confidence in the organization and make their charitable donations elsewhere.

The management of government organizations and agencies is often regarded as a separate specialty: public administration. Government organizations include the Federal Trade Commission (FTC), the Environmental Protection Agency (EPA), the National Science Foundation, all branches of the military, state highway departments, and federal and state prison systems. Tax dollars support government organizations, so politicians and citizens' groups are acutely sensitive to the need for efficiency and effectiveness. For instance, the FTC's annual budget is $311 million.

Public and private schools, colleges, and universities all stand to benefit from the efficient use of resources. Growing pressures on state budgets have reduced money available for education. Fewer resources combined with surging costs, in turn, force administrators to make tough decisions about allocating remaining resources.

Managing health care facilities such as clinics, hospitals, and HMOs (health maintenance organizations) is now considered a separate field of management. Here, as in other organizations, scarce resources dictate an efficient and effective approach. In recent years some universities have established healthcare administration programs to train managers as specialists in this field.

Good management is also required in nontraditional settings to meet established goals. To one extent or another, management is practiced in religious organizations, terrorist groups, fraternities and sororities, organized crime, street gangs, neighborhood associations, and individual households. In short, as we noted at the beginning of this chapter, management and managers have a profound influence on all of us.

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