

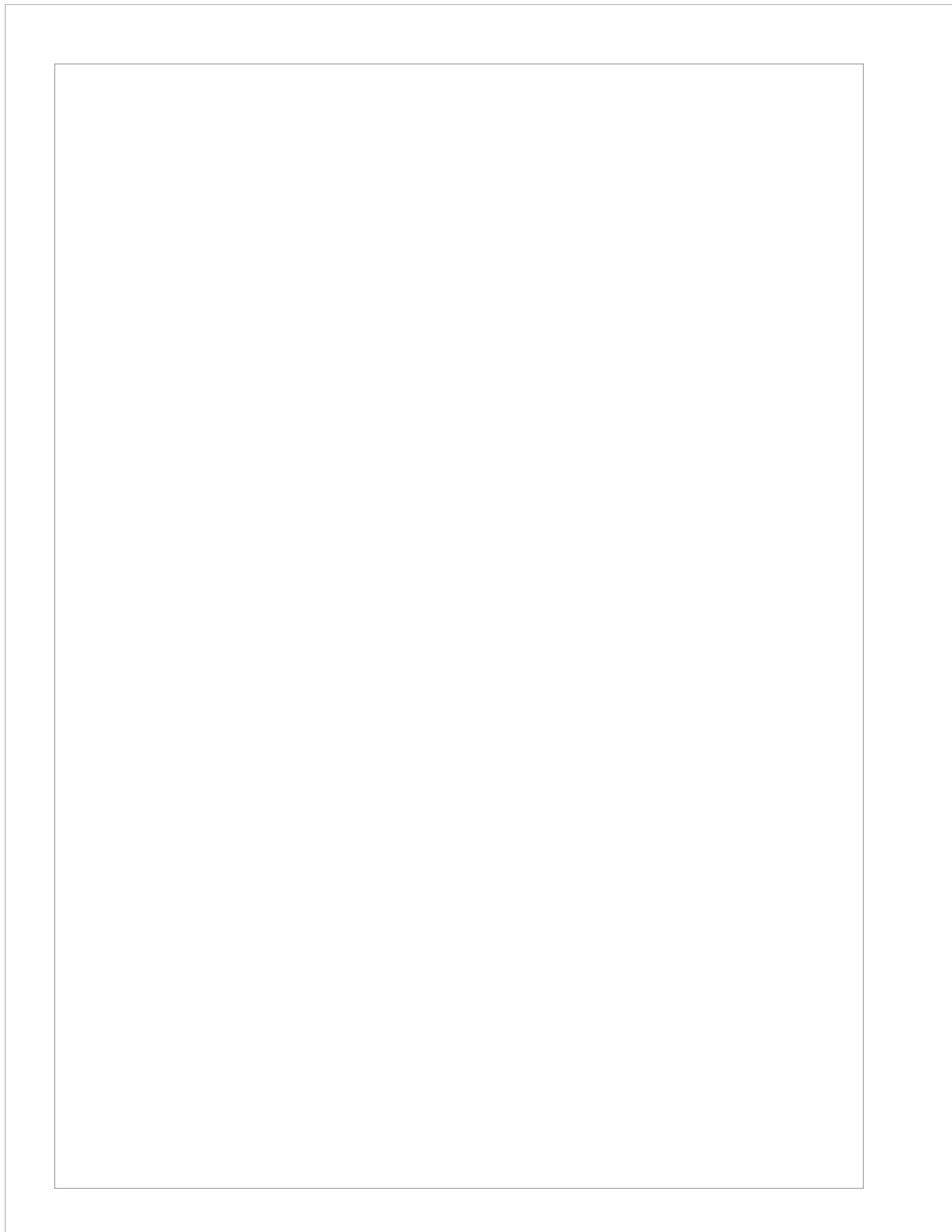
Management

**Mc
Graw
Hill
Education**



CONTEMPORARY Management







CONTEMPORARY Management

Eleventh Edition

Gareth R. Jones

Jennifer M. George

Jesse H. Jones Graduate School of Business
Rice University

Mc
Graw
Hill
Education





CONTEMPORARY MANAGEMENT, ELEVENTH EDITION

Published by McGraw-Hill Education, 2 Penn Plaza, New York, NY 10121. Copyright © 2020 by McGraw-Hill Education. All rights reserved. Printed in the United States of America. Previous editions © 2018, 2016, and 2014. No part of this publication may be reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written consent of McGraw-Hill Education, including, but not limited to, in any network or other electronic storage or transmission, or broadcast for distance learning.

Some ancillaries, including electronic and print components, may not be available to customers outside the United States.

This book is printed on acid-free paper.

1 2 3 4 5 6 7 8 9 LWI 21 20 19

ISBN 978-1-260-07509-0 (bound edition)

MHID 1-260-07509-5 (bound edition)

ISBN 978-1-260-48866-1 (loose-leaf edition)

MHID 1-260-48866-7 (loose-leaf edition)

Managing Director: *Terri Schiesl*

Director: *Michael Ablassmeir*

Lead Product Developer: *Kelly Delso*

Product Developer: *Haley Burmeister*

Executive Marketing Manager: *Debbie Clare*

Senior Project Manager, Core Content: *Kathryn D. Wright*

Senior Project Manager, Assessment Content: *Keri Johnson*

Project Manager, Media Content: *Karen Jozefowicz*

Buyer: *Sandy Ludovissy*

Design: *Jessica Cuevas*

Content Licensing Specialist: *Jaocb Sullivan*

Cover Image: ©G.LIUDMILA/Shutterstock

Compositor: *SPi Global*

All credits appearing on page or at the end of the book are considered to be an extension of the copyright page.

Library of Congress Cataloging-in-Publication Data

Names: Jones, Gareth R., author. | George, Jennifer M., author.

Title: Contemporary management/Gareth R. Jones, Jennifer M. George, Jesse

H. Jones Graduate School of Business Rice University.

Description: Eleventh edition. | New York, NY: McGraw-Hill Education, [2020]

Identifiers: LCCN 2018048517 | ISBN 9781260075090 (bound edition) | ISBN

1260075095 (bound edition) | ISBN 9781260488661 (loose-leaf edition) |

ISBN 1260488667 (loose-leaf edition)

Subjects: LCSH: Management.

Classification: LCC HD31 .J597 2020 | DDC 658--dc23 LC record

available at <https://lccn.loc.gov/2018048517>

The Internet addresses listed in the text were accurate at the time of publication. The inclusion of a website does not indicate an endorsement by the authors or McGraw-Hill Education, and McGraw-Hill Education does not guarantee the accuracy of the information presented at these sites.

BRIEF CONTENTS

Part One

Management

Chapter 1

Managers and Managing 2

Chapter 2

The Evolution of Management Thought 30

Chapter 3

Values, Attitudes, Emotions, and Culture: The Manager as a Person 56

Part Two

The Environment of Management

Chapter 4

Ethics and Social Responsibility 86

Chapter 5

Managing Diverse Employees in a Multicultural Environment 118

Chapter 6

Managing in the Global Environment 152

Part Three

Decision Making, Planning, and Strategy

Chapter 7

Decision Making, Learning, Creativity, and Entrepreneurship 180

Chapter 8

The Manager as a Planner and Strategist 212

Chapter 9

Value Chain Management: Functional Strategies for Competitive Advantage 244

Part Four

Organizing and Controlling

Chapter 10

Managing Organizational Structure and Culture 272

Chapter 11

Organizational Control and Change 308

Chapter 12

Human Resource Management 338

Part Five

Leading Individuals and Groups

Chapter 13

Motivation and Performance 372

Chapter 14

Leadership 404

Chapter 15

Effective Groups and Teams 434

Part Six

Managing Critical Organizational Processes

Chapter 16

Promoting Effective Communication 466

Chapter 17

Managing Conflict, Politics, and Negotiation 496

Chapter 18

Using Advanced Information Technology to Increase Performance 522

NAME INDEX

NI-1

ORGANIZATION INDEX

OI-1

SUBJECT GLINDEX

SGL-1

AUTHORS

Gareth Jones currently offers pro bono advice on solving management problems to nonprofit organizations in Houston, Texas. He received his BA in Economics/Psychology and his PhD in Management from the University of Lancaster, UK. He was formerly Professor of Management in the Graduate School of Business at Texas A&M University and earlier held teaching and research appointments at Michigan State University, the University of Illinois at Urbana-Champaign, and the University of Warwick, UK.

He continues to pursue his research interests in strategic management and organizational theory and his well-known research that applies transaction cost analysis to explain many forms of strategic and organizational behavior. He also studies the complex and changing relationships between competitive advantage and information technology in the 2010s.

He has published many articles in leading journals of the field, and his research has appeared in the *Academy of Management Review*, the *Journal of International Business Studies*, and *Human Relations*. An article about the role of information technology in many aspects of organizational functioning was published in the *Journal of Management*. One of his articles won the *Academy of Management Journal's* Best Paper Award, and he is one of the most cited authors in the *Academy of Management Review*. He is, or has served, on the editorial boards of the *Academy of Management Review*, the *Journal of Management*, and *Management Inquiry*.

Gareth Jones has used his academic knowledge to craft leading textbooks in management and three other major areas in the management discipline: organizational behavior, organizational theory, and strategic management. His books are widely recognized for their innovative, contemporary content and for the clarity with which they communicate complex, real-world issues to students.



Jennifer George is the Mary Gibbs Jones Professor of Management and Professor of Psychology in the Jesse H. Jones Graduate School of Business at Rice University. She received her BA in Psychology/Sociology from Wesleyan University, her MBA in Finance from New York University, and her PhD in Management and Organizational Behavior from New York University. Prior to joining the faculty at Rice University, she was a professor in the Department of Management at Texas A&M University.

Professor George specializes in organizational behavior and is well known for her research on mood and emotion in the workplace, their determinants, and their effects on various individual and group-level work outcomes. She is the author of many articles in leading peer-reviewed journals such as the *Academy of Management Journal*, the *Academy of Management Review*, the *Journal of Applied Psychology*, *Organizational Behavior and Human Decision Processes*, *Journal of Personality and Social Psychology*, *Organization Science*, and *Psychological Bulletin*. One of her papers won the Academy of Management's Organizational Behavior Division Outstanding Competitive Paper Award, and another paper won the *Human Relations* Best Paper Award. She is, or has been, on the editorial review boards of the *Journal of Applied Psychology*, *Academy of Management Journal*, *Academy of Management Review*, *Administrative Science Quarterly*, *Journal of Management*, *Organizational Behavior and Human Decision Processes*, *Organization Science*, *International Journal of Selection and Assessment*, and *Journal of Managerial Issues*; was a consulting editor for the *Journal of Organizational Behavior*; was a member of the SIOP *Organizational Frontiers Series* editorial board; and was an associate editor of the *Journal of Applied Psychology*. She is a fellow in the Academy of Management, the American Psychological Association, the American Psychological Society, and the Society for Industrial and Organizational Psychology and a member of the Society for Organizational Behavior. She also has coauthored a textbook titled *Understanding and Managing Organizational Behavior*.



PREFACE

Since the tenth edition of *Contemporary Management* was published, our book continues to be a leader in the management market. This tells us that we continue to meet the expectations of our existing users and attract new users to our book. It is clear that most management instructors share with us a concern for the need to continuously introduce new and emerging issues into the text and its examples to ensure that cutting-edge issues and new developments in the field of contemporary management are addressed.

In the new eleventh edition of *Contemporary Management*, we continue with our mission to provide students the most current and up-to-date account of the changes taking place in the world of business management. The fast-changing domestic and global environment continues to pressure organizations and their managers to find new and improved ways to respond to changing events in order to maintain and increase their performance. More than ever, events around the globe, rapid changes in technology, and economic pressures and challenges show how fast the success and even survival of companies can change. For example, the increasing complexity of the exchanges between global companies has profoundly affected the management of both large and small organizations. Today there is increased pressure on managers to find new management practices that can increase their companies' efficiency and effectiveness and ability to survive and prosper in an increasingly competitive global environment.

In revising our book, we continue our focus on making our text relevant and interesting to today's students—something that we know from instructor and student feedback engages them and encourages them to make the effort necessary to assimilate the text material. We continue to mirror the changes taking place in management practices by incorporating recent developments in management theory and research into our text and by providing vivid, current examples of how managers of companies large and small have responded to the changes taking place. Indeed, we have incorporated many new and contemporary examples in the new edition illustrating how founders, managers, and employees in a variety of types of organizations respond to the opportunities and challenges they face. These examples drive home to students how essential it is for them to develop a rich understanding of management theory and research and the ability to apply what they have learned in organizational settings.

The number and complexity of the strategic, organizational, and human resource challenges facing managers and all employees have continued to increase throughout

the 2010s. In most companies, managers at all levels are playing catch-up as they work toward meeting these challenges by implementing new and improved management techniques and practices. Today relatively small differences in performance between companies, such as in the speed at which they can bring new products or services to market or in how they motivate their employees to find ways to improve performance or reduce costs, can combine to give one company a significant competitive advantage over another. Managers and companies that use proven management techniques and practices in their decision making and actions increase their effectiveness over time. Companies and managers that are slower to implement new management techniques and practices find themselves at a growing competitive disadvantage that makes it even more difficult to catch up. Thus many industries have widening gaps between weaker competitors and the most successful companies, whose performance reaches new heights because their managers have made better decisions about how to use a company's resources in the most efficient and effective ways. In the rapidly changing and dynamic environment facing organizations today, effective managers recognize the vital role that creativity and innovation play in successfully anticipating and responding to these challenges as well as seizing the potential opportunities that they bring while mitigating the threats.

The issues facing managers continue to intensify as changes in the global environment, such as a tightening of the U.S. labor market and rising wages in China and other countries, impact organizations large and small. Similarly, increasing globalization means managers must respond to major differences in the legal rules and regulations and ethical values and norms that prevail in countries around the globe.

Moreover, the revolution in information technology (IT) continues to transform how managers make decisions across all levels of a company's hierarchy and across all its functions and global divisions. The eleventh edition of our book addresses these ongoing challenges as IT continues to change at breakneck speed, especially in the area of artificial intelligence, blockchain technology, data analytics, and cybersecurity.

Other major challenges we continue to expand on in the new edition include the impact of the steadily increasing diversity of the workforce on companies and how this increasing diversity makes it imperative for managers to understand how and why people differ so they can effectively manage and reap the many benefits of a diverse workforce. Similarly, across all functions and levels, managers

and employees must continuously search out ways to “work smarter” and increase performance. Using new IT to improve all aspects of an organization’s operations to boost efficiency and customer responsiveness is a vital part of this process. We have significantly revised the eleventh edition of *Contemporary Management* to address these challenges to managers and their organizations.

Major Content Changes

Encouraged by the number of instructors and students who use each new edition of our book, and based on the reactions and suggestions of both users and reviewers, we have revised and updated our book in the following ways. First, just as we have included new research concepts as appropriate, so too have we been careful to eliminate outdated or marginal management concepts. As usual, our goal has been to streamline our presentation and keep the focus on the changes taking place that have the most impact on managers and organizations. In today’s world of instant sound bites, videos, text messaging, and tweets, providing the best content is much more important than providing excessive content—especially when some of our students are burdened by time pressures stemming from the need to work long hours at paying jobs and meeting personal commitments and obligations.

Second, we have added new management content and have reinforced its importance by using many small and large company examples that are described in the chapter opening cases titled “A Manager’s Challenge”; in the many boxed examples featuring managers and employees in companies both large and small in each chapter; and in the “Case in the News” closing cases.

Chapter 1, for example, contains new and updated material on the way recent changes in IT and the products and services that result from it are affecting competition among companies. The chapter features a new opening feature about Microsoft CEO Satya Nadella and his quest to reboot the tech giant by encouraging staff to adopt a mind-set that is constantly learning and improving, retooling products and services to encourage efficiency and innovation, and placing a high value on diversity in the workplace. New chapter highlights include features about working as a city manager, managing a large emergency room facility, and recovering from a companywide ethical scandal at Wells Fargo. The chapter also contains an updated discussion and examples about managing a diverse workforce, including America’s best employers for diversity.

Chapter 2 opens with the story of how Comcast is rethinking the customer experience in an effort to sustain competitive advantage. The chapter continues to cover traditional management theories and how they have been modified to address changing work conditions in the global environment today. In addition, a new discussion

focuses on the theory of dynamic capabilities, which encourages managers to use the organization’s past experience to shift focus when situations demand a different approach.

Chapter 3 updates material about the manager as a person and the way personal characteristics of managers (and all members of an organization) influence organizational culture and effectiveness. The chapter opens with a new “Manager’s Challenge” on Geisha Williams, the CEO of PG&E (one of the country’s largest gas and oil utilities) and the first Latina to run a *Fortune* 500 company. There is also new content about personality assessments, including the Myers-Briggs Type Indicator and the DiSC Inventory Profile, as well as chapter features on promoting ethical values in the hotel industry and understanding emotional intelligence in various cultures.

Chapter 4 provides updated material about the unethical and illegal behaviors of managers from various industries. We have updated our coverage of the many issues involved in acting and managing ethically, including an opening story about Tesla and its involvement in building microgrids to help restore power in Puerto Rico after the island suffered devastating damage from recent hurricanes. We also discuss new issues in ethics and provide conceptual tools to help students understand better how to make ethical decisions. We highlight issues related to worker safety, environmental responsibility, and regulations to protect consumer safety. Finally, we have updated coverage of the ethics of nonprofits and their managers as well as added chapter features on Accenture’s new chatbot that is helping to guide employee ethical behavior and a global organization that protects home-based apparel workers in foreign countries. The ethical exercise at the end of every chapter continues to be a popular feature of our book.

Chapter 5 focuses on the effective management of the many faces of diversity in organizations for the good of all stakeholders. A new “Manager’s Challenge” highlights the strategies Intel uses to effectively manage diversity in the workplace. We have updated chapter content, examples, and statistics for such issues as age, gender, race and ethnicity, disabilities, sexual orientation, and the pay gap between women and men. In addition, we have added a new discussion about implicit bias and how it affects most people’s actions and decisions in an unconscious manner. The chapter also provides expanded coverage of the way managers can leverage the increasing diversity of the population and workforce to reap the performance benefits that stem from diversity while ensuring that all employees are treated fairly. Finally, the discussion about sexual harassment has been revised to include recent statistics and information about the #MeToo movement, which impacts women in many different work situations.

Chapter 6 contains an integrated account of forces in both the domestic and global environments. A new

“Manager’s Challenge” describes the challenges and opportunities Amazon faced as it tried to expand its e-commerce business to India. The chapter has also been revised and updated to reflect the way increasing global competition and free trade have changed the global value creation process. The chapter uses examples from the fashion industry, electronics industry, and the music-streaming industry to illustrate these issues. In addition, a new section describes the GLOBE project, which extends Hofstede’s work on national culture by examining additional dimensions that may impact how business is conducted in a variety of cultures and countries. The chapter also has an updated discussion about the challenges faced by expats in moving abroad, as well as strategies utilized by companies in an effort to become key suppliers to emerging global businesses.

Chapter 7 discusses the vital processes of decision making, learning, and creativity in organizations and their implications for managers and all employees. The chapter opens with a new “Manager’s Challenge” on how creativity and the ability to learn helped the management of 23andMe, an online genetic screening service, adapt its business when roadblocks almost derailed the company. We also include a discussion of the position of chief sustainability officer and examine how managers can make decisions to help ensure their actions contribute to sustainability. Also, we continue our discussion of social entrepreneurs who seek creative ways to address social problems to improve well-being by, for example, reducing poverty, increasing literacy, and protecting the natural environment. In addition, we expanded the discussion of strategies for creating and sustaining a learning organization and added features on decision-making strategies at a beauty-products startup and Western Union’s successful approach to constant learning throughout the organization.

As in the last edition, **Chapter 8** focuses on corporate-, global-, and business-level strategies, and **Chapter 9** discusses functional strategies for managing value chain activities. These two chapters make clear the links between the different levels of strategy while maintaining a strong focus on managing operations and processes. Chapter 8 continues the discussion of planning and levels of strategy, which focuses on how companies can use vertical integration and related diversification to increase long-term profitability. A new opening story describes the strategies put in place by Marriott International CEO Arne Sorenson and his management team to expand the company’s growth over the next few years. The chapter also includes updated examples of business-level strategies that focus on low-cost strategies in a world in which prices continue to be under pressure due to increased global competition. In Chapter 9 we continue to explore how companies can develop new functional-level strategies to improve efficiency, quality, innovation, and

responsiveness to customers. We also added a discussion on the importance of value chain analysis for managers within any organization to help increase efficiency, reduce costs, and strengthen collaboration among various functional activities. In addition to coverage of TQM, including the Six Sigma approach, we include a discussion of the importance of customer relationship management (CRM) and the need to attract and retain customers especially during challenging economic times.

Chapters 10 and **11** offer updated coverage of organizational structure and control and discuss how companies have confronted the need to reorganize their hierarchies and ways of doing business as the environment changes and competition increases. In Chapter 10, for example, we discuss how McDonald’s CEO Steve Easterbrook made major organizational changes, including a move to the city for the company’s corporate headquarters, in an effort to revitalize and re-energize the company’s culture and overall business. We also continue to highlight examples that show how companies are designing global organizational structure and culture to improve performance. In **Chapter 11** we continue this theme by looking at how companies are changing their control systems to increase efficiency and quality, for example. More generally, how to use control systems to increase quality is a theme throughout the chapter.

We have updated and expanded our treatment of the many ways in which managers can effectively manage and lead employees in their companies. For example, **Chapter 12** opens with a new “Manager’s Challenge” that highlights how Home Depot’s strategic focus on hiring and retaining top workers in a tight labor market continues to pay off for the home improvement retail giant. The chapter also discusses best practices to recruit and attract outstanding employees, the importance of training and development, pay differentials, and family-friendly benefit programs. In addition, there is treatment of the use of background checks by employers, the use of forced ranking systems in organizations, and issues concerning excessive CEO pay and pay comparisons between CEOs and average workers, and updated statistics on U.S. union membership. Finally, we added a discussion on the recent trend of companies doing away with annual performance appraisals in an effort to provide real-time feedback and foster ongoing conversations about job performance, expectations, and growth and development. **Chapter 13** continues coverage of prosocially motivated behavior, including examples of people who are motivated to benefit others. It also discusses the many steps managers can take to create a highly motivated workforce and the importance of equity and justice in organizations.

Chapter 14 highlights the critical importance of effective leadership in organizations and factors that contribute to managers being effective leaders, including a discussion of

servant leadership. A new “Manager’s Challenge” describes the effective leadership demonstrated by the two recent CEOs of the Dana-Farber Cancer Institute. There is also a discussion of how managers with expert power need to recognize that they are not always right. The chapter also addresses how emotional intelligence may help leaders respond appropriately when they realize they have made a mistake, and it gives updated examples of leadership in a variety of organizations. Expanded and updated coverage of the effective management of teams, including virtual teams, is provided in **Chapter 15**, which opens with a new “Manager’s Challenge” that highlights how the U.S. Army has set up special teams to expedite innovation and cut through bureaucratic red tape, which historically has been a huge obstacle within military management and operations. The chapter also covers the problems that arise because of a lack of leadership in teams.

Chapter 16 includes coverage of effective communication and how, given the multitude of advances in IT, it is important to create opportunities for face-to-face communication. There is also information on the ethics of monitoring email and Internet use, including statistics on Internet usage both in the United States and in other countries around the world. Finally, there is also a discussion of social networking sites and why some managers attempt to limit employees’ access to them during the workday. **Chapter 17** includes an updated discussion of the vital task of effectively managing conflict and politics in organizations and how to negotiate effectively on a global level. There are many new examples of how managers can create a collaborative work context and avoid competition between individuals and groups.

Chapter 18 has been revised and refreshed to discuss recent advances in information technology that continue to change the way we do business and the way we manage people. For example, a new “Manager’s Challenge” describes how software that applies artificial intelligence is being used as a management coaching system—ongoing feedback from employees defines areas in which a manager needs to improve his or her leadership. Other recent innovations such as data analytics, blockchain technology, and machine learning are also explored. In addition, cybersecurity and data privacy are highlighted as ongoing issues managers will need to address as technology continues to evolve quickly and impact their roles and responsibilities in any organization.

We feel confident that the major changes we have made to the eleventh edition of *Contemporary Management* reflect the changes occurring in management and the workplace; we also believe they offer an account of management that will stimulate and challenge students to think about their future as they look for opportunities in the world of organizations.

Unique Emphasis on Contemporary, Applied Management

In revising our book, we have kept at the forefront the fact that our users and reviewers are supportive of our attempts to integrate contemporary management theories and issues into the analysis of management and organizations. As in previous editions, our goal has been to distill new and classic theorizing and research into a contemporary framework that is compatible with the traditional focus on management as planning, leading, organizing, and controlling but that transcends this traditional approach.

Users and reviewers report that students appreciate and enjoy our presentation of management—a presentation that makes its relevance obvious even to those who lack exposure to a real-life management context. Students like the book’s content and the way we relate management theory to real-life examples to drive home the message that management matters both because it determines how well organizations perform and because managers and organizations affect the lives of people inside and outside the organization, such as employees, customers, and shareholders.

Our contemporary approach has led us to discuss many concepts and issues that are not addressed in other management textbooks, and it is illustrated by the way we organize and discuss these management issues. We have gone to great lengths to bring the manager back into the subject matter of management. That is, we have written our chapters from the perspective of current or future managers to illustrate, in a hands-on way, the problems and opportunities they face and how they can effectively meet them. For example, in Chapter 3 we provide an integrated treatment of personality, attitudes, emotions, and culture; in Chapter 4, a focus on ethics from a student’s and a manager’s perspective; and in Chapter 5, an in-depth treatment of effectively managing diversity and eradicating sexual harassment. In Chapters 8 and 9, our integrated treatment of strategy highlights the multitude of decisions managers must make as they perform their most important role—increasing organizational efficiency, effectiveness, and performance.

Our applied approach can also be clearly seen in the last three chapters of the book, which cover the topics of promoting effective communication; managing organizational conflict, politics, and negotiation; and using information technology in ways that increase organizational performance. These chapters provide a student-friendly, behavioral approach to understanding the management issues entailed in persuasive communication, negotiation, and implementation of advanced information systems to build competitive advantage.



Flexible Organization

Another factor of interest to instructors is how we have designed the grouping of chapters to allow instructors to teach the chapter material in the order that best suits their needs. For example, the more micro-oriented instructor can follow Chapters 1 through 5 with Chapters 12 through 16 and then use the more macro chapters. The more macro-oriented

professor can follow Chapters 1 and 2 with Chapters 6 through 11, jump to 16 through 18, and then use the micro chapters, 3 through 5 and 12 through 15.

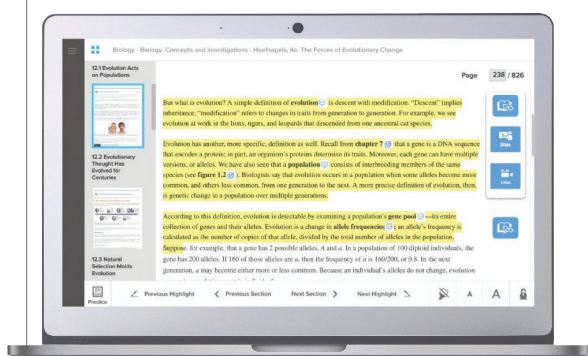
Our sequencing of parts and chapters gives instructors considerable freedom to design the course that best suits their needs. Instructors are not tied to the planning, organizing, leading, and controlling framework, even though our presentation remains consistent with this approach.

SUCCESSFUL SEMESTERS INCLUDE CONNECT

FOR INSTRUCTORS

You're in the driver's seat.

Want to build your own course? No problem. Prefer to use our turnkey, prebuilt course? Easy. Want to make changes throughout the semester? Sure. And you'll save time with Connect's auto-grading too.



65%

Less Time
Grading

They'll thank you for it.

Adaptive study resources like SmartBook® help your students be better prepared in less time. You can transform your class time from dull definitions to dynamic debates. Hear from your peers about the benefits of Connect at www.mheducation.com/highered/connect

Make it simple, make it affordable.

Connect makes it easy with seamless integration using any of the major Learning Management Systems—Blackboard®, Canvas, and D2L, among others—to let you organize your course in one convenient location. Give your students access to digital materials at a discount with our inclusive access program. Ask your McGraw-Hill representative for more information.



©Hill Street Studios/Tobin Rogers/Blend Images LLC



Solutions for your challenges.

A product isn't a solution. Real solutions are affordable, reliable, and come with training and ongoing support when you need it and how you want it. Our Customer Experience Group can also help you troubleshoot tech problems—although Connect's 99% uptime means you might not need to call them. See for yourself at status.mheducation.com

FOR STUDENTS

Effective, efficient studying.

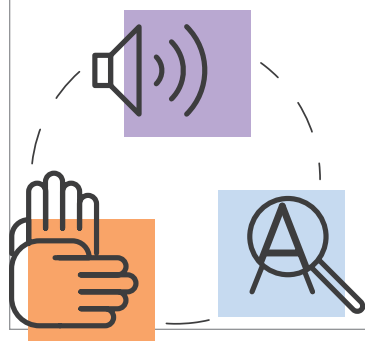
Connect helps you be more productive with your study time and get better grades using tools like SmartBook, which highlights key concepts and creates a personalized study plan. Connect sets you up for success, so you walk into class with confidence and walk out with better grades.

“I really liked this app—it made it easy to study when you don't have your textbook in front of you.”

- Jordan Cunningham,
Eastern Washington University

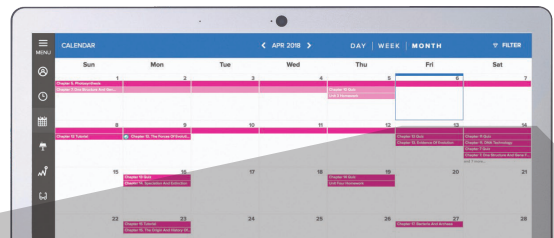
No surprises.

The Connect Calendar and Reports tools keep you on track with the work you need to get done and your assignment scores. Life gets busy; Connect tools help you keep learning through it all.



Study anytime, anywhere.

Download the free ReadAnywhere app and access your online eBook when it's convenient, even if you're offline. And since the app automatically syncs with your eBook in Connect, all of your notes are available every time you open it. Find out more at www.mheducation.com/readanywhere



13	14
Chapter 12 Quiz	Chapter 11 Quiz
Chapter 13 Evidence of Evolution	Chapter 11 DNA Technology
	Chapter 7 Quiz
	Chapter 7 DNA Structure and Gene...
	and 7 more...

Learning for everyone.

McGraw-Hill works directly with Accessibility Services Departments and faculty to meet the learning needs of all students. Please contact your Accessibility Services office and ask them to email accessibility@mheducation.com, or visit www.mheducation.com/about/accessibility.html for more information.



©Shutterstock/wavebreakmedia

Course Design and Delivery



create[®]

CREATE Instructors can now tailor their teaching resources to match the way they teach!

With McGraw-Hill Create, www.mcgrawhillcreate.com, instructors can easily rearrange chapters, combine material from other content sources, and quickly upload and integrate their own content, such as course syllabi or teaching notes. Find the right content in Create by searching through thousands of leading McGraw-Hill textbooks. Arrange the material to fit your teaching style. Order a Create book and receive a complimentary print review copy in three to five business days or a complimentary electronic review copy via email within one hour. Go to www.mcgrawhillcreate.com today and register.



tegrity[®]

TEGRITY CAMPUS

Tegrity makes class time available 24/7 by automatically capturing every lecture in a searchable format for students to review when they study and complete assignments. With a simple one-click start-and-stop process, you capture all computer screens and corresponding audio. Students can replay any part of any class with easy-to-use browser-based viewing on a PC or Mac. Educators know that the more students can see, hear, and experience class resources, the better they learn. In fact, studies prove it. With patented Tegrity “search anything” technology, students instantly recall key class moments for replay online or on iPods and mobile devices. Instructors can help turn all their students’ study time into learning moments immediately supported by their lecture. To learn more about Tegrity, watch a two-minute Flash demo at <http://tegritycampus.mhhe.com>.



The Best of Both Worlds

BLACKBOARD[®] PARTNERSHIP

McGraw-Hill Education and Blackboard have teamed up to simplify your life. Now you and your students can access *Connect* and *Create* right from within your Blackboard course—all with one single sign-on. The grade books are seamless, so when a student completes an integrated *Connect* assignment, the grade for that assignment automatically (and instantly) feeds

your Blackboard grade center. Learn more at www.mhhe.com.



Campus

MCGRAW-HILL CAMPUS[™]

McGraw-Hill Campus is a new one-stop teaching and learning experience available to users of any learning management system. This institutional service allows faculty and students to enjoy single sign-on (SSO) access to all McGraw-Hill Higher Education materials, including the award-winning McGraw-Hill *Connect* platform, from directly within the institution’s website. With McGraw-Hill Campus, faculty receive instant access to teaching materials (eTextbooks, test banks, PowerPoint slides, animations, learning objectives, etc.), allowing them to browse, search, and use any instructor ancillary content in our vast library at no additional cost to instructor or students. In addition, students enjoy SSO access to a variety of free content (quizzes, flash cards, narrated presentations, etc.) and subscription-based products (e.g., McGraw-Hill *Connect*). With McGraw-Hill Campus enabled, faculty and students will never need to create another account to access McGraw-Hill products and services. Learn more at www.mhcampus.com.

ASSURANCE OF LEARNING READY Many educational institutions today focus on the notion of *assurance of learning*, an important element of some accreditation standards. *Contemporary Management* is designed specifically to support instructors’ assurance of learning initiatives with a simple yet powerful solution. Each test bank question for *Contemporary Management* maps to a specific chapter learning objective listed in the text.



AACSB TAGGING

McGraw-Hill Education is a proud corporate member of AACSB International. Understanding the importance and value of AACSB accreditation, *Contemporary Management* recognizes the curricula guidelines detailed in the AACSB standards for business accreditation by connecting selected questions in the text and the test bank to the eight general knowledge and

skill guidelines in the AACSB standards. The statements contained in *Contemporary Management* are provided only as a guide for the users of this product. The AACSB leaves content coverage and assessment within the purview of individual schools, the mission of the school, and the faculty. While the *Contemporary Management* teaching package makes no claim of any specific AACSB qualification or evaluation, we have within *Contemporary Management* labeled selected questions according to the eight general knowledge and skills areas.

MCGRAW-HILL CUSTOMER EXPERIENCE GROUP
CONTACT INFORMATION At McGraw-Hill Education, we understand that getting the most from new technology can be challenging. That's why our services don't stop after you purchase our products. You can email our Product Specialists 24 hours a day to get product training online. Or you can search our knowledge bank of Frequently Asked Questions on our support website. For Customer Support, call **800-331-5094** or visit **www.mhhe.com/support**. One of our Technical Support Analysts will be able to assist you in a timely fashion.

ACKNOWLEDGMENTS

Finding a way to integrate and present the rapidly growing literature about contemporary management and make it interesting and meaningful for students is not an easy task. In writing and revising the various drafts of *Contemporary Management*, we have been fortunate to have the assistance of several people who have contributed greatly to the book's final form. First, we are grateful to Michael Ablassmeir, our director, for his ongoing support and commitment to our project and for always finding ways to provide the resources that we needed to continually improve and refine our book. Second, we are grateful to Haley Burmeister, our product developer, for so ably coordinating the book's progress; and to Debbie Clare, our marketing manager, for giving us concise and timely feedback and information from professors and reviewers that have allowed us to shape the book to the needs of its intended market. We also thank Jessica Cuevas for executing an awe-inspiring design; Kathryn Wright for coordinating the production process; and Iliya Atanasov (Rice University) and Marcie Lensges (Xavier University) for their assistance with research. We are also grateful to the many colleagues and reviewers who gave us useful and detailed feedback and perceptive comments and valuable suggestions for improving the manuscript.

Producing any competitive work is a challenge. Producing a truly market-driven textbook requires tremendous effort beyond simply obtaining reviews of a draft manuscript. Our goal was simple with the development of *Contemporary Management*: to be the most customer-driven principles of management text and supplement package ever published! With the goal of exceeding the expectations of both faculty and students, we executed one of the most aggressive product development plans ever undertaken in textbook publishing. Hundreds of faculty have taken part in developmental activities ranging from regional focus groups to manuscript and supplement reviews and surveys. Consequently, we're confident in assuring you and your students, our customers, that every aspect of our text and support package reflects your advice and needs. As you review it, we're confident that your reaction will be, "They listened!"

We extend our special thanks to the faculty who gave us detailed chapter-by-chapter feedback during the development of the eleventh edition:

Amy S. Banta, Ohio University
Charles Buchanan, The Ohio State University
Alex Chen, University of Central Arkansas
C. Brad Cox, Midlands Technical College
Susie S. Cox, University of Arkansas at Little Rock
Justin Gandy, Dallas Baptist University
Shahbaz Gill, University of Illinois-Urbana Champaign

Paul D. Johnson, University of Mississippi
Rusty Juban, Southeastern Louisiana University
Marcie Lensges, Xavier University
John E. Lewis, Midlands Technical College
Renee Nelms King, Eastern Illinois University
Sandy Jeanquart Miles, Murray State University
Ronald Purser, San Francisco State University
Bruce Wayne Richardson, Northeastern State University-
Broken Arrow Campus
Steven A. Stewart, Georgia Southern University
W. Alexander Williams Jr., Texas A&M
University-Commerce

And our thanks also go to the faculty who contributed greatly to previous editions of *Contemporary Management*:

Jerry Alley, Aspen University
M. Ruhul Amin, Bloomsburg University of Pennsylvania
Lindy Archambeau, University of Florida
Kelly Barbour-Conerty, Parkland College
Gerald Baumgardner, Pennsylvania College of
Technology
Charles W. Beem, Bucks County Community College
James D. Bell, Texas State University
Danielle R. Blesi, Hudson Valley Community College
Susan Blumen, Montgomery College Department of
Business and Economics
Jennifer P. Bott, Ball State University
Edwin L. Bowman, Principal, Manhattanville College,
Purchase, NY
Charley Braun, Marshall University
Reginald Bruce, College of Business, University of
Louisville
Murray Brunton, Central Ohio Technical College
Judith G. Bulin, Monroe Community College, Rochester,
New York
Barry Bunn, Valencia Community College
Aaron Butler, Warner Pacific College ADP
Gerald Calvasina, Southern Utah University
Bruce H. Charnov, Hofstra University
Alexander Chen, University of Central Arkansas
Jay Christensen-Szalanski, University of Iowa
Jason W. Coleman, Wesley College
Joy Colarusso, Daytona State College
Renee Y. Cooper, Fashion Institute of Technology
Robert Cote, Lindenwood University
C. Brad Cox, Midlands Technical College
Marian Cox Crawford, University of Arkansas-Little Rock

Susie S. Cox, University of Arkansas–Little Rock
 Cheryl Cunningham, Embry-Riddle Aeronautical
 University–Daytona Beach
 Teresa A. Daniel, Marshall University
 Thomas W. Deckelman, Owens Community College
 Richard S. DeFrank, University of Houston
 Fred J. Dorn, University of Mississippi
 D. Harold Doty, University of Southern Mississippi
 Max E. Douglas, Indiana State University
 Sandra Edwards, Northeastern State University
 Stewart W. Edwards, Northern VA Community
 College–Annandale
 William Eichenauer, Northwest State Community College
 Scott Elston, Iowa State University
 Richard Estrella, California Polytechnic University
 Valerie Evans, Kansas State University
 Bagher Fardanesh, Piaget Consulting
 Carla C. Flores, Ball State University
 Andrea Foster, John Tyler Community College
 Dane L. Galden, Columbus State Community College
 Jim Glasgow, Instructor, Villanova School of Business
 Monica Godsey, University of Nebraska
 Selina Griswold, The University of Toledo
 Kathy Hastings, Greenville Technical College
 Karen H. Hawkins, Miami Dade College
 Travis Lee Hayes, Chattanooga State Technical
 Community College
 Samuel Hazen, Tarleton State University
 Kim Hester, Arkansas State University
 Perry Hidalgo, Gwinnett Technical College
 Anne Kelly Hoel, University of Wisconsin–Stout
 Robert C. Hoell, Georgia Southern University
 Jenni Hunt, Southern Illinois University–Edwardsville
 Irene Joannette-Gallio, Western Nevada College
 Carol Larson Jones, Cal Poly Pomona, California
 Coy A. Jones, The University of Memphis
 Gwendolyn Jones, University of Akron
 Kathleen Jones, University of North Dakota
 Rusty Juban, Southeastern Louisiana University
 Jordan J. Kaplan, Long Island University School of
 Business
 Joanne E. Kapp, Siena College
 Renee N. King, Eastern Illinois University
 Deanna R. Knight, Daytona State College
 Mike Knudstrup, Florida Southern College
 Susan Kowalewski, D’Youville College
 Cynthia J. Lanphear, University of the Ozarks
 Jim Long, Southwestern Oklahoma State University
 Joyce Lopez, Missouri State University
 Margaret Lucero, Texas A&M–Corpus Christi
 Nicholas Mathys, DePaul University
 Daniel W. McAllister, University of Nevada–Las Vegas

Christy McLendon Corey, University of New Orleans
 Chrisann Merriman, University of Mary Hardin–Baylor
 Douglas L. Micklich, Illinois State University
 Sandra Jeanquart Miles, Murray State University
 Carol T. Miller, Community College of Denver
 Don C. Mosley Jr., University of South Alabama
 Clive Muir, Stetson University
 Troy V. Mumford, Colorado State University
 Bahaudin G. Mujtaba, Nova Southeastern University
 Jane Murtaugh, College of DuPage
 Nanci D. Newstrom, Eastern Illinois University
 Catherine Nowicki, International Business College
 John Overby, The University of Tennessee at Martin
 Karen Overton, Houston Community College
 Eren Ozgen, Troy University, Dothan Campus
 Fernando A. Pargas, James Madison University
 Marc Pendel, Miller College of Business, Ball State
 University
 Susan A. Peterson, Scottsdale Community College
 Gary Renz, Webster University
 L. Jeff Seaton, University of Tennessee–Martin
 Gregory J. Schultz, Carroll University
 Marc Siegall, California State University–Chico
 Randi L. Sims, Nova Southeastern University
 Michaeline Skiba, Monmouth University–Leon Hess
 Business School
 Frederick J. Slack, Indiana University of Pennsylvania
 M. James Smas, Kent State University
 Gerald Smith, University of Northern Iowa
 Marjorie Smith, Mountain State University
 Susan D. Steiner, The University of Tampa
 Warren Stone, University of Arkansas at Little Rock
 Cynthia L. Sutton, Metropolitan State College of Denver
 Laurie Taylor-Hamm, California State University, Fresno
 Sabine Turnley, Kansas State University
 Isaiah O. Ugboro, North Carolina A&T State University
 Velvet Weems, Landingham, Kent State University
 John Weiss, Daytona State College
 William K. Wesley, Golden Gate University
 Elizabeth Wilson, Georgia Southwestern State University
 Jan Zantinga, University of Georgia

Please note that these lists do not include the more than 200 faculty members who reviewed or contributed to earlier editions of the text.

Finally, we are grateful to two incredibly wonderful children, Nicholas and Julia, for being all that they are and for the joy they bring to all who know them.

Gareth R. Jones

Jennifer M. George

Jesse H. Jones Graduate School of Business
 Rice University

CONTENTS

Part One | Management



Chapter 1 Managers and Managing 2

A MANAGER'S CHALLENGE

Satya Nadella Reboots Microsoft 3

Overview 4

What Is Management? 4

Achieving High Performance: A Manager's Goal 5 |
Why Study Management? 6

Essential Managerial Tasks 6

Planning 6 | Organizing 7 | Leading 8 |
Controlling 8 | MANAGER AS A PERSON: Making ER Visits
as Painless as Possible 8 | Performing Managerial Tasks:
Mintzberg's Typology 9

Levels and Skills of Managers 10

Levels of Management 11 | Managerial
Skills 13 | MANAGEMENT INSIGHT: Succeeding as a City
Manager 14

Recent Changes in Management Practices 16

Restructuring and Outsourcing 16
MANAGING GLOBALLY: Auto Production Thrives in
Mexico 17 | Empowerment and Self-Managed
Teams 17

Challenges for Management in a Global

Environment 18

Building Competitive Advantage 18 | Maintaining Ethical
and Socially Responsible Standards 20 | ETHICS IN ACTION:
Fallout Continues from Wells Fargo Scandal 21 | Managing
a Diverse Workforce 22 | Utilizing New
Technologies 23 | Practicing Global Crisis Management 23

Summary and Review 24

Management in Action 25 | Building Management Skills 25 |
Managing Ethically 26 | Small Group Breakout Exercise 26 |

Be the Manager 26 | *Bloomberg* CASE IN THE NEWS: "Amazon
Effect" Is Hiking Pay and Fueling Land Rush in U.S. 27

Notes 28



Chapter 2 The Evolution of Management Thought 30

A MANAGER'S CHALLENGE

Comcast Rethinks the Customer Experience 31

Overview 32

Scientific Management Theory 32

Job Specialization and the Division of Labor 33 |
F. W. Taylor and Scientific Management 34 |
ETHICS IN ACTION: Ensuring Workers' Rights 35 |
The Gilbreths 36

Administrative Management Theory 37

The Theory of Bureaucracy 37 | Fayol's Principles of
Management 39 | MANAGEMENT INSIGHT: Getting from
Good to Great 42

Behavioral Management Theory 42

The Work of Mary Parker Follett 42 | The Hawthorne Studies
and Human Relations 43 | Theory X and Theory Y 44

Management Science Theory 46

Organizational Environment Theory 47

The Open-Systems View 47 | Contingency
Theory 48 | Dynamic Capabilities 49

Summary and Review 50

Management in Action 51 | Building Management Skills 51 |
Managing Ethically 52 | Small Group Breakout Exercise 52 |
Be the Manager 53 | *Bloomberg* CASE IN THE NEWS:
The Retail Real Estate Glut Is Getting Worse 53

Notes 54



Chapter 3

Values, Attitudes, Emotions, and Culture: The Manager as a Person 56

A MANAGER'S CHALLENGE

CEO Illuminates a New Path for PG&E 57

Overview 58

Enduring Characteristics: Personality Traits 58

The Big Five Personality Traits 58 | MANAGER AS A PERSON: Openness to Experience Helps Lee Thrive 61 | Other Personality Traits That Affect Managerial Behavior 62 | Additional Personality Assessments 63

Values, Attitudes, and Moods and Emotions 64

Values: Terminal and Instrumental 64 | ETHICS IN ACTION: Promoting Ethical Values in the Hotel Industry 65 | Attitudes 65 | ETHICS IN ACTION: Subaru Protects Jobs and the Environment 67 | Moods and Emotions 68

Emotional Intelligence 70

MANAGING GLOBALLY: Emotional Intelligence across Borders 70

Organizational Culture 71

Managers and Organizational Culture 72 | The Role of Values and Norms in Organizational Culture 74 | Culture and Managerial Action 77

Summary and Review 79

Management in Action 80 | Building Management Skills 80 | Managing Ethically 80 | Small Group Breakout Exercise 81 | Be the Manager 81 | *Bloomberg Businessweek* CASE IN THE NEWS: The Undergrad Fixing Finance 81
Notes 83

Part Two | The Environment of Management



Chapter 4

Ethics and Social Responsibility 86

A MANAGER'S CHALLENGE

Musk Steers Tesla Ahead While Helping Others 87

Overview 88

The Nature of Ethics 88

Ethical Dilemmas 88 | Ethics and the Law 89 | Changes in Ethics over Time 89

Stakeholders and Ethics 90

Stockholders 91 | Managers 92 | Ethics and Nonprofit Organizations 93 | Employees 94 | Suppliers and Distributors 94 | Customers 94 | Community, Society, and Nation 94 | MANAGEMENT INSIGHT: Keeping Things Clean and Green 95 | Rules for Ethical Decision Making 97 | Why Should Managers Behave Ethically? 99

Ethics and Social Responsibility 101

Societal Ethics 102 | ETHICS IN ACTION: Sourcing Diamonds Responsibly 102 | Occupational Ethics 103 | Individual Ethics 103 | Organizational Ethics 104 | ETHICS IN ACTION: Chatbot Provides Ethical Guidance 106

Approaches to Social Responsibility 107

Four Different Approaches 108 | MANAGING GLOBALLY: Protecting Home-Based Workers 109 | Why Be Socially Responsible? 110 | The Role of Organizational Culture 110

Summary and Review 111

Management in Action 112 | Building Management Skills 112 | Managing Ethically 112 | Small Group Breakout Exercise 113 | Be the Manager 113 | *Bloomberg Businessweek* CASE IN THE NEWS: The Greening of Throwaway Stuff 113
Notes 115



Chapter 5

Managing Diverse Employees in a Multicultural Environment 118

A MANAGER'S CHALLENGE

Inclusion for Women Engineers at Intel 119

Overview 120

The Increasing Diversity of the Workforce and the Environment 120

Age 121 | Gender 122 | Race and Ethnicity 123 | MANAGING GLOBALLY: SodaStream's Oasis of Diversity 124 | Religion 124 |

Capabilities/Disabilities 125 | Socioeconomic Background 126 | Sexual Orientation 126 | Other Kinds of Diversity 127

Managers and the Effective Management of Diversity 127

Critical Managerial Roles 127 | FOCUS ON DIVERSITY: Managing Diversity Effectively at PwC 128 | The Ethical Imperative to Manage Diversity Effectively 130 | Effectively Managing Diversity Makes Good Business Sense 131

Perception 132

Factors That Influence Managerial Perception 133 | Perception as a Determinant of Unfair Treatment 134 | ETHICS IN ACTION: Disabled Employees Make Valuable Contributions 134 | Overt Discrimination 136

How to Manage Diversity Effectively 137

Steps in Managing Diversity Effectively 137

Sexual Harassment 140

Forms of Sexual Harassment 141 | Steps Managers Can Take to Eradicate Sexual Harassment 142 | MANAGEMENT INSIGHT: Providing Effective Anti-Harassment Training 142

Summary and Review 143

Management in Action 145 | Building Management Skills 145 | Managing Ethically 145 | Small Group Breakout Exercise 146 | Be the Manager 146 | *Bloomberg Businessweek* CASE IN THE NEWS: New Kids on the Board 146
Notes 147



Chapter 6 Managing in the Global Environment 152

A MANAGER'S CHALLENGE

Amazon Primed for Success in India 153

Overview 154

What Is the Global Environment? 155

The Task Environment 156

Suppliers 156 | ETHICS IN ACTION: Levi Strauss Motivates Global Suppliers to Treat Workers Well 157 | Distributors 158 | Customers 159 | Competitors 159 | MANAGER AS A PERSON: Spotify's CEO Outplays the Competition 160

The General Environment 162

Economic Forces 163 | Technological Forces 163 | Sociocultural Forces 164 | Demographic Forces 165 | Political and Legal Forces 165

The Changing Global Environment 166

The Process of Globalization 167 | Declining Barriers to Trade and Investment 167 | Declining Barriers of Distance and Culture 168 | Effects of Free Trade on Managers 169

The Role of National Culture 170

Cultural Values and Norms 170 | Hofstede's Model of National Culture 171 | The GLOBE Project 172 | National Culture and Global Management 173 | MANAGEMENT INSIGHT: Challenges Faced by Expats 174

Summary and Review 175

Management in Action 176 | Building Management Skills 176 | Managing Ethically 176 | Small Group Breakout Exercise 177 | Be the Manager 177 | *Bloomberg Businessweek* CASE IN THE NEWS: Europe's Magic Bus Is California Dreaming 177
Notes 178

Part Three | Decision Making, Planning, and Strategy



Chapter 7 Decision Making, Learning, Creativity, and Entrepreneurship 180

A MANAGER'S CHALLENGE

Creativity and Ability to Learn Keep 23andMe Strong 181

Overview 182

The Nature of Managerial Decision Making 182

Programmed and Nonprogrammed Decision Making 183 | The Classical Model 184 | MANAGEMENT INSIGHT: Curbing Overconfidence in Decision Making 185 | The Administrative Model 186

Steps in the Decision-Making Process 188

Recognize the Need for a Decision 189 | Generate Alternatives 189 | Assess Alternatives 190 | ETHICS IN ACTION: Ensuring Decisions Contribute to

Sustainability 191 | Choose among Alternatives 192 | Implement the Chosen Alternative 192 | Learn from Feedback 192

Cognitive Biases and Decision Making 193

Confirmation Bias 193 | Representativeness Bias 193 | Illusion of Control 194 | Escalating Commitment 194 | Be Aware of Your Biases 194

Group Decision Making 195

MANAGER AS A PERSON: Glossier Shines Because Founder Won't Go It Alone 195 | The Perils of Groupthink 196 | Devil's Advocacy and Dialectical Inquiry 196 | Diversity among Decision Makers 197

Organizational Learning and Creativity 197

Creating a Learning Organization 198 | MANAGING GLOBALLY: Constant Learning Keeps Western Union Relevant 199 | Promoting Individual Creativity 200 | Promoting Group Creativity 201

Entrepreneurship and Creativity 202

Entrepreneurship and New Ventures 202 | Intrapreneurship and Organizational Learning 203

Summary and Review 204

Management in Action 206 | Building Management Skills 206 | Managing Ethically 206 | Small Group Breakout Exercise 207 | Be the Manager 207 | *Bloomberg Businessweek* CASE IN THE NEWS: Taylor Swift Wants Her Money Back 207
Notes 208



Chapter 8 The Manager as a Planner and Strategist 212

A MANAGER'S CHALLENGE

Sorenson Plans for Growth at Marriott 213

Overview 214

Planning and Strategy 214

The Nature of the Planning Process 215

Why Planning Is Important 215 | Levels of Planning 216 | Levels and Types of Planning 216 | Time Horizons of Plans 218 | Standing Plans and Single-Use Plans 219 | Scenario Planning 219 | MANAGER AS A PERSON: With CEO's Guidance, LAX Projects Take Flight 220

Determining the Organization's Mission and Goals 221

Defining the Business 221 | Establishing Major Goals 222

Formulating Strategy 222

SWOT Analysis 222 | The Five Forces Model 224

Formulating Business-Level Strategies 225

Low-Cost Strategy 226 | Differentiation Strategy 226 | Focused Low-Cost and Focused Differentiation Strategies 227

Formulating Corporate-Level Strategies 228

Concentration on a Single Industry 228 | Vertical Integration 228 | MANAGEMENT INSIGHT: Innovation Drives Michelin 229 | Diversification 231 | International Expansion 232 | MANAGING GLOBALLY: Early U.S. Wins Help FourKites Fly Overseas 233

Planning and Implementing Strategy 236

Summary and Review 236

Management in Action 238 | Building Management Skills 238 | Managing Ethically 238 | Small Group Breakout Exercise 239 | Be the Manager 239 | *Bloomberg* CASE IN THE NEWS: The Tiny Ikea of the Future, Without Meatballs or Showroom Mazes 239
Notes 241



Chapter 9 Value Chain Management: Functional Strategies for Competitive Advantage 244

A MANAGER'S CHALLENGE

Efficiency Frees Kraft Heinz to Innovate 245

Overview 246

Functional Strategies, the Value Chain, and Competitive Advantage 246

Functional Strategies and Value Chain Management 247
Value Chain Analysis 249

Improving Responsiveness to Customers 249

What Do Customers Want? 250 | MANAGING GLOBALLY: HappyOrNot Helps Customers Keep *Their* Customers Happy 250 | Managing the Value Chain to Increase Responsiveness to Customers 251 | MANAGEMENT INSIGHT: Need for Speed Pays Off for Panera 252 | Customer Relationship Management 253

Improving Quality 254

Total Quality Management 255 | MANAGER AS A PERSON: Using Six Sigma to Buy Time 257

Improving Efficiency 257

Facilities Layout, Flexible Manufacturing, and Efficiency 258 | MANAGEMENT INSIGHT: Boarding a Plane Shouldn't Be This Difficult 259 | Just-in-Time Inventory and Efficiency 260 | Self-Managed Work Teams and Efficiency 261 | Process Reengineering and Efficiency 261 | Information Systems, the Internet, and Efficiency 262

Improving Innovation 263

Two Kinds of Innovation 263 | Strategies to Promote Innovation and Speed Product Development 263

Summary and Review 267

Management in Action 268 | Building Management Skills 268 | Managing Ethically 268 | Small Group Breakout Exercise 269 | Be the Manager 269 | *Bloomberg Businessweek* CASE IN THE NEWS: At KFC, a Bucketful of Trouble 269
Notes 270

Part Four | Organizing and Controlling

Chapter 10

Managing Organizational Structure and Culture 272

A MANAGER'S CHALLENGE

The Golden Arches Move Back to the City 273

Overview 274**Designing Organizational Structure 274**

The Organizational Environment 275 | Strategy 275 | Technology 276 | Human Resources 276

Grouping Tasks into Jobs: Job Design 277

Job Enlargement and Job Enrichment 278 | MANAGEMENT INSIGHT: Pal's Sudden Service Takes Training Seriously 278 | The Job Characteristics Model 279

Grouping Jobs into Functions and Divisions:**Designing Organizational Structure 280**

Functional Structure 280 | Divisional Structures: Product, Market, and Geographic 281 | MANAGER AS A PERSON: Theo Epstein Changes Cubs Culture and Wins Big 285 | Matrix and Product Team Designs 286

Coordinating Functions and Divisions 288

Allocating Authority 289 | Integrating and Coordinating Mechanisms 292

Organizational Culture 294

FOCUS ON DIVERSITY: Sodexo Serves Up a Culture of Diversity 295 | Where Does Organizational Culture Come From? 295 | MANAGEMENT INSIGHT: Warby Parker Keeps an Eye on Its Culture 296 | Strong, Adaptive Cultures versus Weak, Inert Cultures 299

Summary and Review 300

Management in Action 301 | Building Management Skills 301 | Managing Ethically 302 | Small Group Breakout Exercise 302 | Be the Manager 303 | *Bloomberg* CASE IN THE NEWS:

Companies Have an Aha! Moment: Bullies Don't Make the Best Managers 303

Notes 305



Chapter 11

Organizational Control and Change 308

A MANAGER'S CHALLENGE

Procter & Gamble Takes a Hard Look at Digital Ads 309

Overview 310**What Is Organizational Control? 310**

The Importance of Organizational Control 311 | MANAGEMENT INSIGHT: Controlling Your Office Inbox 312 | Control Systems and IT 313 | The Control Process 314

Output Control 317

Financial Measures of Performance 317 | MANAGEMENT INSIGHT: Wanted: Problem Solvers & Team Players 319 | Organizational Goals 319 | Operating Budgets 320 | MANAGING GLOBALLY: Zero-Based Budgeting Spreads around the World 321 | Problems with Output Control 321

Behavior Control 322

Direct Supervision 322 | Management by Objectives 323 | Bureaucratic Control 324 | Problems with Bureaucratic Control 325

Clan Control 326**Organizational Change 327**

Lewin's Force-Field Theory of Change 327 | Evolutionary and Revolutionary Change 328 | Managing Change 328 |

MANAGER AS A PERSON: Nordstrom Family Makes Changes to Stay Afloat 330

Summary and Review 332

Management in Action 333 | Building Management Skills 333 | Managing Ethically 333 | Small Group Breakout Exercise 334 | Be the Manager 334 | *Bloomberg* CASE IN THE NEWS: Beloved Guitar Maker Gibson Faces Crushing \$560 Million Debt 334
Notes 336



Chapter 12 Human Resource Management 338

A MANAGER'S CHALLENGE

Strategic HR Management Helps Build a Strong Future 339

Overview 340

Strategic Human Resource Management 340

Overview of the Components of HRM 341

The Legal Environment of HRM 342

Recruitment and Selection 343

Human Resource Planning 344 | MANAGER AS A PERSON: Unilever Makes Talent Development Count 345 | Job Analysis 346 | External and Internal Recruitment 346 | The Selection Process 348 | FOCUS ON DIVERSITY: Recruiting Practices That Promote Diversity 348

Training and Development 351

Types of Training 352 | Types of Development 353 | Transfer of Training and Development 354

Performance Appraisal and Feedback 354

Types of Performance Appraisal 355 | Who Appraises Performance? 357 | Effective Performance Feedback 358 | Recent Trends in Performance Appraisal 359

Pay and Benefits 360

Pay Level 360 | MANAGEMENT INSIGHT: Treating Employees Well Leads to Satisfied Customers 360 | Pay Structure 361 | Benefits 362

Labor Relations 362

Unions 363 | Collective Bargaining 364

Summary and Review 364

Management in Action 366 | Building Management Skills 366 | Managing Ethically 366 | Small Group Breakout Exercise 367 | Be the Manager 367 | *Bloomberg Businessweek* CASE IN THE NEWS: Why Pay Equality Is Still Out of Reach 368
Notes 369

Part Five | Leading Individuals and Groups



Chapter 13 Motivation and Performance 372

A MANAGER'S CHALLENGE

Martha Firestone Ford Is a Motivating Force for Her Detroit Lions 373

Overview 374

The Nature of Motivation 374

MANAGING GLOBALLY: Seeking Intrinsic Motivation in Far-Flung Places 375

Expectancy Theory 377

Expectancy 377 | Instrumentality 378 | Valence 379 | Bringing It All Together 379

Need Theories 380

Maslow's Hierarchy of Needs 380 | Alderfer's ERG Theory 381 | Herzberg's Motivator-Hygiene Theory 382 | McClelland's Needs for Achievement, Affiliation, and Power 382 | Other Needs 383

Equity Theory 383

Equity 383 | Inequity 384 | Ways to Restore Equity 384 | FOCUS ON DIVERSITY: For Diversity to Motivate, It Must Come with Equity 385 | Equity and Justice in Organizations 386

Goal-Setting Theory 387

Learning Theories 388

Operant Conditioning Theory 388 | Social Learning Theory 391

Pay and Motivation 392

ETHICS IN ACTION: The Fairness of Merit Pay 392 | Basing Merit Pay on Individual, Group, or Organizational Performance 393 | Salary Increase or Bonus? 394 | Examples of Merit Pay Plans 395

Summary and Review 395

Management in Action 397 | Building Management Skills 397
 | Managing Ethically 398 | Small Group Breakout Exercise 398
 | Be the Manager 398 | *Bloomberg Businessweek* CASE IN
 THE NEWS: The Quest for Experienced Talent 399
 Notes 400



Chapter 14 Leadership 404

A MANAGER'S CHALLENGE

Dana-Farber CEOs Provide the Right Leadership 405

Overview 406

The Nature of Leadership 406

Personal Leadership Style and Managerial Tasks 407 | Servant
 Leadership 407 | ETHICS IN ACTION: Servant Leadership at
 Zingerman's 408 | Leadership Styles across Cultures 409 |
 Power: The Key to Leadership 409 | Empowerment: An
 Ingredient in Modern Management 411

Trait and Behavior Models of Leadership 412

The Trait Model 412 | The Behavior Model 413 |
 MANAGEMENT INSIGHT: Consideration at Costco 413

Contingency Models of Leadership 415

Fiedler's Contingency Model 416 | MANAGING GLOBALLY:
 International Differences in Leadership 418 | House's
 Path-Goal Theory 418 | The Leader Substitutes
 Model 420 | Bringing It All Together 420

Transformational Leadership 421

Being a Charismatic Leader 422 | Stimulating
 Subordinates Intellectually 422 | Engaging in
 Developmental Consideration 423 | The Distinction
 between Transformational and Transactional Leadership 423

Gender and Leadership 423

Emotional Intelligence and Leadership 424

MANAGEMENT INSIGHT: Being a High-EQ Leader 425

Summary and Review 426

Management in Action 427 | Building Management Skills 427 |
 Managing Ethically 427 | Small Group Breakout Exercise 428 |
 Be the Manager 428 | *Bloomberg* CASE IN THE NEWS:
 Amazon's Other Jeff Steps into the Spotlight 429
 Notes 430



Chapter 15 Effective Groups and Teams 434

A MANAGER'S CHALLENGE

Leading the Army's Battle against Red Tape 435

Overview 436

Groups, Teams, and Organizational Effectiveness 436

MANAGEMENT INSIGHT: Team Members Need Soft
 Skills 437 | Groups and Teams as Performance
 Enhancers 438 | Groups, Teams, and Responsiveness to
 Customers 438 | Teams and Innovation 439 | Groups
 and Teams as Motivators 439

Types of Groups and Teams 440

The Top Management Team 440 | Research
 and Development Teams 440 | Command
 Groups 441 | Task Forces 441 | Self-Managed Work
 Teams 441 | MANAGEMENT INSIGHT: Self-Managed Teams
 at W. L. Gore 442 | Virtual Teams 443 | Friendship
 Groups 445 | Interest Groups 445

Group Dynamics 445

Group Size, Tasks, and Roles 445 | Group
 Leadership 448 | ETHICS IN ACTION: Leadership in
 Teams at ICU Medical 448 | Group Development
 over Time 449 | Group Norms 450 | Group
 Cohesiveness 452 | FOCUS ON DIVERSITY: Tapping into
 Team Members' Diversity 455

Managing Groups and Teams for High Performance 456

Motivating Group Members to Achieve Organizational
 Goals 456 | Reducing Social Loafing in
 Groups 457 | Helping Groups to Manage Conflict
 Effectively 458

Summary and Review 459

Management in Action 460 | Building Management Skills 460 |
 Managing Ethically 461 | Small Group Breakout Exercise 461 |
 Be the Manager 461 | *Bloomberg Businessweek* CASE IN
 THE NEWS: The Power of Play 462
 Notes 463

Part Six | Managing Critical Organizational Processes



Chapter 16 Promoting Effective Communication 466

A MANAGER'S CHALLENGE

How Boston Consulting Group Promotes Better Communication 467

Overview 468

Communication and Management 468

The Importance of Good Communication 468 |
MANAGER AS A PERSON: Hyphen's Goal for Employees:
Be Heard at Work 469 | The Communication
Process 470 | The Role of Perception in
Communication 471 | The Dangers of Ineffective
Communication 471

Information Richness and Communication Media 472

Face-to-Face Communication 473 | Spoken Communication
Electronically Transmitted 474 | Personally Addressed
Written Communication 474 | Impersonal Written
Communication 475 | ETHICS IN ACTION: Tracking Email and
Internet Use 476

Communication Networks 477

Communication Networks in Groups and
Teams 477 | Organizational Communication
Networks 478 | External Networks 479

Information Technology and Communication 480

The Internet 480 | Intranets 480 | Groupware and
Collaboration Software 481

Communication Skills for Managers 482

Communication Skills for Managers as
Senders 482 | MANAGEMENT INSIGHT: Making a Positive
First Impression 483 | Communication Skills for
Managers as Receivers 485 | Understanding Linguistic
Styles 486

Summary and Review 489

Management in Action 490 | Building Management Skills 490 |
Managing Ethically 490 | Small Group Breakout Exercise 491 |
Be the Manager 491 | *Bloomberg* CASE IN THE NEWS: Don't
Skype Me: How Microsoft Turned Consumers Against a Beloved
Brand 492
Notes 493



Chapter 17 Managing Conflict, Politics, and Negotiation 496

A MANAGER'S CHALLENGE

How Anjali Sud Became Influential at Vimeo 497

Overview 498

Organizational Conflict 498

Types of Conflict 499 | MANAGEMENT INSIGHT:
Intergroup Conflict at PulteGroup 500 | Sources
of Conflict 501 | Conflict Management
Strategies 503 | MANAGEMENT INSIGHT: Making Conflict
Work for Top-Level Teams 504

Negotiation 506

Distributive Negotiation and Integrative
Bargaining 506 | Strategies to Encourage Integrative
Bargaining 507 | MANAGER AS A PERSON: Negotiating a Job
Offer 509

Organizational Politics 509

The Importance of Organizational Politics 510 | Political
Strategies for Gaining and Maintaining Power 510 |
FOCUS ON DIVERSITY: Building Alliances at PepsiCo and
Beyond 512 | Political Strategies for Exercising Power 513

Summary and Review 515

Management in Action 516 | Building Management Skills 516 |
Managing Ethically 516 | Small Group Breakout Exercise 517 |
Be the Manager 517 | *Bloomberg* CASE IN THE NEWS: Buy
Now, Pay Later Helps JAB Billionaires Build Beverage Empire 517
Notes 519



Chapter 18 Using Advanced Information Technology to Increase Performance 522

A MANAGER'S CHALLENGE

With Butterfly, Software Becomes an Ever-Present
Coach 523

Overview 524

Information and the Manager's Job 524

Attributes of Useful Information 525 | What Is Information Technology? 526 | Information and Decisions 526 | MANAGEMENT INSIGHT: Blockchain: More than Bitcoin Transactions 527 | Information and Control 528 | ETHICS IN ACTION: Users "Unlike" Facebook over Privacy Issues 530 | Information and Coordination 530

The IT Revolution 531

The Effects of Advancing IT 531 | IT and the Product Life Cycle 532 | MANAGEMENT INSIGHT: Amazon's Alexa Goes to Work 533 | The Network of Computing Power 534

Types of Management Information Systems 535

The Organizational Hierarchy: The Traditional Information System 536 | Transaction-Processing Systems 536 | Operations Information Systems 537 | Decision Support Systems 537 | Artificial Intelligence and Expert Systems 538 | Enterprise Resource Planning Systems 538 | E-Commerce Systems 540

The Impact and Limitations of Information

Technology 541

Strategic Alliances, B2B Network Structures, and IT 541 | Flatter Structures and Horizontal Information Flows 543

Summary and Review 543

Management in Action 545 | Building Management Skills 545 | Managing Ethically 545 | Small Group Breakout Exercise 546 | Be the Manager 546 | *Bloomberg Businessweek* CASE IN THE NEWS: Goggles with a Work Crew Inside 546
Notes 547

Name Index NI-1

Organization Index OI-1

Subject Glindex SGI-1

CONTEMPORARY Management

CHAPTER 1

Managers and Managing

©Sam Edwards/age fotostock



Learning Objectives

After studying this chapter, you should be able to:

- LO1-1** Describe what management is, why management is important, what managers do, and how managers use organizational resources efficiently and effectively to achieve organizational goals.
- LO1-2** Distinguish among planning, organizing, leading, and controlling (the four principal managerial tasks), and explain how managers' ability to handle each one affects organizational performance.
- LO1-3** Differentiate among three levels of management, and understand the tasks and responsibilities of managers at different levels in the organizational hierarchy.
- LO1-4** Distinguish among three kinds of managerial skill, and explain why managers are divided into different departments to perform their tasks more efficiently and effectively.
- LO1-5** Discuss some major changes in management practices today that have occurred as a result of globalization and the use of advanced information technology (IT).
- LO1-6** Discuss the principal challenges managers face in today's increasingly competitive global environment.

A MANAGER'S CHALLENGE

Satya Nadella Reboots Microsoft

What difference can a manager make?

After the success of its Windows operating system and Office software suite, Microsoft struggled to find a source of new growth. While earnings continued to rise, an unmoving stock price suggested that investors no longer saw a rosy future.¹ This changed when Microsoft made Satya Nadella its third chief executive officer (CEO).

Nadella brought a fresh vision. Microsoft had defined its mission as a personal computer on every desk and in every home, running Microsoft's software. By the end of the millennium in most of the world, that mission was accomplished. It no longer illuminated a way forward. Nadella introduced a new mission: to "create technology so that others can create more technology," enabling people and organizations to accomplish more.² This is a view of technology being beneficial—for example, opening ways for people with disabilities to participate in the world more fully.

Nadella brought Microsoft a new kind of leadership, based on empathy. Empathy includes listening carefully for customer needs—information essential for providing relevant products and services.³ Nadella asks employees to use empathy with one another, too. Leading by example, he conducts town-hall meetings online, inviting employees to give live feedback by submitting anonymous emojis, which he reviews to gauge employee concerns.⁴ He also is known for listening attentively to employees' ideas.

Nadella instructs employees to avoid a fixed mind-set, using existing skills to reach some endpoint and then staying put. He teaches a growth mind-set, based on learning and

constantly improving. Nadella exemplifies this with his open mindedness toward his own performance. He has said that reflecting on



Microsoft CEO Satya Nadella has brought a new perspective and vision to the tech giant. His leadership and focus on empathy and diversity are a winning combination.

©Matt Winkelmeyer/Getty Images

his mistakes inspires him, as it motivates him to change.⁵ He shares this spirit in each of the leadership team's weekly meetings by scheduling a presentation by employees who are working on something exciting. When employees try for growth but fall short, Nadella encourages them to push on and fix the problem.

Nadella values diversity. High-tech companies have been criticized as unfriendly to some employees, particularly women. In contrast, Nadella's drive for a culture of empathy fosters an environment that recognizes all employees' contributions. His goal is that Microsoft will not merely hire a diverse workforce, but enable employees to participate and thrive. Nadella is particularly committed to providing opportunities for persons with disabilities.

What prepared Nadella for all this? He knows the business well, having worked for Microsoft

since age 25. Raised in Hyderabad, India, he earned a master's degree in computer science from the University of Wisconsin–Madison and joined Microsoft after a few years with Sun Microsystems. He accepted tough assignments and guidance from mentors, including a Netflix executive who took him to board meetings so Nadella could see that company's agile decision making. He reads widely and is skillful at making connections among ideas. Being the father of three children, two with disabilities, has taught him the value of empathy and a desire to empower people to make change.⁶

Under Nadella's leadership, Microsoft is exceeding expectations. It is getting involved in today's cutting-edge technology. Employee morale and product quality have risen, and the market value of its stock has soared.⁷

Overview

Managing today's organizations is a complex affair, and seasoned leaders like Satya Nadella face multiple challenges from within and outside their organizations. To make decisions and lead others successfully, managers must possess a complex set of skills, knowledge, and abilities that help them interpret cues from the environment and respond accordingly.

In this chapter we consider what managers do and the skills, knowledge, and abilities they must possess to lead their organizations effectively. We also identify the different kinds of managers that organizations rely on to help guide them. Finally, we consider some of the challenges that managers must overcome to help their organizations prosper.

What Is Management?

organizations Collections of people who work together and coordinate their actions to achieve a wide variety of goals or desired future outcomes.

management The planning, organizing, leading, and controlling of human and other resources to achieve organizational goals efficiently and effectively.

When you think of a manager, what kind of person comes to mind? Do you think of an executive like Satya Nadella, who helps direct his company? Or do you see a manager at a fast-food restaurant, who engages directly with employees and customers? Perhaps you think of a foreman at a manufacturing company? Regardless of how we view managers, they all share important characteristics. First, they all work in organizations. **Organizations** are collections of people who work together and coordinate their actions to achieve a wide variety of goals or desired future outcomes. Second, as managers, they are the people responsible for supervising and making the most of an organization's human and other resources to achieve its goals.

Management, then, is the planning, organizing, leading, and controlling of human and other resources to achieve organizational goals efficiently and effectively. An organization's *resources* include assets such as people and their skills, know-how, and experience; machinery; raw materials; computers and information technology; and patents, financial capital, and loyal customers and employees.

LO1-1 Describe what management is, why management is important, what managers do, and how managers use organizational resources efficiently and effectively to achieve organizational goals.

organizational performance

A measure of how efficiently and effectively a manager uses resources to satisfy customers and achieve organizational goals.

efficiency A measure of how well or how productively resources are used to achieve a goal.

effectiveness A measure of the appropriateness of the goals an organization is pursuing and the degree to which the organization achieves those goals.

Achieving High Performance: A Manager's Goal

One of the key goals that organizations try to achieve is to provide goods and services that customers value and desire. Satya Nadella's principal goal is to manage Microsoft so that the company continues to leverage cutting edge technology and to innovate with new products and services for the global marketplace. Likewise, the principal goal of fast-food managers is to produce tasty and convenient food that customers enjoy and come back to buy. Finally, manufacturing managers must balance the quality needs of their consumers against the pressure to be cost-effective.

Organizational performance is a measure of how efficiently and effectively managers use available resources to satisfy customers and achieve organizational goals. Organizational performance increases in direct proportion to increases in efficiency and effectiveness, as Figure 1.1 shows. What are efficiency and effectiveness?

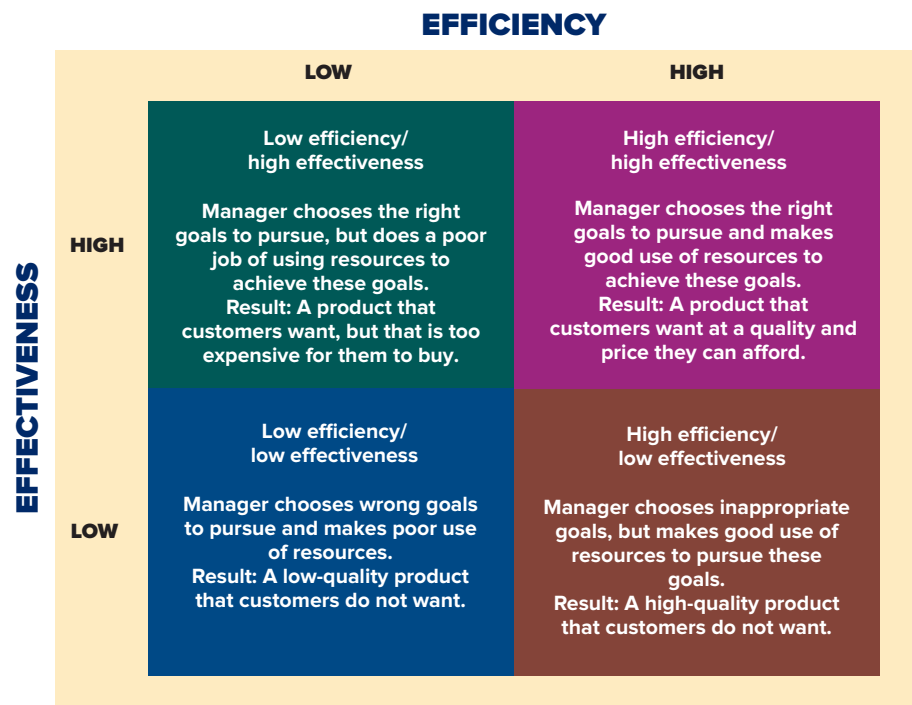
Efficiency is a measure of how productively resources are used to achieve a goal.⁸ Organizations are efficient when managers minimize the amount of input resources (such as labor, raw materials, and component parts) or the amount of time needed to produce a given output of goods or services. For example, Burger King develops ever more efficient fat fryers that not only reduce the amount of oil used in cooking but also speed up the cooking of french fries. UPS develops new work routines to reduce delivery time, such as instructing drivers to leave their truck doors open when going short distances.

To encourage efficiency, CEO Nadella has led Microsoft in a comprehensive retooling of the company's products and services since he took the helm less than five years ago. He has eliminated unsuccessful product lines while expanding others and continues to foster a collaborative environment in which he encourages employees to be fearless in their efforts to help transform the company into a digital powerhouse.⁹

Effectiveness is a measure of the *appropriateness* of the goals that managers have selected for the organization to pursue and the degree to which the organization achieves those goals.

Figure 1.1

Efficiency, Effectiveness, and Performance in an Organization



High-performing organizations are efficient *and* effective.

Organizations are effective when managers choose appropriate goals and then achieve them. Some years ago, for example, managers at McDonald's decided on the goal of providing breakfast service to attract more customers. The choice of this goal proved smart: Sales of breakfast food accounted for more than one-third of company revenues over the years. In 2015, in an effort to increase overall sales, McDonald's management made the decision to serve breakfast all day long, a strategy that has been successful and well received by consumers.¹⁰ High-performing organizations such as Apple, McDonald's, Walmart, Intel, Home Depot, Accenture, and Habitat for Humanity are simultaneously efficient and effective. Effective managers are those who choose the right organizational goals to pursue and have the skills to utilize resources efficiently.

Why Study Management?

The dynamic and complex nature of modern work means that managerial skills are in demand. Organizations need individuals like you, who can understand this complexity, respond to environmental contingencies, and make decisions that are ethical and effective. Studying management helps equip individuals to accomplish each of these tasks.

In a broader sense, individuals generally learn through personal experience (think the “school of hard knocks”) or the experiences of others. By studying management in school, you are exposing yourself to the lessons others have learned. The advantage of such social learning is that you are not bound to repeat the mistakes others have made in the past. Furthermore, by studying and practicing the behaviors of good managers and high-performing companies, you will equip yourself to help your future employer succeed.

The economic benefits of becoming a good manager are also impressive. In the United States, general managers earn a median wage of \$99,310, with a projected growth rate in job openings for 5% to 9% between now and 2026.¹¹

Finally, learning management principles can help you make good decisions in nonwork contexts. If you're coaching a child's baseball team, organizing a charity 5K run, planning your financial budget, or starting a new business, good management principles will help you understand others, make quality decisions, and improve your personal success.

Essential Managerial Tasks

LO1-2 Distinguish among planning, organizing, leading, and controlling (the four principal managerial tasks), and explain how managers' ability to handle each one affects organizational performance.

planning Identifying and selecting appropriate goals; one of the four principal tasks of management.

The job of management is to help an organization make the best use of its resources to achieve its goals. How do managers accomplish this objective? They do so by performing four essential managerial tasks: *planning, organizing, leading, and controlling*. The arrows linking these tasks in Figure 1.2 suggest the sequence in which managers typically perform them. French manager Henri Fayol first outlined the nature of these managerial activities around the turn of the 20th century in *General and Industrial Management*, a book that remains the classic statement of what managers must do to create a high-performing organization.¹²

Managers at all levels and in all departments—whether in small or large companies, for-profit or not-for-profit organizations, or organizations that operate in one country or throughout the world—are responsible for performing these four tasks, which we look at next. How well managers perform these tasks determines how efficient and effective their organizations are.

Planning

To perform the **planning** task, managers identify and select appropriate organizational goals and courses of action; they develop *strategies* for how to achieve high performance. The three steps involved in planning are (1) deciding which goals the organization will pursue, (2) deciding what strategies to adopt to attain those goals, and (3) deciding how to allocate organizational resources to pursue the strategies that attain those goals. How well managers plan and develop strategies determines how effective and efficient the organization is—its performance level.¹³

Figure 1.2

Four Tasks of Management



As an example of planning in action, consider Microsoft's recent innovation in artificial intelligence (AI) with its app, Seeing AI, which uses computer vision to audibly help blind and visually impaired people "see" the world around them through narration on an iOS device. Users can customize the voice it uses to verbalize observations and set how fast the voice talks. In addition, the app boasts currency recognition (e.g., U.S. dollars, British pounds, Euros), can detect the color of specific objects like clothing, recognizes handwriting, and includes a musical light detector to alert users with an audible tone to light in a specific environment. Microsoft says this last feature will save users from touching a hot bulb or LED battery to check if it's working. To date, the app has been downloaded more than 100,000 times since its release in 2017 and is now available in 35 countries.¹⁴

Organizing

Organizing is structuring working relationships so organizational members interact and cooperate to achieve organizational goals. Organizing people into departments according to the kinds of job-specific tasks they perform lays out the lines of authority and responsibility between different individuals and groups. Managers must decide how best to organize resources, particularly human resources.

The outcome of organizing is the creation of an **organizational structure**, a formal system of task and reporting relationships that coordinates and motivates members so they work together to achieve organizational goals. Organizational structure determines how an organization's resources can be best used to create goods and services. As Microsoft shifts its focus from PCs and software to cloud services and other innovations, management continues to face the issue of how best to structure or reorganize different groups within the organization. For example, Microsoft recently announced a new model to help explain the restructuring of its sales force. For fiscal year 2018, Microsoft reorganized its commercial field sales team around two customer segments: enterprise customers and small, medium, and corporate (SMC) customers. According to executive vice president Judson Althoff, Microsoft's highest growth opportunities will be in the enterprise sector, with specialist sales teams focused on new business. Going forward, Microsoft will continue to target six high-priority vertical markets: manufacturing, financial services, retail, health, education, and government.¹⁵ We examine the organizing process in detail in Chapters 10 through 12.

organizing Structuring working relationships in a way that allows organizational members to work together to achieve organizational goals; one of the four principal tasks of management.

organizational structure A formal system of task and reporting relationships that coordinates and motivates organizational members so they work together to achieve organizational goals.

leading Articulating a clear vision and energizing and enabling organizational members so they understand the part they play in achieving organizational goals; one of the four principal tasks of management.

controlling Evaluating how well an organization is achieving its goals and taking action to maintain or improve performance; one of the four principal tasks of management.

Leading

An organization's *vision* is a short, succinct, and inspiring statement of what the organization intends to become and the goals it is seeking to achieve—its desired future state. In **leading**, managers articulate a clear organizational vision for the organization's members to accomplish, and they energize and enable employees so everyone understands the part he or she plays in achieving organizational goals. Leadership involves managers using their power, personality, influence, persuasion, and communication skills to coordinate people and groups so their activities and efforts are in harmony. Leadership revolves around encouraging all employees to perform at a high level to help the organization achieve its vision and goals. Another outcome of leadership is a highly motivated and committed workforce. Microsoft's more than 120,000 employees appreciate the core values of their leadership, especially CEO Nadella's refreshing new focus on collaboration and innovation, which contributes to their success as a workforce. Likewise, Nadella's 25-year tenure with the tech giant gives him a competitive edge in knowing what works, what doesn't, and how better to relate to his employees. We discuss the issues involved in managing and leading individuals and groups in Chapters 13 through 16.

Controlling

In **controlling**, the task of managers is to evaluate how well an organization has achieved its goals and to take any corrective actions needed to maintain or improve performance. For example, managers monitor the performance of individuals, departments, and the organization as a whole to see whether they are meeting desired performance standards. Satya Nadella learned early in his career about the importance of monitoring performance to ensure that his organization realized its profit objectives. When these goals fall short, Nadella and Microsoft's management team must find ways to improve performance.

The outcome of the control process is the ability to measure performance accurately and regulate organizational efficiency and effectiveness. To exercise control, managers must decide which goals to measure—perhaps goals pertaining to productivity, quality, or responsiveness to customers—and then they must design control systems that will provide the information necessary to assess performance—that is, determine to what degree the goals have been met. The controlling task also helps managers evaluate how well they themselves are performing the other three tasks of management—planning, organizing, and leading—and take corrective action. For an example of a manager who excels at controlling, see the “Manager as a Person” feature.

MANAGER AS A PERSON



Working closely with employees can help managers control daily operations and increase efficiencies, even in a busy ER department.

©monkeybusinessimages/Getty Images

Making ER Visits as Painless as Possible

If you've ever had the misfortune of visiting a hospital's emergency room, you know the hardest part can be waiting for a doctor. And on the hospital's side, ERs have their own challenges from serving patients who are often in desperate situations. The best case, then, is to have a manager like Erin Daley, the ER director for Mercy Medical Center in Massachusetts.

Daley says that since her days as a nursing student, she has loved “everything” about working in an emergency room.¹⁶ She sees an exciting challenge in the way each patient's arrival can require the staff to restructure all their activities to meet the most pressing need. Thriving in that environment, Daley spent a decade in Mercy's

ER, moving up from staff nurse to charge nurse to clinical nurse supervisor. The supervisory position gave her experience in hiring and scheduling. From there, she moved up to the nurse manager position, adding duties related to the productivity of the nursing staff.¹⁷

In her role as ER director, Daley focuses on improving the department's performance in meeting objectives for efficiency and quality of care. While keeping costs within her \$65 million budget, she has found ways her staff can move patients through the system faster while improving survey scores for patient satisfaction. Under her watch, Mercy's ER has also cut the rate of patients who leave before they have been seen by a doctor. In a further measure of quality performance, Mercy has won awards for superior care of patients who experience strokes.¹⁸

Daley's approach involves working with her team to study exactly what steps occur to take a patient through the process of getting care. Team members look for any wasted steps they can cut to improve efficiency. They set up a process that sorts patients who have less severe conditions in which they don't need a bed from those with more serious conditions. Those in the first group are seen in one room and then discharged, while the others follow a separate process. Before this process was implemented, beds were too often filled with patients who didn't really need them. The team also set up systems for treating ER patients as a "whole person," not just a broken leg or a drug overdose. This means educating patients about their conditions, planning what will happen after their release, and following up to help manage their recovery.¹⁹

The four managerial tasks—planning, organizing, leading, and controlling—are essential parts of a manager's job. At all levels in the managerial hierarchy, and across all jobs and departments in an organization, effective management means performing these four activities successfully—in ways that increase efficiency and effectiveness.

Performing Managerial Tasks: Mintzberg's Typology

So far, our discussion of management has presented it as an orderly process in which individuals carefully weigh information before making the best possible decision. Henry Mintzberg was one of the first to show that management is often chaotic, marked by quick decisions in a tense and sometimes emotional environment. Quick, immediate reactions to situations, rather than deliberate thought and reflection, are an important aspect of managerial action. Mintzberg, a professor at McGill University, has spent most of his life researching management in an attempt to help organizations better achieve their goals in an ethical manner. Some of his most important research examined the different roles that managers play in organizations and directly informs our discussion in this chapter. Often managers are overloaded with responsibilities and do not have time to analyze every nuance of a situation; they therefore make decisions in uncertain conditions, not knowing which outcomes will be best.²⁰ Moreover, top managers face constantly changing situations, and a decision that seems right today may prove to be wrong tomorrow. The range of problems that managers face is enormous; managers usually must handle many problems simultaneously; and they often must make snap decisions using the intuition and experience gained through their careers to perform their jobs to the best of their abilities.²¹ Henry Mintzberg, by following managers and observing what they actually *do* hour by hour and day by day, identified 10 kinds of specific roles, or sets of job responsibilities, that capture the dynamic nature of managerial work.²² He grouped these roles according to whether the responsibility is primarily decisional, interpersonal, or informational; they are described in Table 1.1.

Given the many complex, difficult job responsibilities managers have, it is no small wonder that many claim they are performing their jobs well if they are right just half of the time.²³ And it is understandable that many experienced managers accept their subordinates' failure as a normal part of the learning experience and a rite of passage to becoming an effective manager. Managers and their subordinates learn from both their successes and their failures.

Table 1.1
Managerial Roles Identified by Mintzberg

Type of Role	Specific Role	Examples of Role Activities
Decisional	Entrepreneur	Commit organizational resources to develop innovative goods and services; decide to expand internationally to obtain new customers for the organization's products.
	Disturbance handler	Move quickly to take corrective action to deal with unexpected problems facing the organization from the external environment, such as a crisis like an oil spill, or from the internal environment, such as producing faulty goods or services.
	Resource allocator	Allocate organizational resources among different tasks and departments of the organization; set budgets and salaries of middle and first-level managers.
	Negotiator	Work with suppliers, distributors, and labor unions to reach agreements about the quality and price of input, technical, and human resources; work with other organizations to establish agreements to pool resources to work on joint projects.
Interpersonal	Figurehead	Outline future organizational goals to employees at company meetings; open a new corporate headquarters building; state the organization's ethical guidelines and the principles of behavior employees are to follow in their dealings with customers and suppliers.
	Leader	Provide an example for employees to follow; give direct commands and orders to subordinates; make decisions concerning the use of human and technical resources; mobilize employee support for specific organizational goals.
	Liaison	Coordinate the work of managers in different departments; establish alliances between different organizations to share resources to produce new goods and services.
Informational	Monitor	Evaluate the performance of managers in different tasks and take corrective action to improve their performance; watch for changes occurring in the external and internal environments that may affect the organization in the future.
	Disseminator	Inform employees about changes taking place in the external and internal environments that will affect them and the organization; communicate to employees the organization's vision and purpose.
	Spokesperson	Launch a national advertising campaign to promote new goods and services; give a speech to inform the local community about the organization's future intentions.

Levels and Skills
of Managers

To perform the four managerial tasks efficiently and effectively, organizations group or differentiate their managers in two main ways—by level in hierarchy and by type of skill. First, they differentiate managers according to their level or rank in the organization's hierarchy of authority. The three levels of managers are first-line managers, middle managers, and top managers—arranged in a hierarchy. Typically, first-line managers report to middle managers, and middle managers report to top managers.

Second, organizations group managers into different departments (or functions) according to their specific job-related skills, expertise, and experiences, such as a manager's engineering

department A group of people who work together and possess similar skills or use the same knowledge, tools, or techniques to perform their jobs.

L01-3 Differentiate among three levels of management, and understand the tasks and responsibilities of managers at different levels in the organizational hierarchy.

first-line manager A manager who is responsible for the daily supervision of nonmanagerial employees.

middle manager A manager who supervises first-line managers and is responsible for finding the best way to use resources to achieve organizational goals.

Figure 1.3
Levels of Managers

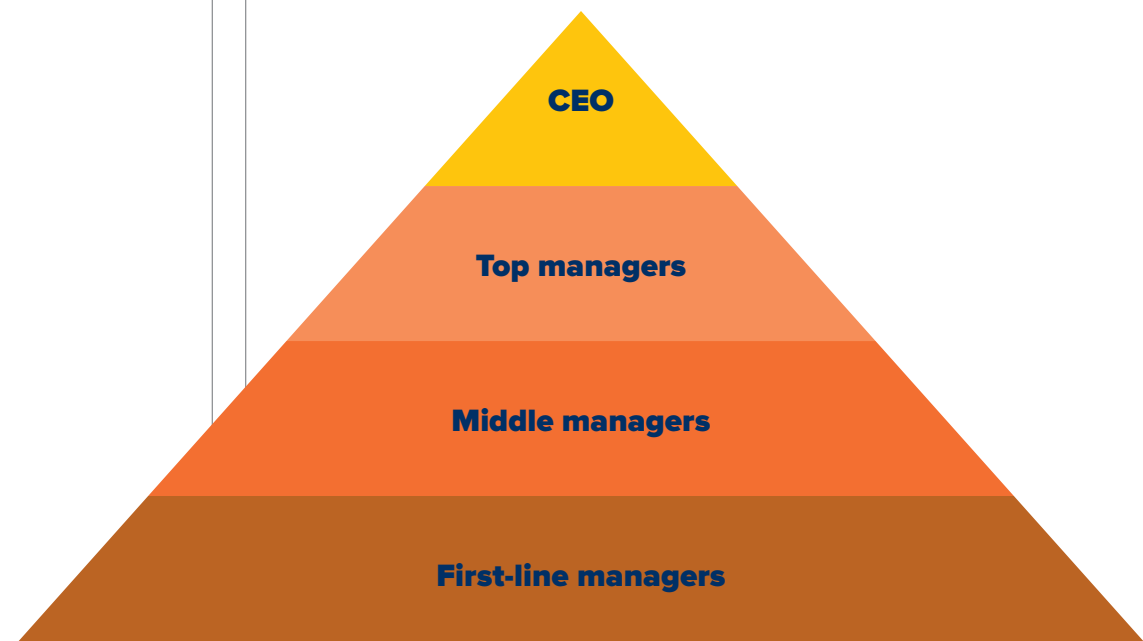
skills, marketing expertise, or sales experience. A **department**, such as the manufacturing, accounting, engineering, or sales department, is a group of managers and employees who work together because they possess similar skills and experience or use the same kind of knowledge, tools, or techniques to perform their jobs. Within each department are all three levels of management. Next we examine why organizations use a hierarchy of managers and group them, by the jobs they perform, into departments.

Levels of Management

Organizations normally have three levels of management: first-line managers, middle managers, and top managers (see Figure 1.3). Managers at each level have different but related responsibilities for using organizational resources to increase efficiency and effectiveness.

At the base of the managerial hierarchy are **first-line managers**, often called *supervisors*. They are responsible for daily supervision of the nonmanagerial employees who perform the specific activities necessary to produce goods and services. First-line managers work in all departments or functions of an organization. Examples of first-line managers include the supervisor of a work team in the manufacturing department of a car plant, the head nurse in the obstetrics department of a hospital, and the chief mechanic overseeing a crew of mechanics in the service function of a new car dealership.

Supervising the first-line managers are **middle managers**, responsible for finding the best way to organize human and other resources to achieve organizational goals. To increase efficiency, middle managers find ways to help first-line managers and nonmanagerial employees better use resources to reduce manufacturing costs or improve customer service. To increase effectiveness, middle managers evaluate whether the organization's goals are appropriate and suggest to top managers how goals should be changed. Often the suggestions that middle managers make to top managers can dramatically increase organizational performance. A major part of the middle manager's job is developing and fine-tuning skills and know-how, such as manufacturing or marketing expertise, that allow the organization to be efficient and effective. Middle managers make thousands of specific decisions about the production of goods and services: Which first-line supervisors should be chosen for this particular project? Where can we find the highest-quality resources? How should employees be organized to allow them to make the best use of resources?



top manager A manager who establishes organizational goals, decides how departments should interact, and monitors the performance of middle managers.

top management team A group composed of the CEO, the COO, and the vice presidents most responsible for achieving organizational goals.

Behind a top-notch sales force, look for the middle managers responsible for training, motivating, and rewarding the salespeople. Behind a committed staff of high school teachers, look for the principal who energizes them to find ways to obtain the resources they need to do outstanding and innovative jobs in the classroom.

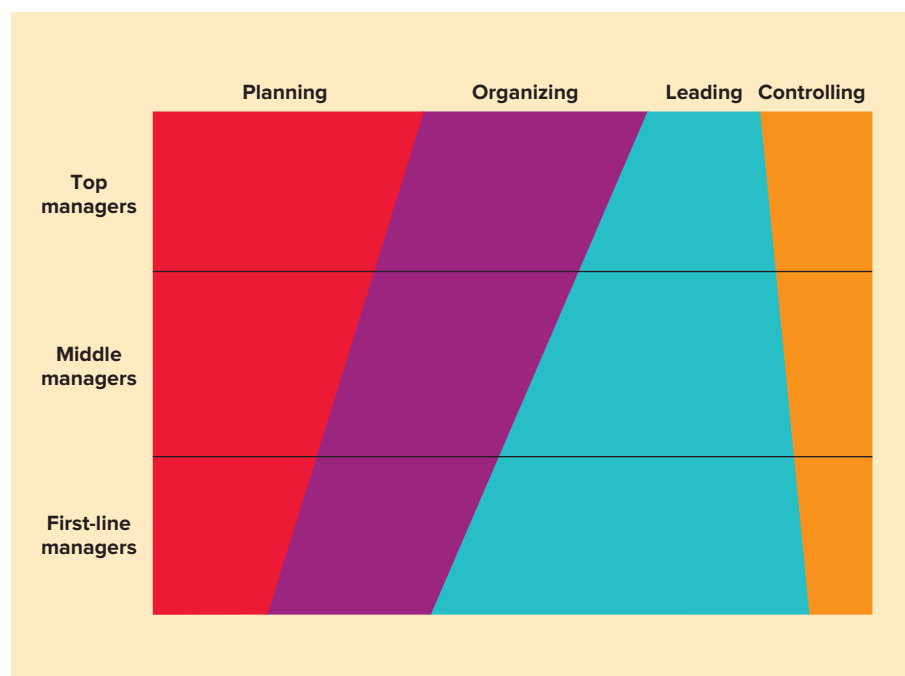
In contrast to middle managers, **top managers** are responsible for the performance of *all* departments. They have *cross-departmental responsibility*. Top managers establish organizational goals, such as which goods and services the company should produce; they decide how the different departments should interact; and they monitor how well middle managers in each department use resources to achieve goals.²⁴ Top managers are ultimately responsible for the success or failure of an organization, and their performance is continually scrutinized by people inside and outside the organization, such as other employees and investors.²⁵

The *chief executive officer (CEO)* is a company's most senior and important manager, the one all other top managers report to. Today the term *chief operating officer (COO)* often refers to top managers, who are being groomed to assume CEO responsibilities when the current CEO retires, leaves the company, or assumes other responsibilities. Together the CEO and COO are responsible for developing good working relationships among the top managers of various departments (manufacturing and marketing, for example); usually, these top managers have the title "vice president." A central concern of the CEO is the creation of a smoothly functioning **top management team**, a group composed of the CEO, the COO, and the vice presidents most responsible for achieving organizational goals.²⁶

The relative importance of planning, organizing, leading, and controlling—the four principal managerial tasks—to any manager depends on the manager's position in the managerial hierarchy.²⁷ The amount of time managers spend planning and organizing resources to maintain and improve organizational performance increases as they ascend the hierarchy (see Figure 1.4).²⁸ Top managers devote most of their time to planning and organizing, the tasks so crucial to determining an organization's long-term performance. The lower that managers' positions are in the hierarchy, the more time the managers spend leading and controlling first-line managers or nonmanagerial employees.

Figure 1.4

Relative Amount of Time Managers Spend on the Four Managerial Tasks



LO1-4 Distinguish among three kinds of managerial skill, and explain why managers are divided into different departments to perform their tasks more efficiently and effectively.

conceptual skills The ability to analyze and diagnose a situation and to distinguish between cause and effect.

human skills The ability to understand, alter, lead, and control the behavior of other individuals and groups.

technical skills The job-specific knowledge and techniques required to perform an organizational role.

Managerial Skills

Both education and experience enable managers to recognize and develop the personal skills they need to put organizational resources to their best use. Research has shown that education and experience help managers acquire and develop three types of skills: *conceptual*, *human*, and *technical*.²⁹

Conceptual skills are demonstrated in the general ability to analyze and diagnose a situation and to distinguish between cause and effect. Top managers require the best conceptual skills because their primary responsibilities are planning and organizing.³⁰ Managers like Satya Nadella must constantly identify new opportunities and mobilize organizational resources to take advantage of those opportunities.

Formal education and training are important in helping managers develop conceptual skills. Business training at the undergraduate and graduate (MBA) levels provides many of the conceptual tools (theories and techniques in marketing, finance, and other areas) that managers need to perform their roles effectively. The study of management helps develop the skills that allow managers to understand the big picture confronting an organization. The ability to focus on the big picture lets managers see beyond the immediate situation and consider choices while keeping in mind the organization's long-term goals.

Today continuing management education and training, including training in advanced information technology (IT), are an integral part of building managerial skills because new theories and techniques are constantly being developed to improve organizational effectiveness, such as total quality management, global supply chain management, and cloud computing and virtual business-to-business (B2B) networks. A quick scan through a magazine such as *Bloomberg Businessweek* or *Fortune* reveals a host of seminars on topics such as advanced marketing, finance, leadership, and human resource management that are offered to managers at many levels in the organization, from the most senior corporate executives to middle managers. Microsoft, IBM, Oracle, and many other organizations designate a portion of each manager's personal budget to be used at the manager's discretion to attend management development programs.

In addition, organizations may wish to develop a particular manager's abilities in a specific skill area—perhaps to learn an advanced component of departmental skills, such as international bond trading, or to learn the skills necessary to implement a total quality management program. The organization thus pays for managers to attend specialized programs to develop these skills. Indeed, one signal that a manager is performing well is an organization's willingness to invest in that manager's skill development. Similarly, many nonmanagerial employees who are performing at a high level (because they have studied management) are often sent to intensive management training programs to develop their management skills and to prepare them for promotion to first-level management positions.

Human skills include the general ability to understand, alter, lead, and control the behavior of other individuals and groups. The ability to communicate, to coordinate, to motivate, and to mold individuals into a cohesive team distinguishes effective from ineffective managers. Skills such as these are especially significant for successful management in the public (government) sector, as described in the "Management Insight" feature. Like conceptual skills, human skills can be learned through education and training, as well as be developed through experience.³¹ Organizations increasingly use advanced programs in leadership skills and team leadership as they seek to capitalize on the advantages of self-managed teams.³² To manage personal interactions effectively, each person in an organization needs to learn how to empathize with other people—to understand their viewpoints and the problems they face. One way to help managers understand their personal strengths and weaknesses is to have their superiors, peers, and subordinates provide feedback about their job performance. Thorough and direct feedback allows managers to develop their human skills.

Technical skills are the *job-specific* skills required to perform a particular type of work or occupation at a high level. Examples include a manager's specific manufacturing, accounting, marketing, and IT skills. Managers need a range of technical skills to be effective. The array of technical skills managers need depends on their position in their organizations. The manager of a restaurant, for example, may need cooking skills to fill in for an absent cook, accounting and bookkeeping skills to keep track of receipts and costs and to administer the payroll, and aesthetic skills to keep the restaurant looking attractive for customers.



Succeeding as a City Manager

Businesses are not the only organizations that need people with management skills. Governments are an important sector of the economy that also employs managers. Many cities, for example, have a government structure in which an elected city council hires a manager to oversee the work of the city government.

A city manager faces the challenge of serving a diverse group of citizens while also maintaining productive relationships with the elected officials who hired him or her. Jim Schutz recalls that when he became city manager of San Rafael, California, he faced a steep learning curve.³³ On any given day, the issues he faced included personnel matters, budget shortfalls, emergencies involving the police and fire departments, and publicly aired complaints from unhappy residents. He has faced those with a vision of a service-oriented approach to providing government services and a growing appreciation of the community's many strengths. Keeping his approach positive has helped him succeed in the job.

As Schutz discovered, a key part of the city manager's necessary skills involves the ability to work with other people. The council members who hire and fire a city manager are necessarily concerned with the political impact of actions taken by the city government.³⁴ Therefore, the manager needs to plan for residents' and politicians' reactions to any new policy or new spending. The manager also has to build support from and cooperation with other members of the local government, such as judges and administrators of the public schools. And the city manager is usually the one to carry out personnel decisions, such as hiring and firing.

To bring these skills to the job, a city manager needs experience in working for a local government. Many managers seek education beyond a bachelor's degree, such as a master's in public administration.³⁵ A group of public managers in Massachusetts determined that city managers could bring more skills to the job if they had a training program. They pooled their experience to create a boot camp for new managers and administrators, which focuses on human skills such as working effectively with government colleagues, taking a leadership role in the community, and developing a network for career support.³⁶ City managers have found that sharing experiences at the boot camp is a valuable way to build skills for their complex jobs.

As noted earlier, managers and employees who possess the same kinds of technical skills typically become members of a specific department and are known as, for example, marketing managers or manufacturing managers.³⁷ Managers are grouped into different departments because a major part of a manager's responsibility is to monitor, train, and supervise employees so their job-specific skills and expertise increase. Obviously this is easier to do when employees with similar skills are grouped into the same department because they can learn from one another and become more skilled and productive at their particular jobs.

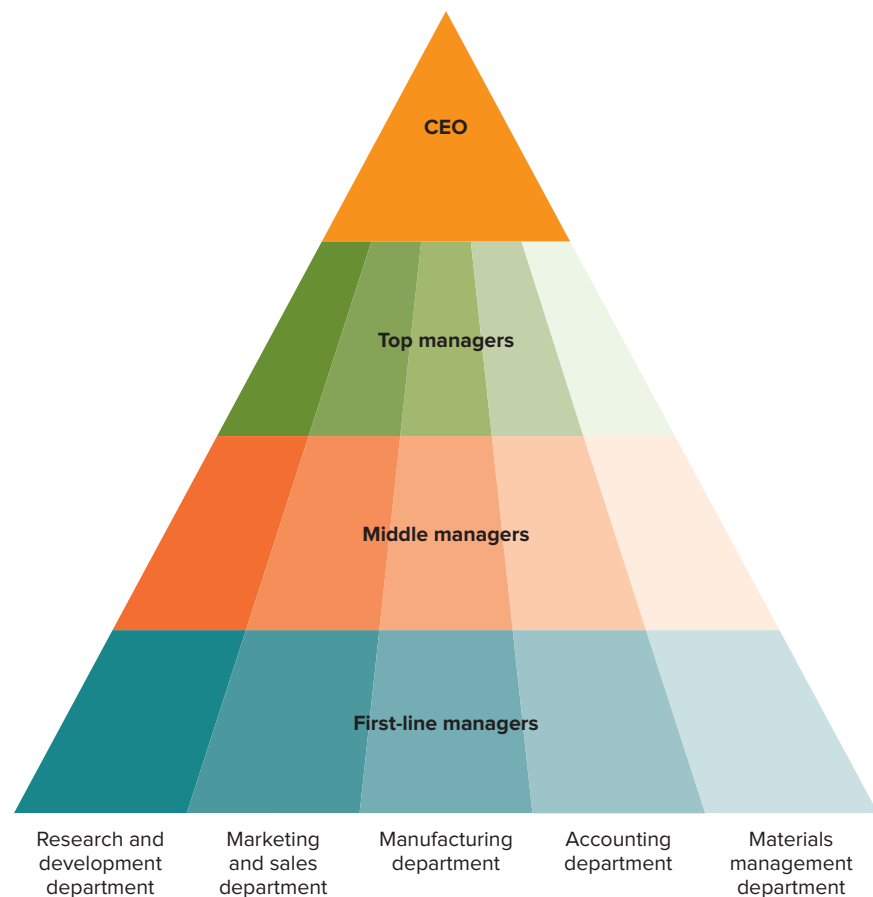
Figure 1.5 shows how an organization groups managers into departments on the basis of their job-specific skills. It also shows that inside each department, a managerial hierarchy of first-line, middle, and top managers emerges. These managers work together on similar tasks in departments. For example, middle and front-line managers may specialize in areas such as marketing and sales, human resource management, accounting, engineering, or production. When the head of manufacturing finds that she has no time to supervise computer assembly, she may recruit experienced manufacturing middle managers from other companies to assume this responsibility.

Today the term **core competency** is often used to refer to the specific set of departmental skills, knowledge, and experience that allows one organization to outperform its competitors. In other words, departmental skills that create a core competency give an organization a

core competency The specific set of departmental skills, knowledge, and experience that allows one organization to outperform another.

Figure 1.5

Types and Levels of Managers



competitive advantage. Dell, for example, was the first PC maker to develop a core competency in materials management that allowed it to produce PCs at a much lower cost than its competitors—a major source of competitive advantage. Google is well known for its core competency in research and development (R&D) that allows it to innovate new products and services at a faster rate than its competitors. From computerized glasses to self-driving cars, Google has been pioneering the development of technology for the masses.

Effective managers need all three kinds of skills—conceptual, human, and technical—to help their organizations perform more efficiently and effectively. The absence of even one type of managerial skill can lead to failure. One of the biggest problems that people who start small businesses confront, for example, is their lack of appropriate conceptual and human skills. Someone who has the technical skills to start a new business does not necessarily know how to manage the venture successfully. Similarly, one of the biggest problems that scientists or engineers who switch careers from research to management confront is their lack of effective human skills. Ambitious managers or prospective managers are constantly in search of the latest educational contributions to help them develop the conceptual, human, and technical skills they need to perform at a high level in today's changing and increasingly competitive global environment.

Developing new and improved skills through education and training has become a priority for both aspiring managers and the organizations they work for. Many people are enrolling in advanced management courses, and many companies, such as Microsoft, GE, and IBM, have established their own colleges to train and develop their employees and managers at all levels. Every year these companies put thousands of their employees through management programs designed to identify the employees who the company believes have the competencies that can be developed to become its future top managers. Most organizations closely link promotion to

Recent Changes in Management Practices

restructuring Downsizing an organization by eliminating the jobs of large numbers of top, middle, and first-line managers and nonmanagerial employees.

outsourcing Contracting with another company, usually abroad, to have it perform an activity the organization previously performed itself.

a manager's ability to acquire the competencies a particular company believes are important.³⁸ At Apple and 3M, for example, the ability to successfully lead a new product development team is viewed as a vital requirement for promotion; at Accenture and IBM, the ability to attract and retain clients is viewed as a skill its consultants must possess. We discuss the various kinds of skills managers need to develop in most of the chapters of this book.

The tasks and responsibilities of managers have been changing dramatically in recent years. Two major factors that have led to these changes are global competition and advances in information technology. Stiff competition for resources from organizations both at home and abroad has put increased pressure on all managers to improve efficiency and effectiveness. Increasingly, top managers are encouraging lower-level managers to look beyond the goals of their own departments and take a cross-departmental view to find new opportunities to improve organizational performance. Modern IT gives managers at all levels and in all areas access to more and better information and improves their ability to plan, organize, lead, and control. IT also gives employees more job-related information and allows them to become more skilled, specialized, and productive.³⁹

Restructuring and Outsourcing

To utilize IT to increase efficiency and effectiveness, CEOs and top management teams have restructured organizations and outsourced specific organizational activities to reduce the number of employees on the payroll and make more productive use of the remaining workforce.

Restructuring involves simplifying, shrinking, or downsizing an organization's operations to lower operating costs, as Macy's, Microsoft, and Xerox have been forced to do. The global recession of 2008–2010 forced most companies—large and small, and profit and nonprofit—to find ways to reduce costs because their customers spent less money, so their revenues decreased. Restructuring can be done by eliminating product teams, shrinking departments, and reducing levels in the hierarchy, all of which result in the loss of large numbers of jobs of top, middle, or first-line managers, as well as nonmanagerial employees. Modern IT's ability to improve efficiency has increased the amount of downsizing in recent years because IT makes it possible for fewer employees to perform a given task. IT increases each person's ability to process information and make decisions more quickly and accurately, for example. In 2018, global spending on IT was projected to top \$3.7 trillion, including enterprise software, devices, and communications services to improve efficiency and effectiveness.⁴⁰ We discuss the many effects of IT on management in Chapter 18 and throughout the book.

Restructuring, however, can produce some powerful negative outcomes. It can reduce the morale of remaining employees, who worry about their own job security. And top managers of many downsized organizations realize that they have downsized too far when their employees complain they are overworked and when increasing numbers of customers complain about poor service.⁴¹

Outsourcing involves contracting with another company, usually in a low-cost country abroad, to have it perform a work activity the organization previously performed itself, such as manufacturing, marketing, or customer service. Outsourcing increases efficiency because it lowers operating costs, freeing up money and resources that can be used in more effective ways—for example, to develop new products.

Low-cost global competition dramatically increased outsourcing in the early 2000s. In 2016, more than 1.4 million jobs were outsourced to other countries. India, Indonesia, and China were rated as the top outsourcing countries. Companies primarily sent jobs offshore to control costs and gain access to unavailable resources while freeing up internal ones. Thousands of high-paying IT jobs have also moved abroad, to countries such as India, Bulgaria, and the Philippines, where programmers work for one-third the salary of those in the United States.⁴²

Large for-profit organizations today typically employ 10–20% fewer people than they did 10 years ago because of restructuring, outsourcing, and advances in new technologies. Ford, IBM, AT&T, and DuPont are among the thousands of organizations that have streamlined



Auto Production Thrives in Mexico

As quality issues continue to dominate and workers' wages increase in parts of Asia, most notably in China, global auto companies are looking for other locations to build new production facilities. While some U.S. companies tout their commitment to "Made in the USA" and promise to bring jobs back home, the reality is that production costs in this country, particularly jobs associated with union wages, continue to be prohibitive.

In recent years, many of the world's automakers have decided to build new production facilities in Mexico for several reasons. There are plenty of locations in Mexico that would be suitable to build new, state-of-the-art facilities—for a reasonable price. And in terms of logistics, most of the new facilities are within a few hours' drive of major shipping ports, which expedites the transportation process. Mexico has a large workforce, including college graduates with engineering degrees, who do not make anywhere near the annual salaries made by U.S. engineers. It is estimated that the starting salary of engineers in Mexico would be approximately one-quarter of the annual paycheck of their U.S. counterparts. In addition, average annual wages for Mexican workers are \$15,000 compared to \$60,000 for U.S. workers.⁴³

Although some would argue that the North American Free Trade Agreement (NAFTA) has given Mexico unfair advantages when it comes to new manufacturing facilities, others—including Ford, Toyota, BMW, and Audi—believe that Mexico's close proximity to the U.S. border dramatically decreases shipping and transportation costs for cars made in Mexico, enabling the companies to maintain decent profit margins on vehicles built there.⁴⁴

Despite fears that auto manufacturing in Mexico could be hurt by the possible renegotiation of NAFTA by the United States with trading partners Canada and Mexico in the coming year, Mexican auto production and exports hit a record high in 2017, with auto exports increasing by more than 12%.⁴⁵

their operations to increase efficiency and effectiveness. The argument is that the managers and employees who have lost their jobs will find employment in new and growing U.S. companies where their skills and experience will be better utilized. For example, the millions of manufacturing jobs that have been lost overseas will be replaced by higher-paying U.S. jobs in the service sector, which are made possible because of the growth in global trade. At the same time, many companies continue to experience outsourcing problems in Asia, as well as increasing wages in that part of the world. Auto manufacturers, in particular, are looking for venues that offer both skilled workers and low wages. As discussed in the accompanying "Managing Globally" feature, automakers are setting up manufacturing facilities south of the border.

Empowerment and Self-Managed Teams

The second principal way managers have sought to increase efficiency and effectiveness is by empowering lower-level employees and moving to self-managed teams. **Empowerment** is a management technique that involves giving employees more authority and responsibility over how they perform their work activities. Many companies, from start-ups to well-established organizations, have embraced empowerment as a key corporate strategy. One byproduct of fostering an empowered workforce may include a flatter organizational structure. For example, Valve Corporation, a billion-dollar company in Bellevue, Washington, does not believe in managers. Started more than 20 years ago, Valve is a video game developer that has gained a reputation for a dynamic organizational culture. At Valve, there is no hierarchy or top-down control, and innovation permeates the company environment. There is no "reporting" structure at Valve

LO1-5 Discuss some major changes in management practices today that have occurred as a result of globalization and the use of advanced information technology (IT).

empowerment The expansion of employees' knowledge, tasks, and decision-making responsibilities.



At Valve Corporation in Bellevue, Washington, there are no managers and no reporting structure. Employees are encouraged to become the CEOs of their own work.

©Adam Hester/Blend Images

self-managed work team

A group of employees who assume responsibility for organizing, controlling, and supervising their own activities and monitoring the quality of the goods and services they provide.

Challenges for Management in a Global Environment

global organizations

Organizations that operate and compete in more than one country.

LO1-6 Discuss the principal challenges managers face in today's increasingly competitive global environment.

competitive advantage The ability of one organization to outperform other organizations because it produces desired goods or services more efficiently and effectively than they do.

and employees pick their own projects, which typically are high profile and complex. While this may seem daunting to some employees, others thrive in this environment in which they are empowered to be the CEOs of their own work. In addition, bonuses, hirings, and firings are all determined by peer review, not managers.⁴⁶

IT is being increasingly used to empower employees because it expands employees' job knowledge and increases the scope of their job responsibilities. Frequently, IT allows one employee to perform a task that was previously performed by many employees. As a result, the employee has more autonomy and responsibility. IT also facilitates the use of a **self-managed work team**, a group of employees who assume collective responsibility for organizing, controlling, and supervising their own work activities. Using IT designed to give team members real-time information about each member's performance, a self-managed team can often find ways to accomplish a task more quickly and efficiently. Moreover, self-managed teams assume many tasks and

responsibilities previously performed by first-line managers, so a company can better utilize its workforce.⁴⁷ First-line managers act as coaches or mentors whose job is not to tell employees what to do but to provide advice and guidance and help teams find new ways to perform their tasks more efficiently. Using the same IT, middle managers can easily monitor what is happening in these teams and make better resource allocation decisions as a result. We discuss self-managed teams in more detail in Chapters 2, 10, and 15.

Because the world has been changing more rapidly than ever before, managers and other employees throughout an organization must perform at higher and higher levels. In the last 20 years, rivalry between organizations competing domestically (in the same country) and globally (in countries abroad) has increased dramatically. The rise of **global organizations**, organizations that operate and compete in more than one country, has pressured many organizations to identify better ways to use their resources and improve their performance. The successes of the German pharmaceutical conglomerate Bayer, Italian furniture manufacturer Natuzzi, Korean electronics companies Samsung and LG, Brazilian plane maker Embraer, and Europe's Airbus Industries are putting pressure on companies in other countries to raise their level of performance to compete successfully against these global organizations.

Even in the not-for-profit sector, global competition is spurring change. Schools, universities, police forces, and government agencies are reexamining their operations because looking at how activities are performed in other countries often reveals better ways to do them. For example, many curriculum and teaching changes in the United States have resulted from the study of methods that Japanese and European school systems use. Similarly, European and Asian hospital systems have learned much from the U.S. system—which may be the most effective, though not the most efficient, in the world.

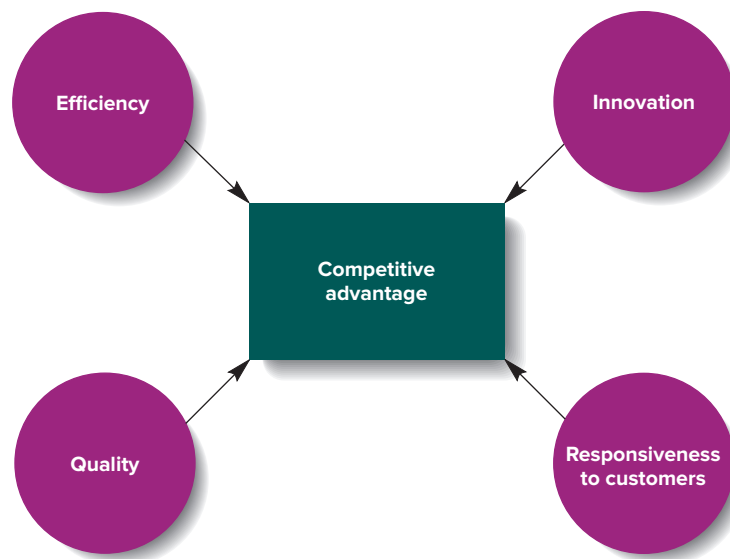
Today managers who make no attempt to learn from and adapt to changes in the global environment find themselves reacting rather than innovating, and their organizations often become uncompetitive and fail. Five major challenges stand out for managers in today's world: building a competitive advantage, maintaining ethical standards, managing a diverse workforce, utilizing new information systems and technologies, and practicing global crisis management.

Building Competitive Advantage

What are the most important lessons for managers and organizations to learn if they are to reach and remain at the top of the competitive environment of business? The answer relates to the use of organizational resources to build a competitive advantage. **Competitive advantage** is the ability of one organization to outperform other organizations because it produces desired goods or services more efficiently and effectively than its competitors. The four building blocks

Figure 1.6

Building Blocks of Competitive Advantage



of competitive advantage are superior *efficiency*; *quality*; *speed*, *flexibility*, and *innovation*; and *responsiveness to customers*, as Figure 1.6 shows.

Organizations increase their efficiency when they reduce the quantity of resources (such as people and raw materials) they use to produce goods or services. In today's competitive environment, organizations continually search for new ways to use their resources to improve efficiency. Many organizations are training their workforces in the new skills and techniques needed to operate heavily computerized assembly plants. Similarly, cross-training gives employees the range of skills they need to perform many different tasks, and organizing employees in new ways, such as in self-managed teams, lets them make good use of their skills. These are important steps in the effort to improve productivity. Japanese and German companies invest far more in training employees than do American or Italian companies.

Managers must improve efficiency if their organizations are to compete successfully with companies operating in Mexico, Malaysia, and other countries where employees are paid comparatively low wages. New methods must be devised either to increase efficiency or to gain some other competitive advantage—higher-quality goods, for example—if outsourcing and the loss of jobs to low-cost countries are to be prevented.

The challenge from global organizations such as Korean electronics manufacturers, Mexican agricultural producers, and European design and financial companies also has increased pressure on companies to develop the skills and abilities of their workforces in order to improve the quality of their goods and services. One major thrust to improving quality has been to introduce the quality-enhancing techniques known as *total quality management (TQM)*. Employees involved in TQM are often organized into quality control teams and are responsible for finding new and better ways to perform their jobs; they also must monitor and evaluate the quality of the goods they produce. We discuss ways of managing TQM successfully in Chapter 9.

Today companies can win or lose the competitive race depending on their *speed*—how fast they can bring new products to market—or their *flexibility*—how easily they can change or alter the way they perform their activities to respond to actions of their competitors. Companies that have speed and flexibility are agile competitors: Their managers have superior planning and organizing abilities; they can think ahead, decide what to do, and then speedily mobilize their resources to respond to a changing environment. We examine how managers can build speed and flexibility in their organizations in later chapters. Agile companies are adept at responding to changes in their environments, including change from technological, regulatory, and economic sources. For example, companies like Microsoft are seeking ways to produce their products more economically amid tightening margins and increased competition. One way Microsoft is responding to this pressure is by expanding its portfolio of products and services and its business partnerships, which will help support the company's other endeavors.⁴⁸

innovation The process of creating new or improved goods and services or developing better ways to produce or provide them.

turnaround management

The creation of a new vision for a struggling company based on a new approach to planning and organizing to make better use of a company's resources and allow it to survive and prosper.

Innovation, the process of creating new or improved goods and services that customers want or developing better ways to produce or provide goods and services, poses a special challenge. Managers must create an organizational setting in which people are encouraged to be innovative. Typically, innovation takes place in small groups or teams; management decentralizes control of work activities to team members and creates an organizational culture that rewards risk taking. Innovation doesn't happen by itself; companies have to devote resources that enable innovation. These investments are a delicate balancing act. Consider Google. More than a decade ago, Google won praise for its 80/20 work allocation, where 20% of an employee's time was given to work on individual "pet projects." Consumer hits such as Gmail came from this program. But the company recently announced that it was suspending the 80/20 program due to productivity concerns. Google had banked on the idea that slack time would enable individuals to innovate, but economic realities and productivity needs meant a change in how it structured employee work. Instead of a more autonomous approach to innovation, Google is now relying on its X lab as a formal means of maintaining a competitive edge.⁴⁹

Organizations compete for customers with their products and services, so training employees to be responsive to customers' needs is vital for all organizations, but particularly for service organizations. Retail stores, banks, and hospitals, for example, depend entirely on their employees to perform behaviors that result in high-quality service at a reasonable cost. As many countries (the United States, Canada, and Switzerland are just a few) move toward a more service-based economy (in part because of the loss of manufacturing jobs to Vietnam, Malaysia, and other countries with low labor costs), managing behavior in service organizations is becoming increasingly important. Many organizations are empowering their customer service employees and giving them the authority to take the lead in providing high-quality customer service. As noted previously, empowering nonmanagerial employees and creating self-managed teams change the role of first-line managers and lead to more efficient use of organizational resources.

Sometimes the best efforts of managers to revitalize their organizations' fortunes fail; faced with bankruptcy, the directors of these companies are forced to appoint a new CEO who has a history of success in rebuilding a company. **Turnaround management** is the creation of a new vision for a struggling company using a new approach to planning and organizing to make better use of a company's resources and allow it to survive and eventually prosper—something Apple's Steve Jobs excelled at. It involves developing radical new strategies, such as how to reduce the number of products sold or change how they are made and distributed, or closing corporate and manufacturing operations to reduce costs. Organizations that appoint turnaround CEOs are generally experiencing a crisis because they have become inefficient or ineffective; sometimes this is because of poor management over a continuing period, or sometimes it occurs because a competitor introduces a new product or technology that makes their own products unattractive to customers. For example, fast-casual food chain Chipotle was flying high until food safety scares in 2015 and 2017 caused the company to lose customers, market share, and consumers' confidence in the chain's reputation for quality. Founder and CEO Steve Eells, who ran the chain since its start in 1993, stepped aside as CEO in 2018 and was replaced by Brian Niccol, former CEO of Taco Bell.⁵⁰

Achieving a competitive advantage requires that managers use all their skills and expertise, as well as their companies' other resources, to find new and better ways to improve efficiency, quality, innovation, and responsiveness to customers. We revisit this theme often as we examine the ways managers plan strategies, organize resources and activities, and lead and control people and groups to increase efficiency and effectiveness.

Maintaining Ethical and Socially Responsible Standards

Managers at all levels, especially after the recent recession, are under considerable pressure to make the best use of resources to increase the level at which their organizations perform.⁵¹ For example, top managers feel pressure from shareholders to increase the performance of the entire organization to boost its stock price, improve profits, or raise dividends. In turn, top managers may pressure middle managers to find new ways to use organizational resources to increase efficiency or quality and, thus, attract new customers and earn more revenues—and then middle managers hit on their department's supervisors.

Pressure to increase performance can be healthy for an organization because it leads managers to question how the organization is working, and it encourages them to find new and better ways to plan, organize, lead, and control. However, too much pressure to perform can be harmful. It may induce managers to behave unethically, and even illegally, when dealing with people and groups inside and outside the organization.⁵²

A purchasing manager for a nationwide retail chain, for example, might buy inferior clothing as a cost-cutting measure or ignore the working conditions under which products are made to obtain low-priced products. These issues faced the managers of companies that made footwear and clothing in the 1990s, when customers learned about the sweatshop conditions in which garment and shoe workers around the world labored. Today companies such as Nike, Walmart, and Apple are trying to stop sweatshop practices and prevent managers abroad from adopting work practices that harm their workers. They now employ hundreds of inspectors who police the overseas factories that make the products they sell and who can terminate contracts with suppliers when they behave in an unethical or illegal way.

Similarly, to secure a large foreign contract, a sales manager in a large company, such as in the defense or electronics industry, might offer bribes to foreign officials to obtain lucrative contracts—even though this is against the law. For example, cosmetics manufacturer Avon paid \$135 million to settle a U.S. bribery probe into its development of new markets. Other companies like Siemens, Teva Pharmaceutical, and Brazil-based Odebrecht SA have paid billions in penalties to resolve international bribery charges.⁵³

The issue of social responsibility, discussed in Chapter 4, centers on deciding what obligations a company has toward the people and groups affected by its activities—such as employees, customers, or the cities in which it operates. Some companies have strong views about social responsibility; their managers believe they should protect the interests of others. But some managers may decide to act in an unethical way and put their own interests first, hurting others in the process. A recent example showing why managers must always keep the need to act in an ethical and socially responsible way at the forefront of their decision making is described in the following “Ethics in Action” box.

ETHICS IN ACTION



Protesters outside Wells Fargo headquarters in New York City draw attention to some of the ethical missteps by the organization, including the firing of more than 5,000 employees pressured to engage in fraud against customers by opening more than 3.5 million fake accounts.

©Pacific Press/Getty Images

Fallout Continues from Wells Fargo Scandal

“Eight is great” was the mantra of former Wells Fargo CEO John Stumpf when it came to the bank’s business strategy of cross-selling products to customers. Employees were encouraged to sign up customers for various products and services—checking accounts, credit cards, loans, mortgages, overdraft protection, and others—which would allow the bank to charge fees for each of the customer’s accounts. And for several years, this cross-selling approach was seen as a solid business strategy that worked well for the banking giant, at one point helping to make Wells Fargo the world’s most valuable bank.⁵⁴

But continuing pressure and unrealistic sales quotas from management caused thousands of employees to open up more than 3.5 million fake checking and credit card accounts for Wells Fargo customers for almost five years to meet sales quotas and keep their jobs. Despite branch managers and

other employees reaching out to top management to complain about the unrealistic sales quotas and to report unethical practices, cross-selling continued until a news article in the *Los Angeles Times* got the attention of the city’s attorney, who filed a civil complaint against Wells Fargo in 2015.⁵⁵

Soon after the civil lawsuit was filed, federal regulators got involved in the investigation, and Wells Fargo agreed to pay \$185 million in state and federal fines and \$142 million to customers to move beyond the scandal. Unfortunately, fallout continued for the bank, which said it dismissed some 5,300 workers for the illegal practices. In September 2016, members of Congress called for a hearing on the case, requesting that CEO Stumpf testify before Congress.⁵⁶

In appearances before the House and the Senate, Stumpf apologized for the scandal, pledged to fix what went wrong, and denied there was an “orchestrated effort” to defraud customers. Congressional members were frustrated by Stumpf’s responses and continued to put pressure on him and other top managers about their accountability for the fraudulent practices. Two weeks later, in October 2016, Wells Fargo announced that Stumpf would retire “effective immediately” and replaced him with 29-year company veteran, Timothy J. Sloan.⁵⁷

Fallout from the scandal continues to take a toll on Wells Fargo’s bottom line, not to mention its reputation with customers and the general public. CEO Sloan says the bank has spent millions of dollars as a result of the investigations and fraudulent sales practices. The company reported that new credit card applications and checking account openings continue to be down—even into 2018. As a result of the scandal, Wells Fargo announced it would eliminate sales goals for employees and strengthen its training programs, controls, and oversights within the organization.⁵⁸

Adding insult to injury, departing Federal Reserve Chair Janet Yellen, who left her post in February 2018, issued new sanctions on Wells Fargo, imposing a “cease and desist” order that prohibits the bank from growing its assets and forces the bank to replace four of its board members in the coming year.⁵⁹

Managing a Diverse Workforce

A major challenge for managers everywhere is to recognize the ethical need and legal requirement to treat human resources fairly and equitably. Today the age, gender, race, ethnicity, religion, sexual preference, and socioeconomic composition of the workforce presents new challenges for managers. To create a highly trained and motivated workforce, as well as to avoid lawsuits, managers must establish human resource management (HRM) procedures and practices that are legal and fair and do not discriminate against any organizational members.⁶⁰ Today most organizations understand that to motivate effectively and take advantage of the talents of a diverse workforce, they must make promotion opportunities available to every employee. Managers must recognize the performance-enhancing possibilities of a diverse workforce, such as the ability to take advantage of the skills and experiences of different kinds of people from different generations.⁶¹

Accenture provides a good example of a company that has utilized the potential of its diverse employees. Accenture is a global management consulting company that serves the needs of thousands of client companies in over 120 countries around the world. A major driving force behind Accenture’s core organizational vision is to manage and promote diversity in order to improve employee performance and client satisfaction. At Accenture, managers at all levels realize consultants bring distinct experiences, talents, and values to their work, and a major management initiative is to take advantage of that diversity to encourage collaboration between consultants to improve the service Accenture provides each of its clients. Because Accenture’s clients are also diverse by country, religion, ethnicity, and so forth, it tries to match its teams of consultants to the attributes of its diverse clients.

Accenture provides hundreds of diversity management training programs to its consultants each year. In 2016 Accenture became the first large consulting firm to publish its race and gender statistics in an effort to increase transparency when it comes to diversity and inclusion among its employees. Almost 40% of its workforce is composed of women, and a little more than half of its employees are white and a third Asian. Julie Sweet, CEO of Accenture, North America, believes the company needs to make progress in hiring more African Americans, Latinos, and military veterans. Accenture also works to accommodate individuals with disabilities, as well as promoting an inclusionary environment for lesbian, gay, bisexual, and



Global management consulting firm Accenture provides hundreds of diversity programs to its employees each year in an effort to promote individual and organizational performance.

©Lisette Le Bon/Purestock/Superstock

transgender employees.⁶² The firm also provides diversity training programs to its suppliers and prospective suppliers around the world to show them how diversity can increase their efficiency and effectiveness. In all these ways, Accenture uses its expertise in managing diversity to promote individual and organizational performance—one reason it has become the most successful and fast-growing consultancy company in the world.

Managers who value their diverse employees not only invest in developing these employees' skills and capabilities, but also succeed best in promoting performance over the long run. Today more organizations are realizing that people are their most important resource and that developing and protecting human resources is the most important challenge for managers in a competitive global environment. For the first time ever in 2018, *Forbes* released a list of America's best employers for diversity, based on a survey of more than 30,000 U.S. employees working for firms or institutions with 1,000 or more employees. The top five employers on this inaugural list were Northern Trust, a bank-

ing and financial services firm in Chicago; the Smithsonian Institution in Washington, DC; Levy Restaurants, headquartered in Chicago; Intuit, an IT, Internet, and software services company located in Mountain View, California; and Harvard University in Cambridge, Massachusetts.⁶³ We discuss the many issues surrounding the management of a diverse workforce in Chapter 5.

Utilizing New Technologies

As we have discussed, another important challenge for managers is to continually utilize efficient and effective new IT that can link and enable managers and employees to better perform their jobs—whatever their level in the organization. One example of how IT has changed the jobs of people at all organizational levels comes from UPS, where the average UPS driver makes 120 deliveries a day, and figuring out the quickest way to navigate all of those stops is a problem with economic implications for the shipping company. UPS estimates that a driver with 25 packages could choose from 15 trillion different routes! To help it navigate these difficult roads, UPS relies on ORION—its On-Road Integrated Optimization and Navigation. ORION is designed to blend GPS navigation and learning to help drivers optimize their routes. Of course, UPS drivers must also balance promised delivery times, traffic, and other factors into their decisions, meaning ORION is a critical technological competency helping UPS work effectively and efficiently. According to the company, now that ORION has been fully implemented, the system helps reduce miles driven annually by 100 million and saves UPS upwards of \$300 to \$400 million each year.⁶⁴

Increasingly, new kinds of IT enable not just individual employees, but also self-managed teams by giving them important information and allowing virtual interactions around the globe using the Internet. Increased global coordination helps improve quality and increase the pace of innovation. Microsoft, Hitachi, IBM, and most other companies now search for new IT that can help them build a competitive advantage. The importance of IT is discussed in detail in Chapters 16 and 18, and throughout the text you will find examples of how IT is changing the way companies operate.

Practicing Global Crisis Management

Today another challenge facing managers and organizations is global crisis management. The causes of global crises or disasters fall into two main categories: natural causes and human causes. Crises that arise because of natural causes include the hurricanes, wildfires, earthquakes, famines, and diseases that have devastated so many countries over the past few years. According to insurance data, losses from natural disasters worldwide in 2017 totaled more than \$300 billion, of which only one-third was covered by insurance.⁶⁵

Meanwhile, human-created crises result from factors such as industrial pollution, inattention to employee safety, the destruction of natural habitat or environment, and geopolitical tension and terrorism, including war. Human-created crises, such as global warming due to emissions of carbon dioxide and other gases, may intensify the effects of natural disasters.

For example, increasing global temperatures and acid rain may have increased the intensity of hurricanes, led to unusually strong rains, and contributed to lengthy droughts. Scientists believe that global warming is responsible for the rapid destruction of coral reefs, forests, animal species, and the natural habitat in many parts of the world. The shrinking polar ice caps are expected to raise the sea level by a few critical inches.

Increasing geopolitical tensions, which reflect increased globalization, have upset the balance of world power as nations have jockeyed to protect their economic and political interests. For example, global cyberattacks, tensions between the United States and North Korea, military conflicts in Syria, Russia's meddling in recent U.S. elections—all could play a part in global instability and result in the need for managers who can interpret and respond to often unpredictable situations in a global marketplace.⁶⁶

Management has an important role to play in helping people, organizations, and countries respond to global crises; such crises provide lessons in how to plan, organize, lead, and control the resources needed to both forestall and respond effectively to a crisis. Crisis management involves making important choices about how to (1) create teams to facilitate rapid decision making and communication, (2) establish the organizational chain of command and reporting relationships necessary to mobilize a fast response, (3) recruit and select the right people to lead and work in such teams, and (4) develop bargaining and negotiating strategies to manage the conflicts that arise whenever people and groups have different interests and objectives. How well managers make such decisions determines how quickly an effective response to a crisis can be implemented, and it sometimes can prevent or reduce the severity of the crisis itself.

Summary and Review

LO1-1

WHAT IS MANAGEMENT? A manager is a person responsible for supervising the use of an organization's resources to meet its goals. An organization is a collection of people who work together and coordinate their actions to achieve a wide variety of goals. Management is the process of using organizational resources to achieve organizational goals effectively and efficiently through planning, organizing, leading, and controlling. An efficient organization makes the most productive use of its resources. An effective organization pursues appropriate goals and achieves these goals by using its resources to create goods or services that customers want.

LO1-2

ESSENTIAL MANAGERIAL TASKS The four principal managerial tasks are planning, organizing, leading, and controlling. Managers at all levels of the organization and in all departments perform these tasks. Effective management means managing these activities successfully.

LO1-3, 1-4

LEVELS AND SKILLS OF MANAGERS Organizations typically have three levels of management. First-line managers are responsible for the day-to-day supervision of nonmanagerial employees. Middle managers are responsible for developing and utilizing organizational resources efficiently and effectively. Top managers have cross-departmental responsibility. Three main kinds of managerial skills are conceptual, human, and technical. The need to develop and build technical skills leads organizations to divide managers into departments according to their job-specific responsibilities. Top managers must establish appropriate goals for the entire organization and verify that department managers are using resources to achieve those goals.

LO1-5

RECENT CHANGES IN MANAGEMENT PRACTICES To increase efficiency and effectiveness, many organizations have altered how they operate. Managers have restructured and downsized operations and outsourced activities to reduce costs. Companies are also empowering their workforces and using self-managed teams to increase efficiency and effectiveness. Managers are increasingly using IT to achieve these objectives.

LO1-6

CHALLENGES FOR MANAGEMENT IN A GLOBAL ENVIRONMENT Today's competitive global environment presents many interesting challenges to managers. One of the main challenges is building a competitive advantage by increasing efficiency; quality; speed, flexibility, and innovation; and responsiveness to customers. Other challenges include behaving in an ethical and socially responsible way toward people inside and outside the organization, managing a diverse workforce, utilizing new technologies, and practicing global crisis management.

Management in Action

Topics for Discussion and Action

Discussion

1. Describe the difference between efficiency and effectiveness, and identify real organizations that you think are, or are not, efficient and effective. [LO1-1]
2. In what ways can managers at each of the three levels of management contribute to organizational efficiency and effectiveness? [LO1-3]
3. Identify an organization that you believe is high-performing and one that you believe is low-performing. Give five reasons you think the performance levels of the two organizations differ so much. [LO1-2, 1-4]
4. What are the building blocks of competitive advantage? Why is obtaining a competitive advantage important to managers? [LO1-5]
5. In what ways do you think managers' jobs have changed the most over the last 10 years? Why have these changes occurred? [LO1-6]



Action

6. Choose an organization such as a school or a bank; visit it; then list the different organizational resources it uses. How do managers use these resources to maintain and improve its performance? [LO1-2, 1-4]
7. Visit an organization, and talk to first-line, middle, and top managers about their respective management roles in the organization and what they do to help the organization be efficient and effective. [LO1-3, 1-4]
8. Ask a middle or top manager, perhaps someone you already know, to give examples of how he or she performs the managerial tasks of planning, organizing, leading, and controlling. How much time does he or she spend in performing each task? [LO1-3]
9. Like Mintzberg, try to find a cooperative manager who will allow you to follow him or her around for a day. List the roles the manager plays, and indicate how much time he or she spends performing them. [LO1-3, 1-4]

Building Management Skills



Thinking about Managers and Management [LO1-2, 1-3, 1-4]

Think of an organization that has provided you with work experience and the manager to whom you report (or talk to someone who has had extensive work experience); then answer these questions:

1. Think about your direct supervisor. Of what department is he or she a member, and at what level of management is this person?
2. How do you characterize your supervisor's approach to management? For example, which particular management tasks and roles does this person perform most often? What kinds of management skills does this manager have?
3. Are the tasks, roles, and skills of your supervisor appropriate for the particular job he or she performs? How could this manager improve his or her task performance? How can IT affect this?
4. How does your supervisor's approach to management affect your attitudes and behavior? For example,

how well do you perform as a subordinate, and how motivated are you?

5. Think about the organization and its resources. Do its managers use organizational resources effectively? Which resources contribute most to the organization's performance?
6. Describe how the organization treats its human resources. How does this treatment affect the attitudes and behaviors of the workforce?
7. If you could give your manager one piece of advice or change one management practice in the organization, what would it be?
8. How attuned are the managers in the organization to the need to increase efficiency, quality, innovation, or responsiveness to customers? How well do you think the organization performs its prime goals of providing the goods or services that customers want or need the most?

Managing Ethically [LO1-1, 1-3]



Think about an example of unethical behavior that you observed recently. The incident could be something you experienced as an employee or a customer or something you observed informally.

Questions

1. Either by yourself or in a group, give three reasons you think the behavior was unethical. For example, what

rules or norms were broken? Who benefited or was harmed by what took place? What was the outcome for the people involved?

2. What steps might you take to prevent such unethical behavior and encourage people to behave in an ethical way?

Small Group Breakout Exercise



Opening a New Restaurant [LO1-2, 1-3, 1-4]

Form groups of three or four people, and appoint one group member as the spokesperson who will communicate your findings to the entire class when called on by the instructor. Then discuss the following scenario:

You and your partners have decided to open a restaurant in your local community; it will be open from 7 a.m. to 3 p.m. daily to serve breakfast and lunch. Each of you is investing \$50,000 in the venture, and together you have secured a bank loan for \$300,000 to begin operations. You and your partners have little experience in managing a restaurant beyond serving meals or eating in restaurants, and you now face the task of deciding how you will manage the restaurant and what your respective roles will be.

1. Decide what each partner's managerial role in the restaurant will be. For example, who will be responsible for the necessary departments and specific activities? Describe your managerial hierarchy.

2. Which building blocks of competitive advantage do you need to establish to help your restaurant succeed? What criteria will you use to evaluate how successfully you are managing the restaurant?
3. Discuss the most important decisions that must be made about (a) planning, (b) organizing, (c) leading, and (d) controlling to allow you and your partners to use organizational resources effectively and build a competitive advantage.
4. For each managerial task, list the issues to solve, and decide which roles will contribute the most to your restaurant's success.

Be the Manager [LO1-2, 1-5]



Rapid Growth Causes Problems

You have just been called in to help managers at Achieva, a fast-growing Internet software company that specializes in business-to-business (B2B) network software. Your job is to help Achieva solve some management problems that have arisen because of its rapid growth.

Customer demand to license Achieva's software has boomed so much in just two years that more than 50 new software programmers have been added to help develop a new range of software products. Achieva's growth has been so swift that the company still operates informally, its organizational structure is loose and flexible, and programmers are encouraged to find solutions to problems as they go along. Although this structure worked well in the past, you have been told that problems are arising.

There have been increasing complaints from employees that good performance is not being recognized in the organization and that they do not feel equitably treated. Moreover, there have been complaints about getting managers to listen to their new ideas and to act on them. A bad atmosphere is developing in the company, and recently several talented employees left. Your job is to help Achieva's managers solve these problems quickly and keep the company on the fast track.

Questions

1. What kinds of organizing and controlling problems is Achieva suffering from?
2. What kinds of management changes need to be made to solve them?

Bloomberg Case in the News [LO 1-1, 1-2, 1-6]



“Amazon Effect” Is Hiking Pay and Fueling Land Rush in U.S.

On a recent weekday morning, a handful of job seekers were filling out applications at desktop computers in the Jefferson, Ga., office of Hire Dynamics, a staffing company with several locations across the South. All were there to tap the warehouse boom in Jackson County, about 50 miles northeast of Atlanta. Since 2015, at least 31 e-commerce fulfillment centers and other distribution depots have opened or are under development. The list of arrivals includes Amazon.com, Williams-Sonoma, and FedEx.

Larry Feinstein, chief executive officer of Hire Dynamics, says the local labor market was already tight when Amazon.com Inc. opened a 1,000-person fulfillment center in the county last year. “Amazon comes in and sucks up all the labor,” says Feinstein, whose recruiters are scrambling to hire 40 people a day for a warehouse operated by Carter’s Inc., a maker of baby and children’s clothing. “Every one of our clients up there has raised their pay rates at least \$2.”

Forklift drivers are especially hard to find and now command at least \$15 an hour, and up to \$17.50 in parts of Georgia, according to the Randstad staffing agency. Meanwhile, general laborers have seen their wages bumped up a couple dollars to \$12 or \$13 an hour, which is at least a 30% premium over what most cashiers in the state earn and slightly more than what retail salespeople earn. Unemployment in Jackson County was 3.3% in December, almost 1 percentage point below the national average.

What’s happening here is part of a nationwide boom in warehouse construction reshaping economies that once relied on farms or factories. Between 2013 and 2017, developers added about 848 million square feet of warehouse space, or more than double the roughly 300 million square feet built over the five previous years, according to real estate firm Cushman & Wakefield.

The number of stock clerks and order fillers—which is the Bureau of Labor Statistics’ designation—expanded by almost 311,000 in the decade to 2016.

In Lehigh Valley, a metropolitan corridor that straddles Pennsylvania and New Jersey, employment in e-commerce and distribution centers has surged by 10,000 over the last five years and now trails the area’s traditional manufacturing sector by just a few thousand jobs. “We almost don’t have enough people with low skills to fill all the need in the fulfillment industry,” says Don Cunningham, who heads the Lehigh Valley Economic Development Corporation.

It’s not just workers who are in short supply. The vacancy rate for industrial space in the U.S. fell to 5.2% in the third quarter of last year, the lowest on record, real estate company Colliers International Group said in a recent report. The scarcity of 50- to 100-acre tracts close to major highways and with suitable access to utilities has caused industrial land prices to more than double in a few years. The price of an acre on the fringes of metro areas was about \$50,000 in 2015 and has since climbed to more than \$100,000, according to commercial real estate company CBRE Group and researcher CoStar Group. “There has been significant new construction in this sector, and all of it has gotten absorbed,” says Barbara Denham, senior economist with researcher Reis Inc.

Companies have always put their distribution hubs on the edge of urban areas. What’s changing is the “edge” keeps getting redefined outward as 500,000-square-foot facilities become million-square-foot ones, says David Egan, head of industrial and logistics research at CBRE.

Employees who used to drive from 25 miles out are now having to commute from as far away as 40 miles—a long haul for someone making \$12 an hour. Amazon, which has 70 fulfillment centers in the U.S., runs shuttles for employees at some locations and hands out gift

certificates to those willing to carpool, says spokeswoman Ashley Robinson.

Robert Connor, 22, one of the applicants who showed up at Hire Dynamics hoping to land a warehouse job, lives in Winder, Ga., outside Jackson County. “Just to drive here and back takes a half-tank,” says Connor, who owns a 2000 Honda Accord. “Thank God I don’t have one of those six-cylinder trucks.”

Six of the new warehouses in Jackson exceed a million square feet, and a seventh is just shy of it, a county map shows. “Anything under a million square feet is considered small, which is kind of unbelievable to me,” says Mike Buffington, publisher of the *Jackson Herald* and several small newspapers in the region. Coincidentally, a million square feet is about the size of a regional mall, many of which are struggling as more Americans go online to do their shopping. Large mall retailers other than department stores closed 2,468 stores last year, many quietly without announcement, according to researcher Green Street Advisors LLC.

Jackson County’s residents have to contend with some unpleasant side effects from the warehouse boom. A traffic jam at Interstate 85’s intersection with state Route 53 near Braselton stretched up to two miles during the past holiday season, recalls Ronnie Jones, owner of Stonewall’s BBQ restaurant. Fewer customers seem to be coming by for barbecue in the late afternoon. He attributes the drop in business to people avoiding the area because of gridlock as the warehouses empty out around 4:30 p.m. Some locals have showed up at county meetings wearing red T-shirts to signal “no more warehouses” as they creep closer to residential areas.

Economic development officials are ambivalent: They’ll put out the welcome mat if e-tailers come calling, but they generally don’t seek them out, says Brian Hercules, a chamber of commerce executive in Murfreesboro, TN. The threat that many of the jobs they create

could soon be lost to automation is one concern. The availability of affordable housing is another.

Murfreesboro, a 40-minute drive from Nashville, landed an Amazon facility five years ago, while a unit of Ebays Inc., which sells footwear and accessories online, opened a warehouse in surrounding Rutherford County a year ago. “You get one or two of these businesses and it’s great, because you have a certain percent of the population with those skills,” says Hercules. Yet there’s a limit to how much they help a local economy, he says: “At \$25,000 a year, if you have a wife and two kids, are you going to be able to buy a house?”

Overall, Jackson County’s warehouse boom is a net positive, even if it snarls

traffic on occasion and puts pressure on the housing stock, says Jim Shaw of the Jackson County Area Chamber of Commerce. Residents who once depended on its now-shuttered textile mills or its still-active poultry processing industry are finding overnight shift work in warehouses. “We’ve filled a lot of jobs in the distribution centers over the past few years,” Shaw says. “I often wonder if, as hard as that work may be, it seems a lot easier than working in a broiler house.”

Questions for Discussion

1. What challenges do managers of these warehouses face when the unemployment rate is low? When the rate is high?

2. What strategies can managers employ to retain talented workers?
3. How does planning figure in to a manager’s day-to-day responsibilities as competition for workers and real estate heats up in this area of the country?

Source: Michael Sasso and Steve Matthews, “Amazon Effect” Is Hiking Pay and Fueling Land Rush in U.S., *Bloomberg*, February 27, 2018, <https://www.bloomberg.com/news/articles/2018-02-27/-amazon-effect-is-hiking-pay-and-fueling-land-rush-in-u-s>. Used with permission of Bloomberg L.P. Copyright © 2017. All rights reserved.

Notes

1. K. Ryssdal and B. Bodnar, “CEO Satya Nadella on Why He’s Hitting Refresh at Microsoft,” *Marketplace*, www.marketplace.org, September 27, 2017; H. McCracken, “Satya Nadella Rewrites Microsoft’s Code,” *Fast Company*, www.fastcompany.com, September 18, 2017; “What Satya Nadella Did at Microsoft,” *The Economist*, www.economist.com, March 16, 2017.
2. McCracken, “Satya Nadella Rewrites Microsoft’s Code”; M. Murphy, “Satya Nadella on AI, Sexual Harassment, and Microsoft’s Soul,” *Bloomberg Businessweek*, www.bloomberg.com, December 21, 2017; K. Ryssdal and B. Bodnar, “CEO Satya Nadella Explains His Vision for Microsoft and the Future,” *Marketplace*, www.marketplace.org, September 28, 2017.
3. Murphy, “Satya Nadella on AI, Sexual Harassment, and Microsoft’s Soul”; McCracken, “Satya Nadella Rewrites Microsoft’s Code.”
4. Ryssdal and Bodnar, “CEO Satya Nadella Explains His Vision.”
5. Ryssdal and Bodnar, “CEO Satya Nadella on Why He’s Hitting Refresh”; Murphy, “Satya Nadella on AI, Sexual Harassment, and Microsoft’s Soul.”
6. J. Francisco, “Satya and Anu Nadella Open Up about Their Family Life,” *Good Housekeeping*, www.goodhousekeeping.com, September 27, 2017.
7. McCracken, “Satya Nadella Rewrites Microsoft’s Code”; *Economist*, “What Satya Nadella Did at Microsoft”; J. Fortt, “Microsoft’s CEO Satya Nadella Broke Unspoken Rules on His Rise to CEO,” *CNBC*, www.cnbc.com, October 2, 2017.
8. J.P. Campbell, “On the Nature of Organization Effectiveness,” in P.S. Goodman, J.M. Pennings, et al., *New Perspectives on Organizational Effectiveness* (San Francisco: Jossey-Bass, 1977).
9. Bob Evans, “10 Powerful Examples of Microsoft CEO Satya Nadella’s Transformative Vision,” *Forbes*, www.forbes.com, July 26, 2017.
10. P. Wahba, “McDonald’s All-Day Breakfast Helps Send Stock to All-Time High,” *Fortune*, <http://fortune.com>, April 25, 2017.
11. “Summary Report: 11-1021.00—General and Operations Managers,” *O*NET OnLine*, www.onetonline.org, accessed February 1, 2018.
12. H. Fayol, *General and Industrial Management* (New York: IEEE Press, 1984). Fayol actually identified five different managerial tasks, but most scholars today believe these four capture the essence of Fayol’s ideas.
13. P.F. Drucker, *Management Tasks, Responsibilities, and Practices* (New York: Harper & Row, 1974).
14. S. Shah, “Microsoft’s Seeing AI App for the Blind Now Reads Handwriting,” *Engadget*, www.engadget.com, December 14, 2017; S. G. Carmichael, “Microsoft’s CEO on Rediscovering the Company’s Soul,” *Harvard Business Review*, <https://hbr.org>, September 28, 2017.
15. M.J. Foley, “Microsoft Announces Internally Its New ‘Commercial and Consumer’ Sales Model,” *ZDNet*, www.zdnet.com, July 3, 2017; D. Bass, “Microsoft Is Planning Sales Reorganization Focused on the Cloud,” *Bloomberg Technology*, www.bloomberg.com, June 30, 2017.
16. G. O’Brien, “ER Manager Creates Efficiencies—and a True ‘Front Door,’” *BusinessWest*, <http://businesswest.com>, September 5, 2017.
17. “New Responsibilities for Members of Mercy’s Nursing Leadership,” *SPHS Journal* (Sisters of Providence Health System), June 2015, 3.
18. A.G. Flynn, “Mercy Medical Center Earns Top Honors for Stroke Care,” *MassLive*, www.masslive.com, July 11, 2017.
19. O’Brien, “ER Manager Creates Efficiencies”; “Mercy’s Healthcare Heroes,” *Journal* (Trinity Health of New England/Mercy Medical Center), www.mercycare.com, September 26, 2017.
20. L. Hill, *Becoming a Manager: Mastery of a New Identity* (Boston: Harvard Business School Press, 1992).
21. Ibid.
22. H. Mintzberg, “The Manager’s Job: Folklore and Fact,” *Harvard Business Review*, July-August 1975, 56–62.
23. H. Mintzberg, *The Nature of Managerial Work* (New York: Harper & Row, 1973).
24. A.I. Kraul, P.R. Pedigo, D.D. McKenna, and M.D. Dunnett, “The Role of the Manager: What’s Really Important in Different Management Jobs,” *Academy of Management Executive* (November 1989), 286–93; C.P. Hales, “What Do Managers Do? A Critical Review of the Evidence,” *Journal of Management Studies* (January 1986), 88–115.
25. A.K. Gupta, “Contingency Perspectives on Strategic Leadership,” in D.C. Hambrick, ed., *The Executive Effect: Concepts and Methods for Studying Top Managers* (Greenwich, CT: JAI Press, 1988), 147–78.