Essentials of Contemporary Management

Ninth Edition

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Brief Contents

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Courtesy of Gareth Jones

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.* He published an article about the role of information technology in many aspects of organizational functioning 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.

Courtesy of Jennifer George

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,* 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 Association for Psychological Science, 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

In this ninth edition of *Essentials of Contemporary Management,* we continue to focus on providing the most up-to-date account of the changes taking place in the world of management and management practices while maintaining our emphasis on making our text relevant and interesting to students. And we know from feedback from instructors and students that the text does engage them. Our increased focus on the challenges and opportunities facing businesses large and small and integrated timely examples bring management issues to life for students.

The number and complexity of strategic, organizational, and human resource challenges facing managers and employees continue to rise. In most companies, managers at all levels address 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 bring new products or services to market or in the ways they motivate their employees to find ways to reduce costs or improve performance, can combine to give a company a significant competitive advantage. Managers and companies that utilize proven management techniques and practices in their decision making and actions increase their effectiveness over time.

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

Moreover, the ongoing revolution in technology continues to transform how managers make decisions across all levels of a company's hierarchy and across its functions and global divisions. This new edition addresses these ongoing challenges as technology continues to change at breakneck speed, especially in the areas of artificial intelligence, data analytics, and cybersecurity.

Other major challenges we continue to expand on in this 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 that they can effectively manage and reap the performance benefits of diversity. Similarly, across all functions and levels, managers and employees must continually seek ways to work smarter and increase performance. Using new technologies to improve all aspects of an organization's operations to enhance efficiency and customer responsiveness is a vital part of this process. So too is the continuing need to innovate and improve the quality of goods and services, and the ways they are produced, to allow an organization to compete effectively. We significantly revised and updated this edition of *Essentials of Contemporary Management* to address these challenges to managers and their organizations.

Major Content Changes

Once again, 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 revised and updated our book in many ways. However, the organization and sequence of chapters remain the same in this new edition. Instructors tell us that they like the way the chapters flow, and the way they build up a picture of management part by part, to provide an excellent learning experience and a comprehensive coverage of management. As examples of the changes we made, this new edition expands the coverage of ways to encourage high motivation, creativity, and innovation in organizations and the importance of managers' and organizations' taking steps to stay ahead of technological changes that may impact daily business operations.

CHAPTER-BY-CHAPTER CHANGES We made the following specific changes to this edition.

Chapter 1

- New "Management Snapshot" on how Microsoft CEO Satya Nadella has brought a fresh vision to the technology giant.
- New "Manager as a Person" on how an ER director is helping make visits to the emergency room as painless as possible.
- New content and table have been added that describe Mintzberg's typology and the various roles managers perform in an organization.
- New "Management Insight" on using managerial skills as a city manager in the public sector.
- New section of text discusses the differences between managers and entrepreneurs.
- New "Ethics in Action" on giving employees a nudge to increase ethical behavior in the workplace.
- New end-of-chapter case on GE spinning off its railroad business.
- Appendix A: New discussion on the Gilbreths and their important contributions to management theory.

Chapter 2

- New "Management Snapshot" on how the CEO of Carnival Cruise Lines uses his personal attitudes to steer the company in the right direction.
- New section describes the Myers-Briggs Type Indicator and DiSC Inventory Profile personality assessments.
- New "Ethics in Action" on how to promote ethical values in the hotel industry.
- New discussion of job satisfaction levels among U.S. workers today.
- New "Managing Globally" on emotional intelligence across borders.
- New end-of-chapter case on Google's ongoing challenge to maintain a strong company culture.

Chapter 3

- New "Management Snapshot" on Intel's diversity and inclusion efforts.
- New "Ethics in Action" on how Accenture is using a chatbot to provide ethical guidance for employees.
- Updated in-text statistics on age, and men's and women's participation rates in the U.S. workforce and median weekly earnings.
- New discussion on the lack of women CEOs in S&P 500 companies.
- Updated statistics on the increasing diversity of the U.S. workforce.
- New "Focus on Diversity" describing SodaStream's diversity efforts in its business operations.
- Updated discussion and statistics on sexual harassment.
- New "Management Insight" on providing effective anti-harassment training in the workplace.
- New end-of-chapter case on Chevron's efforts to stay on the high road in Venezuela amid political and economic unrest.

Chapter 4

- New "Management Snapshot" on Walmart's global expansion by investing in Flipkart, the Indian e-commerce giant that competes with Amazon.
- New "Ethics in Action" on how Levi Strauss motivates its global suppliers to treat their employees well.
- New "Management Insight" on the impact of tariffs on auto companies' supply chains.
- Updated discussion on the new trade agreement that will replace NAFTA.
- New discussion on the GLOBE project that extends Hofstede's work on national culture by looking at additional cultural dimensions and how they impact the ways in which business is conducted in a variety of cultures and countries.
- New "Manager as a Person" that describes some of the rewards and pitfalls of being an expat working in a foreign country.
- New end-of-chapter case on Foxconn's decision to build a manufacturing facility in Wisconsin.

Chapter 5

- New "Management Snapshot" 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.
- New "Manager as a Person" about the CEO of an online beauty start-up who was unafraid to

seek expert advice about making strategic business decisions that helped grow her company.

- An updated discussion about continuous learning and attaining personal mastery.
- New "Managing Globally" on how management at Western Union embraces continuous learning, which has helped the company stay relevant in this high-tech, global business environment.
- New end-of-chapter case on the U.S. Marines logistics unit and how it is teaching military personnel in the field to use various computer-aided technologies to think creatively in their everyday job activities.

Chapter 6

- New "Management Snapshot" on Marriott International's CEO and strategies he put in place to expand the company's growth over the next few years.
- A new discussion about how General Mills and its management team devise and implement planning strategies at various levels of the organization.
- New "Manager as a Person" that describes how the CEO of Los Angeles World Airports plans for and oversees various projects at the nation's second-busiest airport.
- A new discussion about SWOT analysis factors experienced by both Amazon and Walmart as they compete head-to-head in the exploding e-commerce sector.
- New "Management Insight" on how Comcast is rethinking the customer experience.
- A new discussion that points out some of the missteps by toy retailer Toys "R" Us as they pertain to Porter's five forces framework.
- New "Managing Globally" on how transportation company FourKites uses technology and real-time data to help its customers with on-time deliveries.
- New end-of-chapter case on how Best Buy tweaks its strategies to stay relevant and compete in an ever-changing business environment.

Chapter 7

- New "Management Snapshot" on how Alaska Airlines's organizational structure is designed with customers in mind.
- New "Managing Globally" on how IKEA is redesigning new stores on a smaller scale now that many consumers shop online.
- New "Ethics in Action" about Pfizer changing its organizational structure to help improve business and marketing efforts.
- New "Manager as a Person" about how McDonald's CEO continues to shake things up by streamlining the company's structure to increase efficiency, productivity, and sales.
- New end-of-chapter case about restructuring and rebranding efforts at Ogilvy's U.S. advertising operations.

Chapter 8

- Discussion of entrepreneurship has been moved to Chapter 1 to provide a framework for highlighting the differences between managers and entrepreneurs.
- New "Management Snapshot" about Procter & Gamble's efforts to control expenditures for digital ads.
- New "Management Insight" on the skills employers are looking for in recent college graduates.
- New "Managing Globally" on the growing trend of companies using zero-based budgeting as a way of controlling expenses.
- New section on the balanced scorecard and its increasing use by organizations to evaluate various measures of a company's performance.
- New "Ethics in Action" on Volkswagen's continuing efforts to implement top-down change to regain consumers' confidence after an emissions scandal.
- New end-of-chapter case on how Stitch Fix controls inventory and the customer experience.

Chapter 9

- New "Management Snapshot" on the 90-something owner of the Detroit Lions and her ability to motivate the management team as well as her NFL players.
- New "Focus on Diversity" on the importance of equity in a diverse workforce.
- New "Ethics in Action" on United Airlines and how a recent attempt backfired to make merit pay more motivating.

- New end-of-chapter case on DTE Energy and company efforts to reenergize its workforce with a shared sense of purpose to cut costs and avoid layoffs.

Chapter 10

- New "Management Snapshot" on effective leadership strategies at the Dana-Farber Cancer Institute.
- New section on the traits of servant leadership.
- New "Managing Globally" on international differences in leadership.
- New "Management Insight" on the effectiveness of leaders with high levels of emotional intelligence.
- New end-of-chapter case on how the CEO of Levi Strauss uses effective leadership strategies to help the company and its employees succeed.

Chapter 11

- New "Management Snapshot" on how the U.S. Army's use of teamwork helps in the battle against bureaucracy.
- New "Management Insight" on the importance of team members developing soft skills.
- New discussion on the skills and abilities of successful virtual teams and the technology they use to help with their long-distance work activities.
- New "Focus on Diversity" that provides strategies for using team members' diversity as a competitive advantage.
- New discussion on recent research about high-performing teams and the factors that contribute to their success.
- New end-of-chapter case on how Adient, the world's largest supplier of automotive seating, uses high-performance teams to maintain its competitive edge.

Chapter 12

- New "Management Snapshot" on Unilever's chief human resource officer and how she manages workforce planning and development at the global consumer products company.
- New "Management Insight" on Home Depot's CEO and his competitive strategy of using economic slowdowns to invest in employee training and development, as well as improving customers' online shopping experiences.
- New "Focus on Diversity" on using recruiting practices that promote diversity.
- New section that discusses recent trends in performance appraisal strategies.
- New end-of-chapter case on how Salesforce sets itself apart in a tight labor market.

Chapter 13

- Chapter content has been streamlined to focus on the key components of effective communication at all levels of the organization. Technology discussion has moved to Chapter 14.
- New "Management Snapshot" on ways Boston Consulting Group encourages its employees to engage in short, informal interactions with colleagues as way of increasing communication and reducing the need for lengthy meetings.
- New "Manager as a Person" profiles the cofounders of Hyphen, a technology platform that lets businesses gather and analyze anonymous communications from employees.
- New "Ethics in Action" on how the use of questions can foster effective communication.
- New "Management Insight" on how to make a positive first impression.
- New end-of-chapter case on how Netflix aims to keep communication honest throughout the organization.

Chapter 14

- Chapter has been revised to include a discussion of how information and technology help managers make better decisions, linking this content to the discussion of operations management.
- New "Management Snapshot" on Kraft Heinz's efforts to make sure managerial decisions add value to the company.
- New "Management Insight" on the use of artificial intelligence to help identify situations within an organization that require more active leadership on the part of managers.
- New "Ethics in Action" on why Facebook users are quitting the social networking platform over privacy issues.

- New "Managing Globally" feature on Happy OrNot—a Finnish company that captures customer sentiments about their shopping experiences via in-store terminals labeled with four different happy or sad faces.
- New end-of-chapter case on how Brooks Brothers redesigned its processes to make the clothing retailer more relevant and more efficient.

We feel confident that the changes to the ninth edition of *Essentials of Contemporary Management* will stimulate and challenge students to think about their future in the world of organizations.

Emphasis on Applied Management

We went to great lengths to bring the manager back into the subject matter of management. That is, we wrote 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 ethics and diversity that clearly explains their significance to practicing managers. In Chapter 6, we provide an integrated treatment of planning, strategy, and competitive advantage, highlighting the crucial choices managers face as they perform the planning function. Throughout the text, we emphasize important issues managers face and how management theory, research, and practice can help them and their organizations be effective.

The last two chapters cover the topics of communication, operations management, and technology, subjects that tend to be difficult to teach to new management students in an interesting way. We have streamlined the chapters in an effort to highlight the key concepts students need to know and understand when it comes to how managers address these important processes.

Flexible Organization

We designed the grouping of chapters to allow instructors to teach the chapter material in the order 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.

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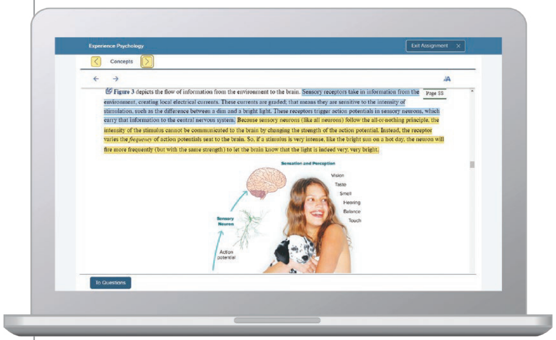

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ASSURANCE OF LEARNING READY Many educational institutions today focus on the notion of *assurance of learning*, an important element of some accreditation standards. *Essentials of Contemporary Management* is designed specifically to support instructors' assurance of learning initiatives with a simple yet powerful solution. Each test bank question for *Essentials of 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, *Essentials of 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 *Essentials of 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 *Essentials of Contemporary Management* teaching package makes no claim of any specific AACSB qualification or evaluation, we have within *Essentials of Contemporary Management* labeled selected questions according to the eight general knowledge and skills areas.

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Finding a way to integrate and present the rapidly growing literature on contemporary management and make it interesting and meaningful for students is not an easy task. In writing and revising the various editions of *Essentials of Contemporary Management,* we have been fortunate to have had the assistance of several people who have contributed greatly to the book's final form. First, we are grateful to Michael Ablassmeir, our executive brand manager, for his 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 her and Deb Clare, our marketing manager, for providing us with 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 David Hash for executing an awe-inspiring design and Maria McGreal for coordinating the production process. We are also grateful to the many colleagues and reviewers who provided us with useful and detailed feedback, 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 on a draft manuscript. Our goal behind the development of *Essentials of Contemporary Management* has been clear-cut: to be the most customer-driven essentials of management text and supplement package ever published! The favorable reception that our book has received from its users suggests that our thorough product development plan did lead to a book that has met the expectations of both faculty and students. For the new edition, we have continued to add new reviewers to the more than 200 faculty who originally took part in developmental activities ranging from regional focus groups to manuscript reviews and surveys. Consequently, we're confident that the changes we have made to our book and its excellent support package will even more closely meet your expectations and needs.

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Contents

Part One Management and Managers

Sam Edwards/age fotostock RF

Sam Edwards/age fotostock RF

Part Five Leading Individuals and Groups

Yuri Arcurs/Cutcaster

CHAPTER NINE

@stockbroker/123RF.com

CHAPTER TEN

El Nariz/Shutterstock

CHAPTER ELEVEN
Effective Team Management 352

David Lees/Digital Vision/Getty Images

CHAPTER TWELVE
Building and Managing Human Resources 386

Part Six Controlling Essential Activities and Processes

Tom Merton/age fotostock

Tom Merton/age fotostock

Essentials of
Contemporary Management
Ninth Edition

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1 The Management Process Today

Learning Objectives

After studying this chapter, you should be able to:

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

LO 1-2 Distinguish among planning, organizing, leading, and controlling (the four principal managerial tasks), and explain how managers' ability to handle each one affects organizational performance.

LO 1-3 Differentiate among three levels of management, and understand the tasks and responsibilities of managers at different levels in the organizational hierarchy.

LO 1-4 Distinguish among three kinds of managerial skill, and explain why managers are divided into different departments to perform their tasks more efficiently and effectively.

LO 1-5 Contrast the differences between managers, entrepreneurs, and intrapreneurs.

LO 1-6 Discuss the principal challenges managers face in today's increasingly competitive global environment.

Management Snapshot

Microsoft Soars with Nadella at the Helm

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 for the company.[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 had been 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 to 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 is also 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 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 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

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

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 continues to climb.[7]

Overview

Managing a company is a complex activity, and effective managers like Satya Nadella face many challenges from within and outside their organizations. Management is an unpredictable process. Making the right decision is often difficult, and even successful managers often make mistakes. But the most effective managers learn from their mistakes and continually try to find ways to improve their companies' performance.

In this chapter we look at what managers do and what skills and abilities they must develop to manage their organizations successfully. We also identify the different kinds of managers that organizations need and the skills and abilities they must develop to succeed. Finally, we identify some challenges managers must address if their organizations are to grow and prosper.

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

What Is Management?

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

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 deals directly with employees and customers, or the person you answer to if you have a part-time job? What do all these people have in common? 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.

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

Achieving High Performance: A Manager's Goal

One of the most important goals that organizations and their members try to achieve is to provide some kind of good or service that customers value or desire. Satya Nadella's principal goal is to manage Microsoft so that the company continues 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 again and again.

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.

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 (see Figure 1.1). What are efficiency and effectiveness?

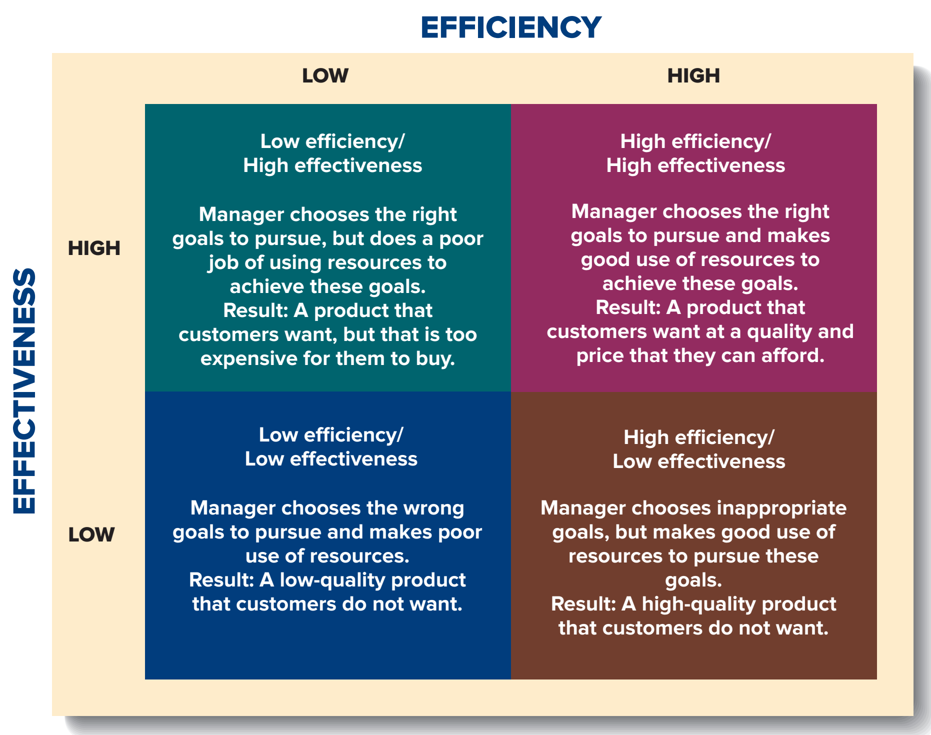
Efficiency is a measure of how productively resources are used to achieve a goal. Organizations are efficient when managers minimize the amount of input resources (such as labor, raw materials, and component parts) or the amount of time needed to produce a given output of goods or services. For example, 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, Satya Nadella has led Microsoft in a comprehensive retooling of the company's products and services since he became CEO in 2014. 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 transform the company into a digital powerhouse.[8]

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. Organizations are effective when managers choose appropriate

Figure 1.1

Efficiency, Effectiveness, and Performance in an Organization



High-performing organizations are efficient *and* effective.

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. Shortly thereafter, McDonald's management made the decision to offer the breakfast menu all day long, a strategy that has been successful and well received by consumers. Recently, the fast-food giant announced it would be adding more items to its breakfast menu, in an effort to attract more customers.[9]

High-performing organizations, such as Apple, Marriott, Walmart, 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 through 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 can earn a median wage of $100,410 with a projected growth rate in job openings of 5% to 9% between now and 2026.[10]

Finally, learning management principles can help you make good decisions in nonwork situations. If you're coaching a child's soccer 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 overall personal success.

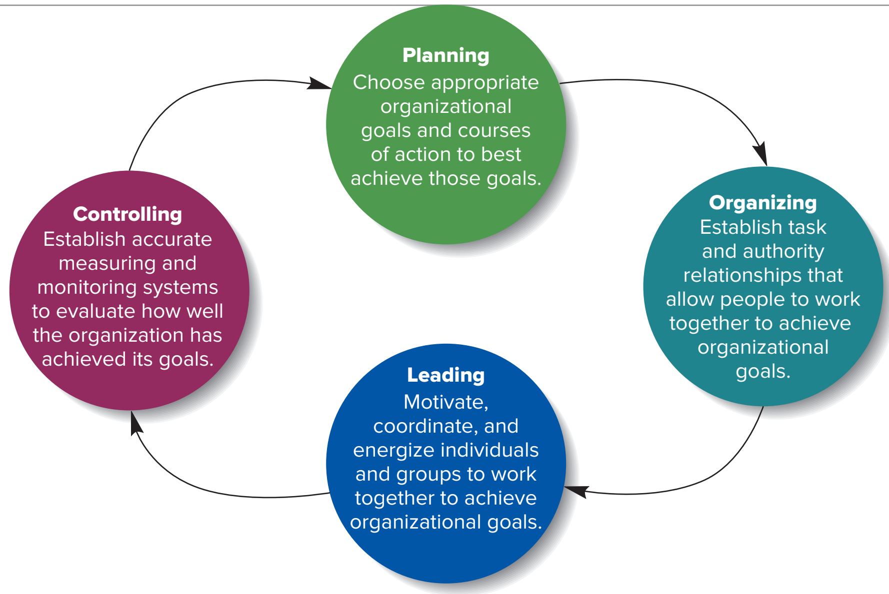
Essential Managerial Tasks

LO 1-2
Distinguish among planning, organizing, leading, and controlling (the four principal managerial tasks), and explain how managers' ability to handle each one affects organizational performance.

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.[11]

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.

Figure 1.2
Four Tasks of Management



Planning

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

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.[12]

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 people who are blind and visually impaired "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 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 and is now available in 35 countries.[13] This AI innovation helps Microsoft shape its planning into an effective business **strategy**, which is a cluster of decisions about what organizational goals to pursue, what actions to take, and how to use resources to achieve these goals.

strategy A cluster of decisions about what goals to pursue, what actions to take, and how to use resources to achieve those goals.

Planning strategy is complex and difficult, especially because planning is done under uncertainty when the result is unknown so that either success or failure is a possible outcome of the planning process. Managers take major risks when they commit organizational resources to pursue a particular strategy.

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.

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. For example, 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. The company recently implemented a major reorganization of its sales group, including a massive retraining effort, which has helped the company's stock hit an all-time high.[14] We examine the organizing process in detail in Chapter 9.

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 focus on collaboration and innovation, which contributes to their success as a workforce. Likewise, Nadella's lengthy association 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 9 through 12.

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. Microsoft's CEO 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.

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.

Manager as a Person

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 to see you. And on the hospital's side, ERs have their own challenges 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.[15] 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.[16]

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

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.[17]

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.[18]

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 make decisions in uncertain conditions, not knowing which outcomes will be best.[19] 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.[20] 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.[21] 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.[22] And it is understandable that many experienced managers accept their employees' failure and shortcomings as a normal part of the learning experience and a rite of passage to becoming an effective manager. Managers and their direct reports learn from both their successes and their failures.

Table 1.1
Managerial Roles Identified by Mintzberg

Type of Role	Specific Role	Role Activity Examples
Decisional	Entrepreneur	Commit organizational resources to develop innovative goods and services; decide to expand internationally to obtain new customers.
	Disturbance handler	Move quickly to take action to deal with unexpected problems facing the organization from the external environment, such as dealing with 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; state the organization's ethical guidelines and principles of behavior employees are to follow in their dealings with customers and suppliers.
	Leader	Provide an example for employees to follow; give them direct commands and orders; make decisions about 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 media campaign to promote new goods and services; give a speech to inform the local community about the organization's future intentions.

Levels 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.

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

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 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

LO 1-3
Differentiate among three levels of management, and understand the tasks and responsibilities of managers at different levels in the organizational hierarchy.

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.

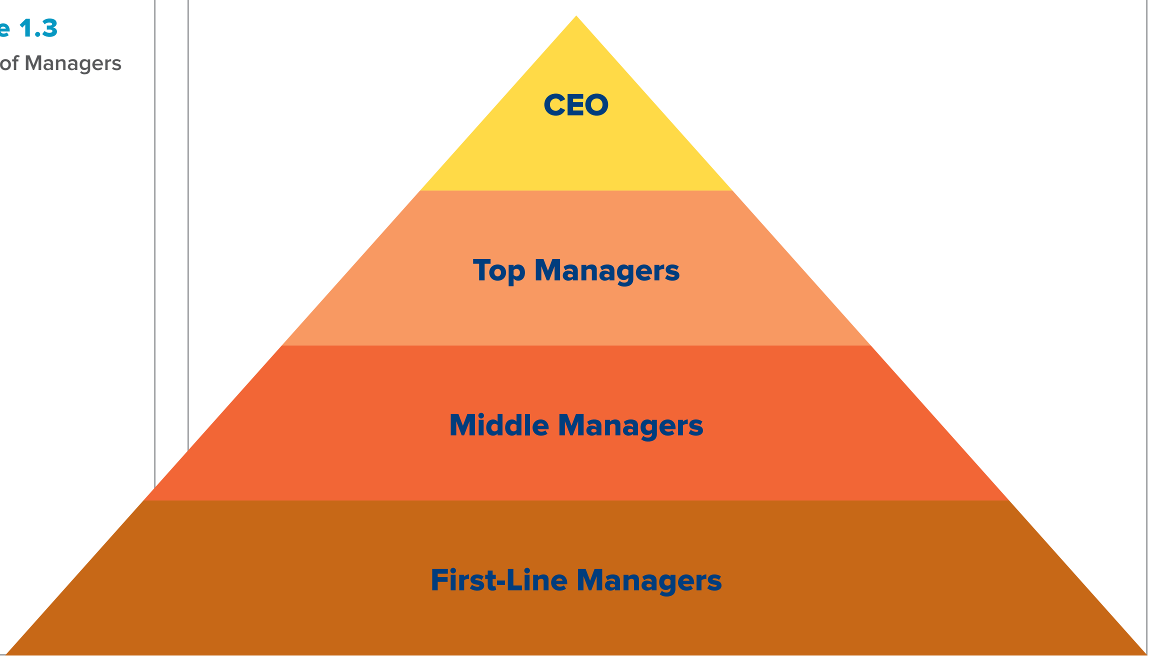
At the base of the managerial hierarchy are **first-line managers**, often called *supervisors.* They are responsible for daily supervision of the nonmanagerial employees who perform the specific activities necessary to produce goods and services. First-line managers work in all departments or functions of an organization.

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

Examples of first-line managers include the supervisor of a work team in the manufacturing department of an auto 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

Figure 1.3
Levels of Managers



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

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 of the most important departments of a company.

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?

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.

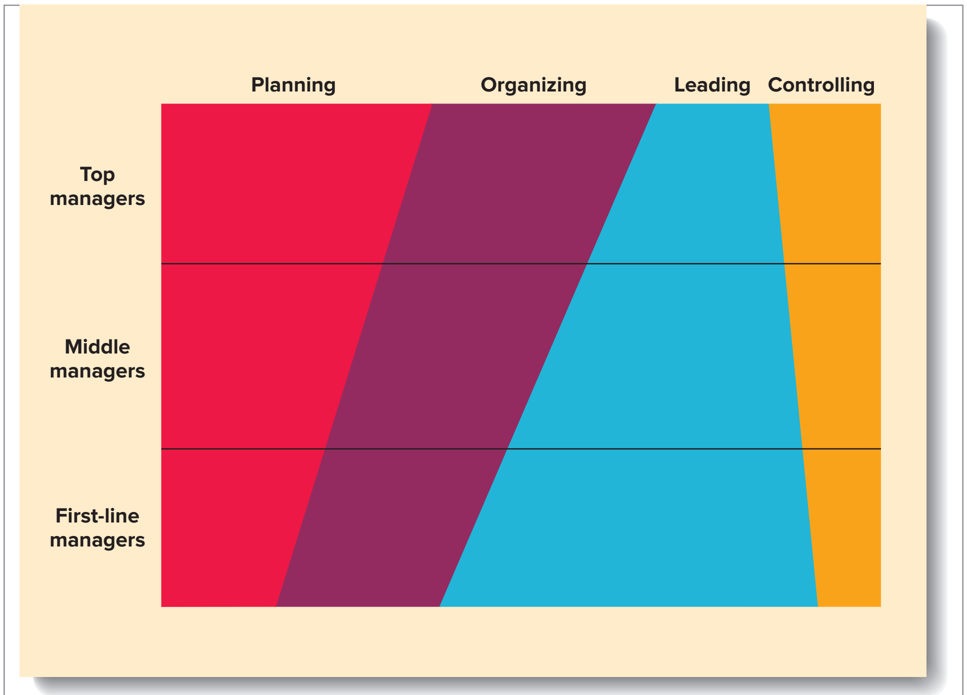
In contrast to middle managers, **top managers** are responsible for the performance of *all* departments. They have *cross-departmental responsibility.* Top managers establish organizational goals, such as which goods and services the company should produce; they decide how the different departments should interact; and they monitor how well middle managers in each department use resources to achieve goals.[23] 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.[24]

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)* refers to the company's top manager, such as Tim Cook, who was groomed by Steve Jobs to take over as Apple's CEO. 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.[25]

The relative importance of planning, organizing, leading, and controlling—the four principal managerial tasks—to any particular manager depends on the manager's position in the managerial hierarchy.[26] 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).[27] 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 managers' positions in the hierarchy, the more time they spend leading and controlling first-line managers or nonmanagerial employees.

Mary Barra, pictured here, is the chairman and CEO of General Motors. The first female CEO of a global automaker, Barra climbed the managerial ranks at GM thanks to her unrelenting drive and her ability to cultivate strong relationships with colleagues at every level of the organization. Bill Pugliano/Getty Images

Figure 1.4
Relative Amount of Time That Managers Spend on the Four Managerial Tasks



Types of 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.*[28]

LO 1-4
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.

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.[29] Managers like Satya Nadella must constantly identify new opportunities and mobilize managers and other 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 situation immediately at hand and consider choices while keeping in mind the organization's long-term goals.

Today continuing management education and training, including training in advanced technology, are an integral step in building managerial skills because theories and techniques are constantly being developed to improve organizational effectiveness, such as total quality management, benchmarking, and cloud computing and virtual business-to-business (B2B) networks. A quick scan through a magazine such as *Bloomberg Businessweek* or *Forbes* 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, 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 total quality management. 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 The ability to understand, alter, lead, and control the behavior of other individuals and groups.

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, and to motivate people, 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.

Management Insight

Success 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.[30] 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 concerns with 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.[31] 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.[32] 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.[33] City managers have found that sharing experiences at the boot camp is a valuable way to build skills for their complex jobs.

Like conceptual skills, human skills can be learned through education and training, as well as be developed through experience.[34] Organizations increasingly utilize advanced programs in leadership skills and team leadership as they seek to capitalize on the advantages of self-managed teams.[35] 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 employees provide feedback about their job performance. Thorough and direct feedback allows managers to develop their human skills.

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

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 increasingly, technological skills. Managers need a range of technical skills to be effective. The array of technical skills managers need depends on their position in their organization. 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.

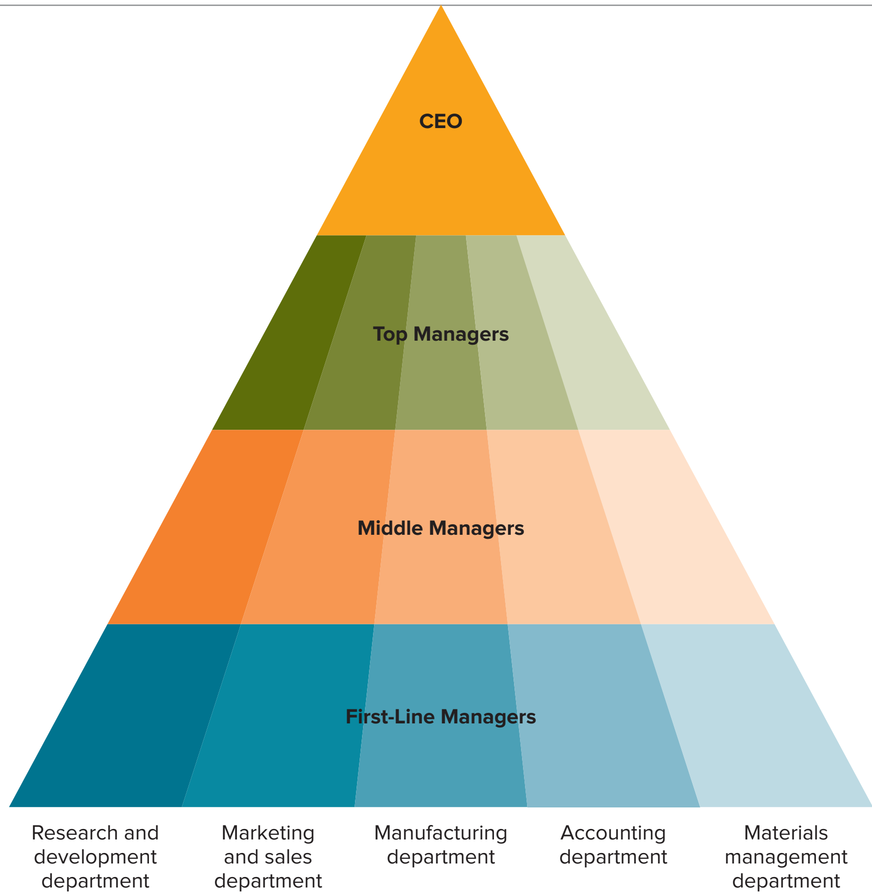
As noted earlier, managers and employees who possess the same kinds of technical skills typically become members of a specific department and are known as, for example, marketing managers or manufacturing managers.[36] Managers are grouped into different departments because a major part of a manager's 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 job.

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. 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 take on this responsibility.

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

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 *competitive advantage.* Dell, for example, was the

Figure 1.5
Types and Levels of Managers



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 at a faster rate than its competitors. From artificial intelligence (AI) to self-driving cars, Google continues to pioneer 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. As we discussed earlier, many people are enrolling in advanced management courses; but many companies, such as Walgreens, Enterprise, and Goldman Sachs, 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 whom the company believes have the competencies that can be developed to strengthen its future top managers. Most organizations closely link promotion to a manager's ability to acquire the competencies that a particular company believes are important.[37] 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 their consultants must possess. We discuss the various kinds of skills managers need to develop in most of the chapters of this book.

Managers Versus Entrepreneurs

LO 1-5
Contrast the differences between managers, entrepreneurs, and intrapreneurs.

entrepreneur
An individual who notices opportunities and decides how to mobilize resources necessary to start a new business venture.

Entrepreneurs are individuals who notice opportunities and decide how to mobilize the resources necessary to start a new business venture. Entrepreneurs make all of the planning, organizing, leading, and controlling decisions necessary to start new business ventures. However, they may not be successful actually running the day-to-day operations of their new business and hire managers to oversee the business and supervise employees. Although some entrepreneurs, such as Google founders Larry Page and Sergey Brin, make vast fortunes when their businesses succeed, others may lose their life savings when their new business fails. Despite the fact that many small businesses fail in the first three to five years, many men and women in today's workforce still want to start their own companies.[38]

Characteristics of Entrepreneurs

Entrepreneurs are likely to possess a particular set of personality characteristics, which we discuss in Chapter 2. First, they are likely to be high on the personality trait of *openness to experience,* meaning they are predisposed to be original, to be open to a wide range of stimuli, to be daring, and to take risks. Entrepreneurs also are likely to have an *internal locus of control,* believing that they are responsible for what happens to them and that their own actions determine important outcomes such as the success or failure of a new business. People with an external locus of control, in contrast, would be unlikely to leave a secure job in an organization and assume the risk associated with a new venture.

Entrepreneurs are likely to have a high level of *self-esteem* and feel competent and capable of handling most situations—including the stress and uncertainty surrounding a plunge into a risky new venture. Entrepreneurs are also likely to have a high *need for achievement* and have a strong desire to perform challenging tasks and meet high personal standards of excellence.

Entrepreneurship and Management

Given that entrepreneurs may be predisposed to activities that are somewhat adventurous and risky, in what ways can people become involved in entrepreneurial

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ventures? One way is to start a business from scratch. However, when people who go it alone succeed, they frequently need to hire other people to help them run the business. Michael Dell, for example, began his computer business as a college student and within weeks hired several people to help him assemble computers from the components he bought from suppliers. From his solo venture grew Dell Computer.

Some entrepreneurs who start a new business have difficulty deciding how to manage the organization as it grows; **entrepreneurship** is *not* the same as management. Management encompasses all the decisions involved in planning, organizing, leading, and controlling resources. Entrepreneurship is noticing an opportunity to satisfy a customer need and then deciding how to find and use resources to make a product or service that satisfies that need. When an entrepreneur has produced something customers want, entrepreneurship gives way to management because the pressing need becomes providing the product both efficiently and effectively. Frequently, a founding entrepreneur lacks the skills, patience, and experience to engage in the difficult and challenging work of management. Some entrepreneurs find it hard to delegate authority because they are afraid to risk their company by letting others manage it. As a result, they become overloaded and the quality of their decisions declines. Thus, to succeed, it is necessary to do more than create a new product or service; an entrepreneur must hire managers who can create an operating system that will help a new venture survive and prosper.

entrepreneurship
The mobilization of resources to take advantage of an opportunity to provide customers with new or improved goods and services.

Many employees, including managers, scientists, and researchers, who are employed by companies engage in entrepreneurial activity, and they are an important source of organizational creativity and success. They are involved in innovation, developing new and improved products and ways to make them. Such employees identify opportunities for product creation or product improvements and may be responsible for managing the product development process. These individuals are known as **intrapreneurs** to distinguish them from entrepreneurs, who start their own businesses.

intrapreneur
An employee who works inside an organization who notices opportunities to develop new or improved products and services and mobilizes the organization's resources to try to create them.

There is an interesting relationship between entrepreneurs and intrapreneurs. Many employees with intrapreneurial talents become dissatisfied if their superiors decide not to support or fund new product ideas and development efforts that the employees think will succeed. What do intrapreneurs within an organization do when they feel they are getting nowhere? Often they decide to leave their current organizations and start their own companies to take advantage of their new product ideas. In other words, intrapreneurs become entrepreneurs and start companies that often compete with the companies they left. To avoid losing these talented individuals, top managers must find ways to facilitate the entrepreneurial spirit of their most creative employees.

Post-it Notes were invented by accident at 3M by an intrapreneur who was trying to develop a super-strong adhesive for use in the aerospace industry. Instead, the brightly colored sticky note became one of the top-selling office products of all time.
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Challenges for Management in a Global Environment

LO 1-6
Discuss the principal challenges managers face in today's increasingly competitive global environment.

Because the world continues to change 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 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.

global organizations Organizations that operate and compete in more than one country.

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. Four major challenges stand out for managers in today's world: building a competitive advantage, maintaining ethical standards, managing a diverse workforce, and utilizing new technologies.

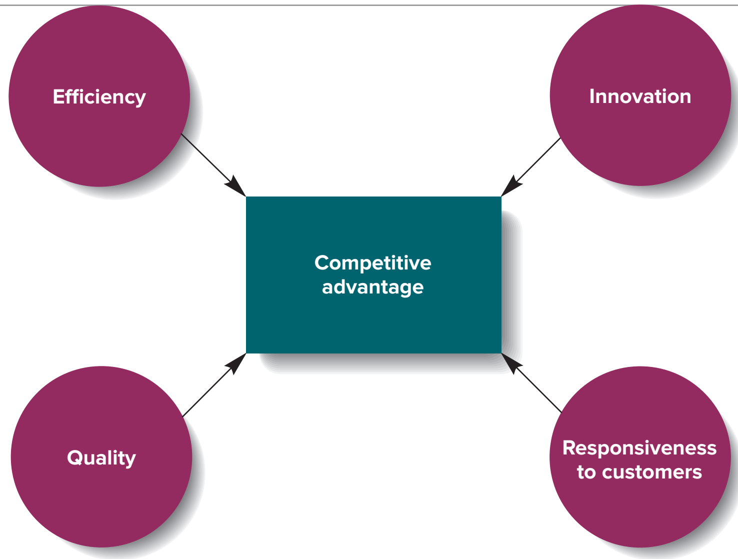
Building Competitive Advantage

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 of competitive advantage are superior *efficiency, quality, innovation,* and *responsiveness to customers* (see Figure 1.6).

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.

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.

Figure 1.6
Building Blocks of Competitive Advantage



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

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 14.

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. 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.[39]

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 balancing act. Consider Google. More than a decade ago, the company was praised for its 80/20 work allocation, where 20% of an employee's time was spent working on individual "pet projects." Innovations such as Gmail came from this program. But the company recently announced it was suspending the 80/20 program because of productivity concerns. Google had banked on the idea that "down" time would enable individuals to innovate, but economic realities and productivity needs meant a change in how the company 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.[40]

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. Retailers, 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.

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.

Sometimes the best efforts of managers to revitalize their organization's fortunes fail; and 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 close 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, and 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 recent years caused the company to lose customers, market share, and consumers' confidence in the chain's reputation for quality. Founder and CEO Steve Ells, who ran the chain since its start in 1993, stepped aside as CEO in 2018 and shifted into the chairman's role focusing on innovation. Ells was replaced by Brian Niccol, former CEO of Taco Bell.[41]

Achieving a competitive advantage requires that managers use all their skills and expertise, as well as their companies' other resources, to find new and improved 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 are under considerable pressure to make the best use of resources to increase the level at which their organizations perform.[42] 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 pressure 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.[43]

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 make 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 factories overseas that make the products they sell and who can terminate contracts with suppliers when they behave in an unethical or illegal way.[44]

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 giant Avon recently paid $135 million to settle a bribery probe into its development of new markets. Other companies such as Siemens, Teva Pharmaceutical, and Brazil-based Odebrecht SA have paid billions in penalties to resolve international bribery charges.[45]

The temptation to gain from practices such as these can get companies into legal trouble. Harmful and illegal actions also can hurt a company's reputation with its suppliers and customers, as well as with the communities in which it operates. Furthermore, people of good character do not want to manage or work for such organizations. For all of these reasons, organizations need managers who will uphold ethical standards, as will be described in Chapter 3. One way they do so is by promoting ethics at all levels of the organization. The "Ethics in Action" box describes ways that organizations are trying to promote ethics.

The issue of social responsibility, discussed in Chapter 3, 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. Socially responsible companies put this view into action when they set goals for reducing wasted resources and pollution, treating workers with dignity, and promoting community development.

Ethics in Action

Giving Employees a Nudge

Why would employees behave unethically? Do they lack knowledge about what is ethical, or do they prefer unethical options? Many companies promote ethics via training, which assumes employees require knowledge about ethical behavior. However, if you think most people already know that lying, cheating, stealing, and hurting people are unethical, you are not alone.

Scientists who study how people make decisions are applying their field to ethics. According to their studies of behavioral ethics, people generally do not set out to make unethical decisions. Rather, they might overlook the ethical dimensions, or they might downplay the ethical issues—say, by thinking an unethical action will not hurt anyone or is what everyone else does. After the bubble burst in the real estate market in 2007, evidence emerged that Wells Fargo employees had been working under intense pressure to increase sales. Falsifying loan applications seemed insignificant relative to sales targets.[46]

Seeing that context affects decision making, organizations that foster ethics are looking at ways to shape the context. An increasingly popular idea is the "nudge." A nudge involves changing the context in a way that makes a particular decision more likely without forcing that option. Some companies, including Google, have hired behavioral scientists to help them design nudges. Virgin Atlantic tried nudging with regard to fuel conservation. The airline told pilots it was studying fuel use, and with that, pilots reduced fuel consumption—cutting 20,000 tons of carbon dioxide emissions. Similarly, the British government reduced overuse of antibiotics by identifying doctors who were prescribing far more than their peers and sending them the data.[47]

To nudge, organizations can make ethical options easier, more convenient, or more socially acceptable. Ford made ethics guidelines handy by creating an app for employees to use when making decisions. In a study, taxpayers tended to comply with the law when they received a statement that most taxpayers comply (evidence of a social norm). Changing the language the organization uses about ethical issues can signal that ethical behavior is the standard. A consulting firm previously called its ethics hotline the "whistleblowing facility," a term that could suggest disloyalty as much as anything admirable. The firm renamed it the Speak Up Line, and employees became much more willing to raise concerns.[48]

Nudges show promise as a tool for ethical behavior, but employers must be careful to nudge ethically. In particular, employees should know they are being nudged, and they should have some degree of freedom to make their own choices within the job requirements.[49]

Protesters outside Wells Fargo headquarters in New York City draw attention to some of the ethical missteps by the organization. Some companies are now giving employees a nudge to redirect their behavior in a more ethical manner.
Erik McGregor/Pacific Press/LightRocket/Getty Images

Managing a Diverse Workforce

A major challenge for managers everywhere is to recognize the ethical need and legal requirement to treat employees 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.[50] 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 each and 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.[51] Accenture provides a good example of a company that has leveraged the potential of its diverse employees.

Accenture is a global management consulting company that serves the needs of thousands of client companies located in more than 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 to 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 employees each year. Several years ago, 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 are 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 transgender (LGBT) employees.[52] 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.

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 RF

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 banking and financial services firm in Chicago; the Smithsonian Institution in Washington, DC; Levy Restaurants, headquartered in Chicago; Intuit, a technology, Internet, and software services company located in Mountain View, California; and Harvard University in Cambridge, Massachusetts.[53] We discuss the many issues surrounding the management of a diverse workforce in Chapter 3.

Utilizing New Technologies

As we have discussed, another important challenge for managers is to continually utilize efficient and effective new technologies that can link and enable managers and employees to better perform their jobs—whatever their level in the organization. One example of how technology 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 these stops is a challenge with economic implications for the global shipping company. UPS estimates that a driver with 25 packages could choose from 15 *trillion* different routes! To help navigate these difficult roads, UPS relies on ORION—its On-Road Integrated Optimization and Navigation system. ORION is designed to blend GPS navigation and learning to help drivers optimize driving along their routes. Of course, UPS drivers must also balance promised delivery times, traffic, and other factors into their driving decisions, meaning ORION is a critical technological competency helping the company work effectively and efficiently. According to the company, now that ORION has been fully implemented, the system helps reduce 100 million miles driven annually and saves UPS upwards of $300 million to $400 million each year.[54]

Using ORION and other types of technology, UPS drivers plan the most efficient delivery route each day, which saves the company time, money, and fuel. David Goldman/AP Images

Increasingly, new kinds of technology 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. Most companies now search for new technologies that can help them build a competitive advantage. The importance of technology is discussed in detail in Chapter 14.

Summary and Review

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. **[LO 1-1]**

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. **[LO 1-2]**

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. **[LO 1-3, 1-4]**

MANAGERS, ENTREPRENEURS, AND INTRAPRENEURS Entrepreneurs are individuals who notice opportunities and decide how to mobilize resources necessary to start a new business venture. Unlike entrepreneurs, who start new ventures, managers typically supervise the daily operations of a business and manage the workforce. Intrapreneurs work inside organizations and typically manage the product development process. Organizations need to encourage intrapreneurship because it leads to organizational innovation. **[LO 1-5]**

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, flexibility, innovation, and customer responsiveness. Other challenges include behaving in an ethical and socially responsible manner; managing a diverse workforce; and utilizing new technologies. **[LO 1-6]**

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. [LO 1-1]
2. In what ways can managers at each of the three levels of management contribute to organizational efficiency and effectiveness? [LO 1-3]
3. Identify an organization that you believe is high-performing and one that you believe is low-performing. Give five reasons why you think the performance levels of the two organizations differ so much. [LO 1-2, 1-4]
4. What are the key differences between managers and entrepreneurs? [LO 1-5]
5. In what ways do you think managers' jobs have changed the most over the last 10 years? Why have these changes occurred? [LO 1-6]

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 the organization's performance? [LO 1-2, 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. [LO 1-3, 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 performing each task? [LO 1-3]
9. 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. [LO 1-3, 1-4]

Building Management Skills

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

Think of an organization that has provided you with work experience and the manager to whom you reported (or talk to someone who has had extensive work experience). Then answer the following 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 technology affect this?
4. How did your supervisor's approach to management affect your attitudes and behavior? For example, how well did you perform as an employee, and how motivated were 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 [LO 1-1, 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 why 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 [LO 1-2, 1-3, 1-4]

Opening a New Restaurant

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 [LO 1-2, 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 employees have been added to help develop a new range of software products and to improve customer service. Achieva's growth has been so swift that the company still operates informally, its organizational structure is loose and flexible, and employees 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?

Case in the News [LO 1-1, 1-2, 1-3, 1-6]

GE Drives Away from Transportation

When John Flannery took over as CEO of General Electric, he brought a vision of a company that would be simpler and leaner. For years, GE had wowed managers around the globe as a high-performing conglomerate engaged in everything from electricity-generating equipment to entertainment (NBC Universal) to financial services to its iconic lighting division. But as the economy has changed, GE has been unable to sustain solid profits in some of those areas. Flannery determined that GE would focus on its three most profitable lines of business: aviation (making jet engines), power generation, and health care (especially imaging equipment).

Flannery's first big moves included spinning off GE's railroad business, one of North America's leading makers of locomotives for freight trains. The business unit, GE Transportation, has been owned by GE since 1907 and became less profitable in recent years. Flannery negotiated a deal with the Wabtec Corporation (formerly Westinghouse Air Brake Technologies), which produces equipment for freight railways and mass-transit operations. The deal combines the two companies into one; roughly 50 percent is owned by Wabtec shareholders, 40 percent by GE shareholders, and 10 percent by GE itself. Wabtec's CEO was selected to run the business, and GE was to receive $2.9 billion in cash when the deal closed.

The combined company should be a powerhouse in the transportation business. Based on the merging companies' sizes at the time the deal was announced, it has $8 billion in revenues and about 27,000 employees. Combining the companies allows management to cut costs, perhaps as much as $250 million a year. And it gives GE extra cash at a time when the company has a heavy load of debt.

While Flannery and his recent successor, Larry Culp, have been asking themselves which businesses GE should be engaged in, the managers of the former GE Transportation facilities have faced their own set of decisions. GE Transportation not only built a locomotive factory in Lawrence Park, Pennsylvania, a century ago; it also designed and built the community in which its workers would live. Generations of Lawrence Park residents took jobs in the factory and earned a comfortable living at wages negotiated by their union. GE was a key part of the community, and being a GE employee was a significant part of many community members' identities.

For managers, being part of GE's high-performance culture meant they had to keep looking for ways to be more efficient. One way to save money was to have more of the work done by employees who would work for a lower wage. Like many other manufacturers in the Northeast and Midwest, GE Transportation opened a facility in the southern United States. The company chose Fort Worth, Texas, and built its largest plant there. Employment at the Lawrence Park facility has dwindled from about 5,000 in 2013 (the year the Fort Worth facility opened) to fewer than 2,000 today. That does not mean the factory cut production by the same amount, however. Many of the remaining jobs at Lawrence Park are high-tech positions in advanced manufacturing, which lets companies produce greater output with fewer workers.

Meanwhile, at the million-square-foot Fort Worth facility, the nonunion workers are busy assembling locomotives. A high-demand area of business is refurbishing locomotives. A 25-year-old locomotive is considered "middle-aged"—far from ready for the scrap heap if it can be cleaned up and modernized with new parts. When locomotives arrive at the facility, workers remove major components and send them through separate production lines that meet up at the opposite end of the facility to be reassembled into a rejuvenated locomotive. The whole process takes roughly two months. Renovating a locomotive allows its owner not only to extend its life but to make it more efficient. Installing high-tech sensors and software can increase the locomotive's efficiency and power. A train that once required three locomotives might run with two—a considerable savings for the railroad, especially considering that each locomotive's fuel consumption might have fallen by 10%. Demand for this service is so great that the company even works on locomotives outside its factory; it has dispatched workers with supplies to customers' own depots.

Some observers expect that the move of production from Pennsylvania to Texas is one step in a process that will lead to building facilities in Mexico or other lower-wage countries. If that happens, it will be a decision made not by GE Transportation, but by the management under Wabtec CEO Raymond Betler.

Questions for Discussion

1. What kinds of decisions and actions were taken by GE and the managers at Lawrence Park and Fort Worth? Categorize these as planning, organizing, leading, and controlling.
2. How have new technologies utilized at the Lawrence Park facility help save local jobs?
3. In your opinion, what responsibilities do GE and Wabtec have toward their employees and the communities in which they operate?

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