



CONTEMPORARY Management





CONTEMPORARY Management

Twelfth Edition

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Hill

**CONTEMPORARY MANAGEMENT, TWELFTH EDITION**

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

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

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



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

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PREFACE

In this twelfth edition 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 keeping our text relevant and interesting to students. 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 capital challenges facing managers 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 the speed at which they bring new products or services to market or the ways they motivate employees 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 the social and economic fallout from the 2020 global coronavirus pandemic—affect 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.

In addition, the ongoing advances in technology continue to transform how managers make decisions across all levels of a company's hierarchy and across its functions and global divisions. This 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 address in this edition include the impact of the steadily increasing diversity in the workforce and how this increasing diversity makes it imperative for managers to understand how and why people differ so they can effectively manage and reap the performance benefits of a diverse workforce. Similarly, across all functions and levels, managers and employees must continually seek ways to work smarter and increase performance. With these issues in mind, we revised this edition of *Contemporary Management* to address these challenges to managers and their organizations.

Major Content Changes

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

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

Chapter 1

- New “A Manager’s Challenge” on how SurveyMonkey’s CEO brought a fresh vision to the company to stabilize its workforce and lead the organization toward renewed growth.
- Updated statistics on managerial wages and projected growth rate in managerial job openings over the next five years.
- New “Manager as a Person” on the CEO of Match Group and how she uses her experience and skills to carry out all four categories of managerial tasks.
- Updated statistics on outsourcing tasks to companies in other countries.
- Updated discussion and statistics on the impact of remote workers to managers and their organizations.
- New “Ethics in Action” on giving employees a nudge to increase ethical behavior in the workplace.
- New “Case in the News” about GE spinning off its railroad business.

Chapter 2

- New “Management Insight” on how E Source, a Colorado utilities consulting company, helps its employees set both personal and business goals to help increase efficiency.
- New “Manager as a Person” about how the general manager of the Washington, DC, area Metro system demonstrates flexibility in his managerial decisions.
- New “Case in the News” about food-service operator Red Robin and its push to contain labor costs.

Chapter 3

- New “A Manager’s Challenge” on how the first female CEO of John Hancock insurance company shapes the values of her organization.
- New “Manager as a Person” on the cofounder of Huntington Learning Centers and how her personality traits have contributed to the company’s success.
- Updated discussion on job satisfaction rates among U.S. workers.
- New “Management Insight” on how organizational culture plays a significant role in shaping employees’ behavior.
- New discussion on recent corporate scandals and how a dysfunctional culture can be damaging to an organization and its members.
- New “Case in the News” on Google’s ongoing challenge to maintain a strong company culture.

Chapter 4

- New “A Manager’s Challenge” on the president of the UPS Foundation and how he aligns his organization’s work with UPS’s overall corporate vision by contributing to local communities.
- New “Management Insight” about how to embed ethics in an organization’s culture.
- Updated discussion on the compensation packages for U.S. CEOs.
- New “Manager as a Person” on how the CEO at a pharmaceutical company puts his people first.
- New discussion about how corporate corruption can still occur in countries with high ethical marks.
- New “Case in the News” about how Chevron tries to stay on the high road in Venezuela amid political and economic unrest.

Chapter 5

- Updated statistics on age and men’s and women’s participation rates in the U.S. workforce and median weekly earnings.
- New discussion on lack of women CEOs in S&P 500 companies.
- Updated statistics on the increasing diversity of the U.S. workforce.
- New “Focus on Diversity” on the increasing impact of Hispanics on the U.S. workforce.
- Updated discussion about the companies recognized for employing people with disabilities.
- Updated statistics on the U.S. poverty rate.
- Updated discussion on the U.S. employers recognized as the best places to work for LGBTQ equality.
- New “Manager as a Person” about how the CEO of a medical tech company promotes diversity in his organization.
- New “Ethics in Action” on whether older tech workers are victims of stereotypes.
- Updated discussion and statistics on sexual harassment.
- New discussion about a pilot program by four tech companies to develop benchmarks that companies have taken appropriate steps to address workplace harassment of any sort.
- New “Case in the News” about diversity efforts at Goldman Sachs.

Chapter 6

- New “A Manager’s Challenge” about Walmart’s global expansion into India by investing in Flipkart, the Indian e-commerce giant that competes with Amazon.
- New “Management Insight” about the film industry in a developing economy in Africa.
- Updated discussion about the UK’s departure from the European Union.
- Updated discussion on the new trade agreement that will replace NAFTA.
- New “Managing Globally” on the impact of tariffs on auto companies’ supply chains.
- New “Case in the News” about China’s Huawei Technologies.

Chapter 7

- New “Management Insight” on sustainability efforts at UPS, DuPont, and the Coca-Cola Company.
- Updated research on why mergers fail when company cultures clash.
- New “Ethics in Action” on turning plastic recycling into a way that enables people to participate in their economy.
- New “Case in the News” on the U.S. Marines logistics unit and how it is teaching military personnel in the field to use computer-aided technologies to think creatively in their everyday jobs.

Chapter 8

- Updated discussion throughout the chapter about General Mills and its planning strategies at various levels of the organization.
- New “Manager as a Person” on how Starbucks’ chief operating officer has implemented plans across the company for sustained growth.
- New discussion about how Toys R Us has reinvented itself on a smaller scale with the help of a software retailer.
- New “Management Insight” on how Canada Goose, maker of high-end outerwear, uses product differentiation to its advantage.
- New “Case in the News” about how Best Buy tweaks its strategies to stay relevant and compete in an ever-changing environment.

Chapter 9

- New “A Manager’s Challenge” about Mattel’s CEO and his redesign of company processes to increase efficiency.
- New “Ethics in Action” about whether efficiency can hurt workers and their organizations.
- New discussion about General Motors and its flexible manufacturing plan that has collaborative robots working side by side with humans.
- New “Manager as a Person” on Amazon’s innovator in chief: Jeff Bezos.
- New “Case in the News” about Brooks Brothers’ redesigning itself and its processes.

Chapter 10

- New “A Manager’s Challenge” on how Alaska Airline’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 discussion about Home Depot’s functional structure.
- New “Ethics in Action” about Pfizer changing its organizational structure to help improve business and marketing efforts.
- Updated discussion on the hierarchy of authority at McDonald’s Corporation.
- New “Manager as a Person” on NASA’s administrator and his efforts to create a winning culture at the space agency.
- New “Case in the News” about restricting and rebranding efforts at Ogilvy’s U.S. advertising operations.

Chapter 11

- New “Management Insight” on the skills employers are looking for in recent college graduates.
- New section on the Balanced Scorecard and its increasing use by organizations to evaluate various measures of a company’s performance.
- Updated discussion on Disney and its strategic reorganization, including a new CEO replacing Bob Iger.
- New “Ethics in Action” on Volkswagen’s continuing efforts to implement top-down changes to regain consumers’ confidence after an emissions scandal.
- New “Case in the News” on how Stitch Fix controls inventory and the customer experience.

Chapter 12

- New “A Manager’s Challenge” on Cisco Systems and its strategies to attract and retain top talent.
- New discussion about the importance of companies recognizing that the HR function is a critical component of their strategic agenda.
- New research on job applicants fabricating or exaggerating information on their résumés.
- New discussion on Dollar General’s successful training program for its employees.
- New research on the effectiveness of formal mentoring programs, especially for minorities.
- Updated statistics on union members in the United States.
- New “Case in the News” on Southwest Airlines’ strategic approach to HR.

Chapter 13

- New “A Manager’s Challenge” on how Applied Technical Services sets realistic targets for success.
- New “Managing Globally” on how individual needs among workers vary from country to country.
- New “Case in the News” on DTE Energy and company efforts to re-energize its workforce with a shared sense of purpose to cut costs and avoid layoffs.

Chapter 14

- New “A Manager’s Challenge” on how Microsoft CEO Satya Nadella leads the company into new business.
- New “Manager as a Person” on a servant leader at Covenant Health in eastern Tennessee.
- Updated discussion of coercive power and how some managers use it to punish others.
- New discussion about how Costco uses consideration as part of its code of ethics.
- New “Ethics in Action” on Salesforce’s chief ethical and humane use officer.
- New discussion throughout the chapter about the various ways Netflix co-founder Reed Hastings demonstrates leadership.
- New “Case in the News” on how the CEO of Levi Strauss uses effective leadership strategies to help the company and its employees succeed.

Chapter 15

- New “Manager as a Person” on how Intertape Polymer Group’s director of operations supports the use of self-directed teams within the organization.
- New “Management Insight” on helping a team develop by identifying critical behaviors.
- New “Case in the News” on how Adient, the world’s largest supplier of automotive seating, uses high-performance teams to maintain its competitive edge.

Chapter 16

- New “Ethics in Action” on how the use of questions can foster effective communication.
- Updated discussion on the increasing importance of technology and communication, including web-based collaboration systems and other online communications, particularly as the COVID-19 pandemic hampers regular business operations.
- New “Case in the News” on how Netflix aims to keep communication honest throughout the organization.

Chapter 17

- New “Ethics in Action” on a method of giving voice to underlying values—not individuals’ personalities—that underlie each perspective on a particular business issue.
- New “Focus on Diversity” on how managers need to recognize and respect ideas put forth by employees of different ages.
- New “Managing Globally” on the importance of managers empowering local knowledge when it comes to working with governments and aid organizations.
- New “Case in the News” on Boeing and the internal conflicts that contributed to problems with the 737 MAX.

Chapter 18

- Updated research and discussion about the importance of effective cybersecurity measures.
- New “Ethics in Action” on a national grocery chain’s use of consumer data as a key part of its growth strategy.
- New “Managing Globally” on a Chinese financial services company that runs on artificial intelligence.
- New “Case in the News” on Royal Dutch Shell and its continuing investment in artificial intelligence projects to increase the company’s overall efficiency.

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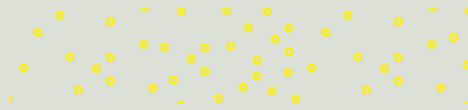
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macro-oriented professor can follow Chapters 1 and 2 with Chapters 6 through 11, jump to 16 through 18, and then use the micro chapters, 3 through 5 and 12 through 15.

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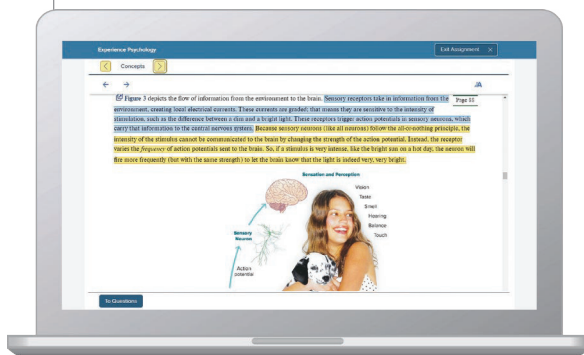
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ACKNOWLEDGMENTS

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

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

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

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CONTEMPORARY Management

CHAPTER 1

Managers and Managing



Luis Alvarez/Getty Images

Learning Objectives

After studying this chapter, you should be able to:

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

A MANAGER'S CHALLENGE

CEO Fosters Growth at SurveyMonkey

What difference can a manager make?

In the case of Zander Lurie at SurveyMonkey, managing meant stabilizing a company and then leading it toward renewed growth. When Lurie, who headed GoPro's entertainment division, joined the board of directors at SurveyMonkey, it was simply a chance to share his financial expertise and collaborate with then CEO, his close friend Dave Goldberg. But Goldberg died suddenly at the age of 47, and the survey software company's shocked employees needed leadership. The board appointed Lurie to find a replacement, but a few months after the new CEO was appointed, it became apparent that he was not a good fit. The board asked Lurie to take the position. Desiring to maintain his friend's legacy, Lurie resigned from GoPro to accept the challenge.¹

Goldberg had been respected for building a 10-year-old tech company with 10 employees into a business with revenues approaching \$189 million. Following his death, many employees began sharing the hashtag #Make-DaveProud, even wearing it on T-shirts. Lurie realized that his initial role would be to help employees process their loss. He began by using the company's strength in research to survey employees about what they valued about the company and their jobs. He asked customers what they appreciated most about the company's products. He set up regular meetings to hear from employees below the executive ranks. At the same time, he reviewed SurveyMonkey's lines of business to assess which had potential for profitable growth. He shut down a business line that was holding the company back. This required layoffs but signaled to the remaining employees that SurveyMonkey was committed to a stronger future.²

Listening to employees and customers revealed to Lurie a core value for SurveyMonkey: curiosity. He realized that surveys are valuable when they enable customers to explore what they are curious about, and employees are valuable when they work in an environment that encourages questions and ideas. So Lurie began to build employee surveys into corporate decision making and to structure rewards for asking good questions. Ideas from employees led Lurie to a new business opportunity: artificial intelligence that applies knowledge of research methods to help users improve their surveys. An employee suggestion to consider the needs of contract workers such as janitors and cafeteria workers led to improved benefits packages.³

Valuing curiosity propels SurveyMonkey's commitment to hiring a diverse workforce and enabling their contributions. The company has, for example, hired women at all



Zander Lurie, CEO of SurveyMonkey, used his management skills to help employees deal with the tragic loss of the company's founder and put the firm back on track to a brighter future.
Imeh Akpanudosen/Stringer/Getty Images

levels of management, including a female chief financial officer with a track record at a larger software firm. Consistent with a spirit of curiosity, Lurie encourages managers to draw out everyone's voice by asking open-ended questions, inviting people to enter discussions, giving honest feedback, and digging below the surface. This brings more viewpoints into decision making, as when employees encouraged benefits planners to think about the company's contract workers. Another lesson from listening was that most employees feel respected, but many don't see a path to

career growth—something the company is now seeking to improve. SurveyMonkey also gets employees involved in selecting the charitable programs it supports as part of its commitment to being socially responsible.⁴

As SurveyMonkey righted itself after the loss of Dave Goldberg, Lurie could focus more on future profit growth. Under his leadership, more of the business is shifting to paid services (in contrast to the original free survey tools) and to growth markets outside the United States.⁵ Lurie is translating his leadership success into corporate value.

Overview

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

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

What Is Management?

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

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

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

4

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

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

Achieving High Performance: A Manager's Goal

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

organizational performance

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, as Figure 1.1 shows. What are efficiency and effectiveness?

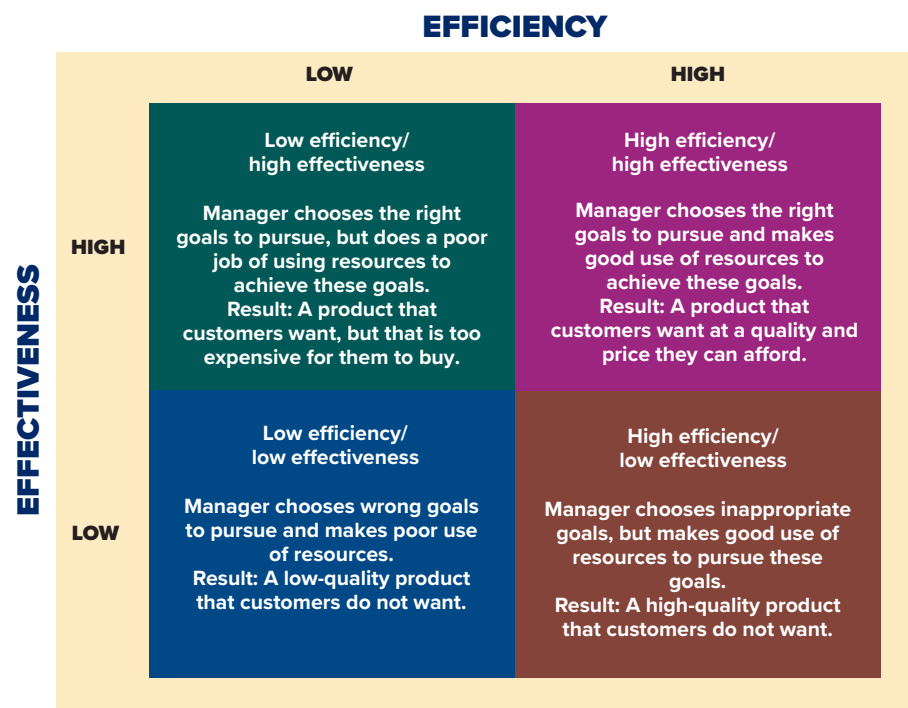
Efficiency is a measure of how productively resources are used to achieve a goal.⁶ Organizations are efficient when managers minimize the amount of input resources (such as labor, raw materials, and component parts) or the amount of time needed to produce a given output of goods or services. For example, Wendy's develops ever more efficient fat fryers that not only reduce the amount of oil used in cooking but also speed up the cooking of french fries. UPS develops new work routines to reduce delivery time, such as instructing drivers to leave their truck doors open when going short distances.

To encourage efficiency, CEO Lurie has led SurveyMonkey in a retooling of some of the company's products and services since he took the helm in 2016. For example, he has eliminated an unsuccessful business while expanding others and continues to foster a collaborative environment in which he encourages employees to stay curious, which has helped spur the company's growth.⁷

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 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: Several years ago, 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. According to recent reports, breakfast accounts for 25% of McDonald's sales and close to 40% of the company's profits.⁸ 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.

Figure 1.1

Efficiency, Effectiveness, and Performance in an Organization



High-performing organizations are efficient *and* effective.

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 or the experiences of others. By studying management in school, you are exposing yourself to the lessons others have learned. The advantage of such social learning is that you are less likely to repeat the mistakes others have made in the past. Furthermore, by studying and practicing the behaviors of good managers and high-performing companies, you will equip yourself to help your future employer succeed.

The economic benefits of becoming a good manager are also impressive. In the United States, general managers earn a median wage of \$100,930, with a projected growth rate in job openings of between 7 to 10% between now and 2028.⁹

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

Essential Managerial Tasks

L01-2 Distinguish among planning, organizing, leading, and controlling (the four principal managerial tasks), and explain how managers' ability to handle each one affects organizational performance.

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

The job of management is to help an organization make the best use of its resources to achieve its goals. How do managers accomplish this objective? They do so by performing four essential managerial tasks: *planning*, *organizing*, *leading*, and *controlling*. The arrows linking these tasks in Figure 1.2 suggest the sequence in which managers typically perform them. French manager Henri Fayol first outlined the nature of these managerial activities around the turn of the 20th century in *General and Industrial Management*, a book that remains the classic statement of what managers must do to create a high-performing organization.¹⁰

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

Planning

To perform the **planning** task, managers identify and select appropriate organizational goals and courses of action; they develop *strategies* for how to achieve high performance. The three steps involved in planning are (1) deciding which goals the organization will pursue, (2) deciding what strategies to adopt to attain those goals, and (3) deciding how to allocate organizational resources to pursue the strategies that attain those goals. How well managers plan and develop strategies determines how effective and efficient the organization is—its performance level.¹¹

As an example of planning in action, consider SurveyMonkey's recent innovation in AI-based features that utilize machine learning and natural language processing technology. In a 2018 study, the company sought feedback from its enterprise customers about what product feature improvements they would like to see on the SurveyMonkey platform. An overwhelming number of businesses responded that they wanted better text analysis of consumer responses. SurveyMonkey recently introduced a feature called "sentiment analysis," which identifies respondents' insights by automatically classifying text responses and displaying an aggregate view of their opinions. This data analytics tool may help companies communicate problems, identify priorities, and make timely business decisions.¹²

Figure 1.2
Four Tasks of Management



Organizing

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.

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

The outcome of organizing is the creation of an **organizational structure**, a formal system of task and reporting relationships that coordinates and motivates members so they work together to achieve organizational goals. Organizational structure determines how an organization's resources can be best used to create goods and services. As SurveyMonkey continues to expand its reach to more enterprise customers by developing more products and services and acquiring global startups, management continues to face the issue of how best to structure or reorganize different groups within the organization. Not surprisingly, CEO Zander Laurie is a strong proponent of asking his own employees their thoughts on many important issues. Laurie holds regular meetings with people one level below his senior managers, where the conversation is free-wheeling and no topic is off limits. In addition, the company designed its new corporate headquarters in San Mateo, California, based almost entirely on employee surveys—with the goal of making the new space a collaborative destination that encourages curiosity and creativity.¹³ We examine the organizing process in detail in Chapters 10 through 12.

Leading

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.

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

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.

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. SurveyMonkey's more than 1,200 employees appreciate the core values of their leadership, especially CEO Lurie's refreshing focus on curiosity and collaboration, which contributes to their success as a workforce. We discuss the issues involved in managing and leading individuals and groups in Chapters 13 through 16.

Controlling

In **controlling**, the task of managers is to evaluate how well an organization has achieved its goals and to take any corrective actions needed to maintain or improve performance. For example, managers monitor the performance of individuals, departments, and the organization as a whole to see whether they are meeting desired performance standards. 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.

The four managerial tasks—planning, organizing, leading, and controlling—are essential parts of a manager's job. In the "Manager as a Person" feature, read how Mandy Ginsberg carries out these tasks at the top level of management for Match Group. 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



Mandy Ginsberg's flexible approach to planning, organizing, leading, and controlling has helped her guide the Match Group to continued success.

NICHOLAS KAMM/Contributor/Getty Images

What Makes Mandy Ginsberg a Good Fit for Match

Mandy Ginsberg brings a wealth of experience and skills to her position as CEO of Match Group, the owner of various popular dating sites, including Match, OkCupid, Hinge, and Tinder. She uses these strengths to carry out all four categories of managerial tasks.

Ginsberg has a background in working on marketing at high-tech companies, and she enjoys tracking the fast pace of change in technology. Her experience includes applying data about consumers to development of new products, so keeping ahead of the curve is both a well-developed skill and an exciting challenge. For her, planning how to ride the next wave of online-dating tools is a natural way to compete. Her marketing background

also helps Ginsberg plan the company's moves into international markets, where dating norms are shaped by different cultures.¹⁴

Understanding technology trends, being comfortable working with data, and openness to change all help Ginsberg take a flexible approach to organizing. Tech firms need to be agile in the face of change, and that was Ginsberg's approach to the company's newfound ability to collect and analyze massive amounts of user data. Rather than leaving it to each user to find suitable dates on the company's websites, Match developed a feature to analyze user behavior, and the company began hiring more and more data scientists. International expansion also requires organizing decisions related to where to locate employees to serve 190 different markets using different products in 42 languages. Hiring locals is an important way to bring cultural knowledge to the table.¹⁵

For Ginsberg, leading is a team sport. She played soccer in high school and college and considers this a formative experience in her development of a leadership approach. She didn't have an obvious physical advantage in the game but had insight into how teams work together by combining a set of strengths. This ability to recognize and call upon people's strengths is an obvious talent for leadership.¹⁶

Ginsberg's strength in data analytics not only helps with planning, but also positions her to succeed at controlling. An important performance measure for Match Group is the pace of innovation. The openness to international expansion also is expected to fuel future growth. Profit growth is key, of course, and Match Group's profit growth over the past few years suggests that Ginsberg is a skillful practitioner of the management tasks. Ginsberg recently stepped down from her position as she faced ongoing health challenges; however, she was succeeded by one of Match's senior executives, Shar Dubey, who will oversee the company's planned spinoff from its corporate parent.¹⁷

Performing Managerial Tasks: Mintzberg's Typology

So far, our discussion of management has presented it as an orderly process in which individuals carefully weigh information before making the best possible decision. Henry Mintzberg was one of the first to show that management is often chaotic, marked by quick decisions in a tense and sometimes emotional environment. Quick, immediate reactions to situations, rather than deliberate thought and reflection, are an important aspect of managerial action. Mintzberg, a professor at McGill University, has spent most of his life researching management in an attempt to help organizations better achieve their goals in an ethical manner. Some of his most important research examined the different roles that managers play in organizations and directly informs our discussion in this chapter. Often managers are overloaded with responsibilities and do not have time to analyze every nuance of a situation; they therefore make decisions in uncertain conditions, not knowing which outcomes will be best.¹⁸ 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.¹⁹ 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.²⁰ 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.²¹ And it is understandable that many experienced managers accept their employees' failure as a normal part of the learning experience and a rite of passage to becoming an effective manager. Managers and their employees learn from both their successes and their failures.

Table 1.1

Managerial Roles Identified by Mintzberg

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

Levels and Skills of Managers

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

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

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

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

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

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

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

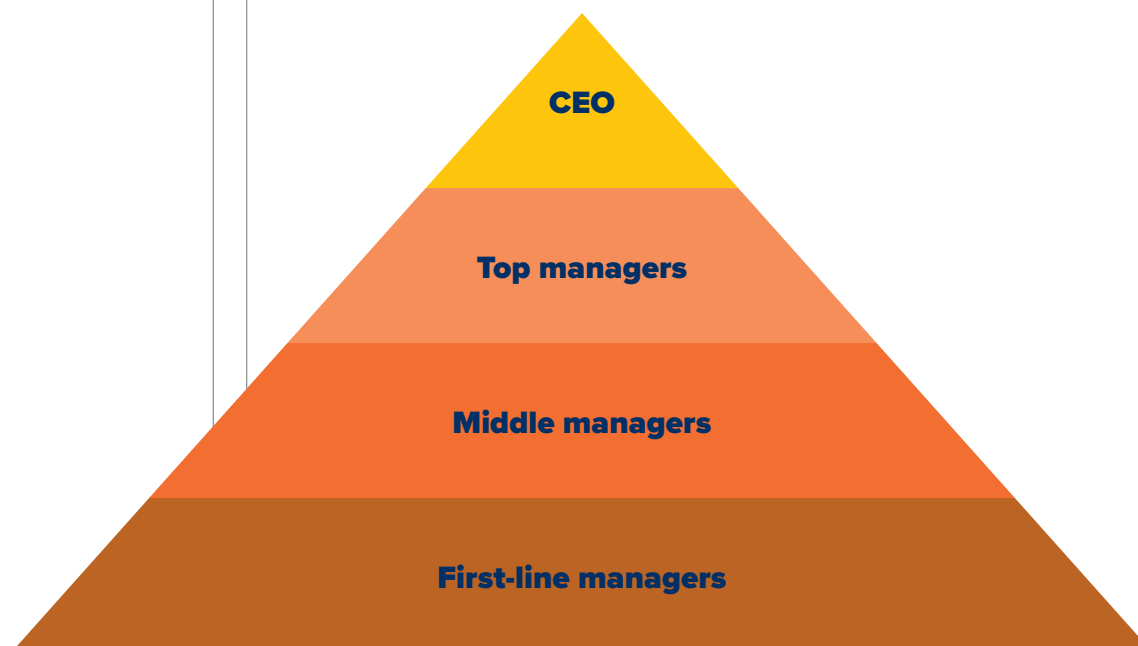
Levels of Management

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

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

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

Figure 1.3
Levels of Managers



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

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

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

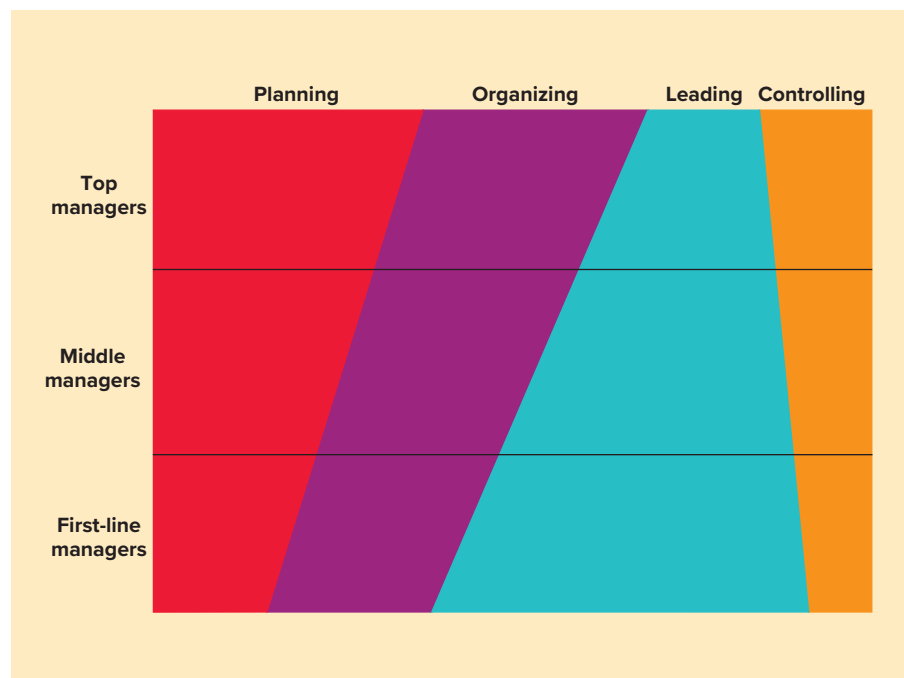
In contrast to middle managers, **top managers** are responsible for the performance of *all* departments. They have *cross-departmental responsibility*. Top managers establish organizational goals, such as which goods and services the company should produce; they decide how the different departments should interact; and they monitor how well middle managers in each department use resources to achieve goals.²² 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.²³

The *chief executive officer (CEO)* is a company's most senior and important manager, the one all other top managers report to. Today the term *chief operating officer (COO)* often refers to top managers, who are being groomed to assume CEO responsibilities when the current CEO retires, leaves the company, or assumes other responsibilities. Together the CEO and COO are responsible for developing good working relationships among the top managers of various departments (manufacturing and marketing, for example); usually, these top managers have the title "vice president." A central concern of the CEO is the creation of a smoothly functioning **top management team**, a group composed of the CEO, the COO, and the vice presidents most responsible for achieving organizational goals.²⁴

The relative importance of planning, organizing, leading, and controlling—the four principal managerial tasks—to any manager depends on the manager's position in the managerial hierarchy.²⁵ 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).²⁶ Top managers devote most of their time to planning and organizing, the tasks so crucial to determining an organization's long-term performance. The lower that managers' positions are in the hierarchy, the more time the managers spend leading and controlling first-line managers or nonmanagerial employees.

Figure 1.4

Relative Amount of Time Managers Spend on the Four Managerial Tasks



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

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

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

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*.²⁷

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.²⁸ Managers like Zander Lurie must constantly identify new opportunities and mobilize organizational resources to take advantage of those opportunities.

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

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

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

Human skills include the general ability to understand, alter, lead, and control the behavior of other individuals and groups. The ability to communicate, to coordinate, to motivate, and to mold individuals into a cohesive team distinguishes effective from ineffective managers. Skills such as these are especially significant for successful management in the public (government) sector, as described in the "Management Insight" feature. Like conceptual skills, human skills can be learned through education and training, as well as be developed through experience.²⁹ Organizations increasingly use advanced programs in leadership skills and team leadership as they seek to capitalize on the advantages of self-managed teams.³⁰ 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.



To be a successful manager, individuals need to develop their conceptual, human, and technical skills.

Erik Isakson/Getty Images

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 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 organizations. The manager of a restaurant, for example, may need cooking skills to fill in for an absent cook, accounting and bookkeeping skills to keep track of receipts and costs and to administer the payroll, and aesthetic skills to keep the restaurant looking attractive for customers.

MANAGEMENT INSIGHT



Skills Required for 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.³¹ On any given day, the issues he faced included personnel matters, budget shortfalls, emergencies involving the police and fire departments, and publicly aired complaints from unhappy residents. He has faced those with a vision of a service-oriented approach to providing government services and a growing appreciation of the community's many strengths. Keeping his approach positive has helped him succeed in the job.

As Schutz discovered, a key part of the city manager's necessary skills involves the ability to work with other people. The council members who hire and fire a city manager are necessarily concerned with the political impact of actions taken by the city government.³² 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.

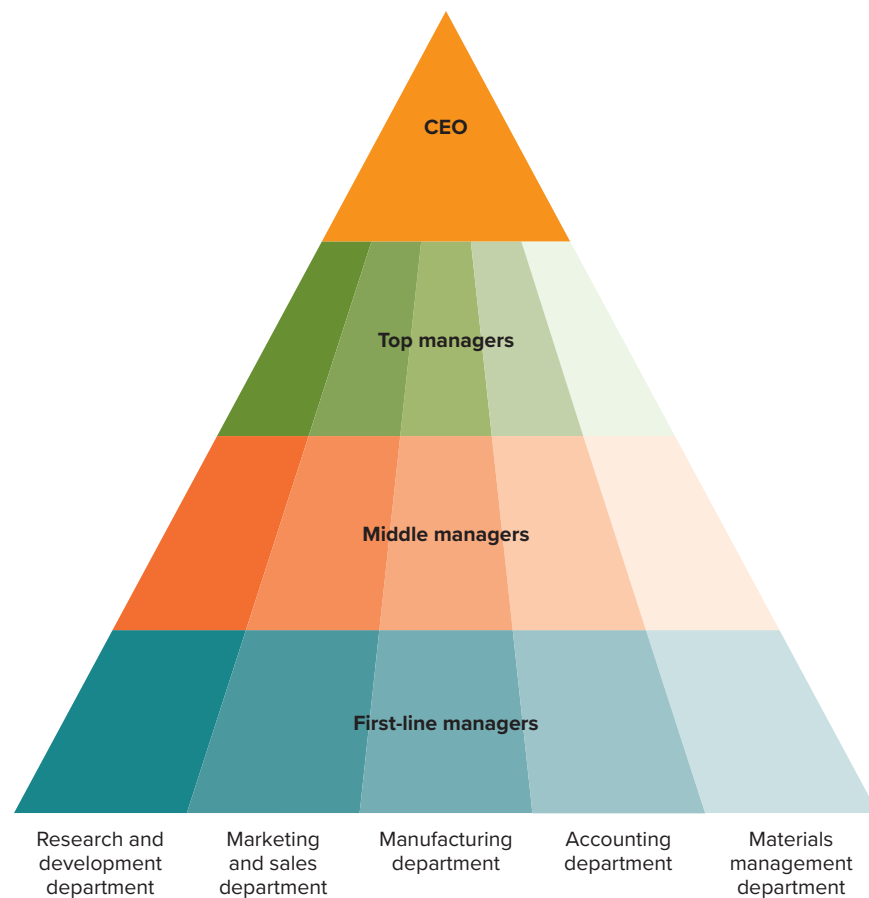
To bring these skills to the job, a city manager needs experience in working for a local government. Many managers seek education beyond a bachelor's degree, such as a master's in public administration.³³ A group of public managers in Massachusetts determined that city managers could bring more skills 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.³⁴ City managers have found that sharing experiences at the boot camp is a valuable way to build skills for their complex jobs.

As noted earlier, managers and employees who possess the same kinds of technical skills typically become members of a specific department and are known as, for example, marketing managers or manufacturing managers.³⁵ Managers are grouped into different departments because a major part of a manager's responsibility is to monitor, train, and supervise employees so their job-specific skills and expertise increase. Obviously this is easier to do when employees with similar skills are grouped into the same department because they can learn from one another and become more skilled and productive at their particular jobs.

Figure 1.5 shows how an organization groups managers into departments on the basis of their job-specific skills. It also shows that inside each department, a managerial hierarchy of first-line, middle, and top managers emerges. These managers work together on similar tasks in departments. For example, middle and front-line managers may specialize in areas such as

Figure 1.5

Types and Levels of Managers



marketing and sales, human resource management, accounting, engineering, or production. When the head of manufacturing finds that she has no time to supervise computer assembly, she may recruit experienced manufacturing middle managers from other companies to assume this responsibility.

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

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

Developing new and improved skills through education and training has become a priority for both aspiring managers and the organizations they work for. Many people are enrolling

Recent Changes in Management Practices

in advanced management courses, and 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 become its future top managers. Most organizations closely link promotion to a manager's ability to acquire the competencies a particular company believes are important.³⁶ At Apple and 3M, for example, the ability to successfully lead a new product development team is viewed as a vital requirement for promotion; at Accenture and IBM, the ability to attract and retain clients is viewed as a skill its consultants must possess. We discuss the various kinds of skills managers need to develop in most of the chapters of this book.

The tasks and responsibilities of managers have been changing dramatically in recent years. Two major factors that have led to these changes are global competition and advances in technology. Stiff competition for resources from organizations both at home and abroad has put increased pressure on all managers to improve efficiency and effectiveness. Increasingly, top managers are encouraging lower-level managers to look beyond the goals of their own departments and take a cross-departmental view to find new opportunities to improve organizational performance. Technology gives managers at all levels and in all areas access to more and better information and improves their ability to plan, organize, lead, and control. It also gives employees more job-related information and allows them to become more skilled, specialized, and productive.³⁷

Restructuring and Outsourcing

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

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

Restructuring involves simplifying, shrinking, or downsizing an organization's operations to lower operating costs, as Macy's, 3M, and Xerox have been forced to do. The global pandemic in 2020 forced most companies—large and small, and profit and nonprofit—to find ways to reduce costs because their customers spent less money, so their revenues decreased. Restructuring can be done by eliminating product teams, shrinking departments, and reducing levels in the hierarchy, all of which result in the loss of large numbers of jobs of top, middle, or first-line managers, as well as nonmanagerial employees. Technology's ability to improve efficiency has increased the amount of downsizing in recent years because technology makes it possible for fewer employees to perform a given task. Technology also increases each person's ability to process information and make decisions more quickly and accurately, for example. In 2020, global spending on technology was projected to top \$3.9 trillion, including enterprise software, devices, and communications services to improve efficiency and effectiveness.³⁸ We discuss the many effects of information technology on management in Chapter 18 and throughout the book.

Restructuring, however, can produce some powerful negative outcomes. It can reduce the morale of remaining employees, who worry about their own job security. And top managers of many downsized organizations realize that they have downsized too far when their employees complain they are overworked and when increasing numbers of customers complain about poor service.³⁹

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

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



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

Adam Hester/Blend Images

L01-5 Discuss some major changes in management practices today that have occurred as a result of globalization and the use of advanced technologies.

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

self-managed work teams Groups of employees who assume responsibility for organizing, controlling, and supervising their own activities and monitoring the quality of the goods and services they provide.

remote workers Employees who work from their homes or other outside workspaces on a regular basis.

Low-cost global competition dramatically increased outsourcing in the early 2000s and that trend continues today. India, China, and Malaysia are rated as the top outsourcing countries. Companies primarily sent jobs offshore to control costs and gain access to unavailable resources while freeing up internal ones. Thousands of high-paying technology jobs have also moved abroad, to countries such as India, Ukraine, and China, where programmers work for one-third the salary of those in the United States.⁴⁰

Large for-profit organizations today typically employ 10–20% fewer people than they did 10 years ago because of restructuring, outsourcing, and advances in new technologies. Ford, IBM, AT&T, and DuPont are among the thousands of organizations that have streamlined their operations to increase efficiency and effectiveness. The argument is that the managers and employees who have lost their jobs will find employment in new and growing U.S. companies where their skills and experience will be better utilized. For example, the millions of manufacturing jobs that have been lost overseas will be replaced by higher-paying U.S. jobs in the service sector, which are made possible because of the growth in global trade. At the same time, many companies continue to experience outsourcing problems in Asia, as well as increasing wages in that part of the world.

Empowerment and Self-Managed Teams

The second principal way managers have sought to increase efficiency and effectiveness is by empowering lower-level employees and moving to self-managed teams. **Empowerment** is a management technique that involves giving employees more authority and responsibility over how they perform their work activities. Many companies, from start-ups to well-established organizations, have embraced empowerment as a key corporate strategy. One byproduct of fostering an empowered workforce may include a flatter organizational structure. For example, Valve Corporation, a billion-dollar company in Bellevue, Washington, does not believe in managers. Started more than 20 years ago, Valve is a video game developer that has gained a reputation for a dynamic organizational culture. At Valve, there is no hierarchy or top-down control, and innovation permeates the company environment. There is no “reporting” structure at Valve and employees pick their own projects, which typically are high profile and complex. While this may seem daunting to some employees, others thrive in this environment in which they are empowered to be the CEOs of their own work. In addition, bonuses, hirings, and firings are all determined by peer review, not managers.⁴¹

The use of technology increasingly empowers employees because it expands employees' job knowledge and broadens the scope of their job responsibilities. Frequently technology allows one employee to perform a task that was previously performed by several employees. As a result, the employee has more autonomy and responsibilities. Technology has also expanded the use of **self-managed work teams**, groups of employees who assume collective responsibility for organizing, supervising, and controlling their own work activities. Using technology provides team members with real-time information about each member's performance and helps the team accomplish a task more quickly and effectively. In addition, self-managed teams assume many tasks and responsibilities previously performed by first-line managers, so a company can better utilize its workforce.⁴² With self-managed teams, first-line managers act as coaches or mentors whose job is not to tell employees what to do, but to provide advice and guidance and help teams find new ways to perform their tasks more efficiently. Using the same technology, middle managers can easily monitor what is happening in these teams and make better decisions regarding resource allocation and the workforce.

A related trend is the use of **remote workers** by organizations. These are usually employees of a company who work outside of the office several times a week, if not the entire workweek. According to recent statistics, nearly 4 million U.S. workers work remotely (either from

Challenges for Management in a Global Environment

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

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

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

their homes or other outside workspaces) at least half the workweek. (This number increased dramatically in 2020 because of COVID-19.) This trend can be beneficial to both companies and employees because it can reduce office expenses for companies and commuting costs for workers, as well as provide a better work-life balance for employees who may then decide to stay and work for an organization that provides a much-envied benefit for its workers. In addition, cutting-edge technology, such as collaborative software and project management tools, makes it easier for companies to communicate and collaborate with their remote workers.⁴³

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 the German pharmaceutical conglomerate Bayer, Italian furniture manufacturer Natuzzi, Korean electronics companies Samsung and LG, Brazilian plane maker Embraer, and Europe's Airbus Industries are putting pressure on companies in other countries to raise their level of performance to compete successfully against these global organizations.

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

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

Building Competitive Advantage

What are the most important lessons for managers and organizations to learn if they are to reach and remain at the top of the competitive environment of business? The answer relates to the use of organizational resources to build a competitive advantage. **Competitive advantage** is the ability of one organization to outperform other organizations because it produces desired goods or services more efficiently and effectively than its competitors. The four building blocks of competitive advantage are superior *efficiency, quality, innovation and flexibility, and responsiveness to customers*, as Figure 1.6 shows.

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

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

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.

their employees to perform behaviors that result in high-quality service at a reasonable cost. As many countries (the United States, Canada, and Switzerland are just a few) move toward a more service-based economy (in part because of the loss of manufacturing jobs to Vietnam, Malaysia, and other countries with low labor costs), managing behavior in service organizations is becoming increasingly important. Many organizations are empowering their customer service employees and giving them the authority to take the lead in providing high-quality customer service. As noted previously, empowering nonmanagerial employees and creating self-managed teams change the role of first-line managers and lead to more efficient use of organizational resources.

Sometimes the best efforts of managers to revitalize their organizations' fortunes fail; faced with bankruptcy, the directors of these companies are forced to appoint a new CEO who has a history of success in rebuilding a company. **Turnaround management** is the creation of a new vision for a struggling company using a new approach to planning and organizing to make better use of a company's resources and allow it to survive and eventually prosper—something Apple's Steve Jobs excelled at. It involves developing radical new strategies, such as how to reduce the number of products sold or change how they are made and distributed, or closing corporate and manufacturing operations to reduce costs. Organizations that appoint turnaround CEOs are generally experiencing a crisis because they have become inefficient or ineffective; sometimes this is because of poor management over a continuing period, or sometimes it occurs because a competitor introduces a new product or technology that makes their own products unattractive to customers. For example, fast-casual food chain Chipotle was flying high until food safety scares in 2015 and 2017 caused the company to lose customers, market share, and consumers' confidence in the chain's reputation for quality. Founder and CEO Steve Ells, who ran the chain since its start in 1993, stepped aside as CEO in 2018 and was replaced by Brian Niccol, former CEO of Taco Bell. Under Niccol's guidance, Chipotle has made a strong comeback, with its stock trading at an all-time high, same-store sales accelerating quarter after quarter, and consumers feeling confident the chain has overcome its food-safety issues.⁴⁵

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

Maintaining Ethical and Socially Responsible Standards

Managers at all levels are under considerable pressure to make the best use of resources to increase the level at which their organizations perform.⁴⁶ For example, top managers feel pressure from shareholders to increase the performance of the entire organization to boost its stock price, improve profits, or raise dividends. In turn, top managers may pressure middle managers to find new ways to use organizational resources to increase efficiency or quality and, thus, attract new customers and earn more revenues—and then middle managers hit on their department's supervisors.

Pressure to increase performance can be healthy for an organization because it leads managers to question how the organization is working, and it encourages them to find new and better ways to plan, organize, lead, and control. However, too much pressure to perform can be harmful. It may induce managers to behave unethically, and even illegally, when dealing with people and groups inside and outside the organization.⁴⁷

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

Similarly, to secure a large foreign contract, a sales manager in a large company, such as in the defense or electronics industry, might offer bribes to foreign officials to obtain lucrative contracts—even though this is against the law. For example, cosmetics manufacturer Avon paid \$135 million to settle a U.S. bribery probe into its development of new markets. Other companies like Siemens, Teva Pharmaceutical, and Brazil-based Odebrecht SA have paid billions in penalties to resolve international bribery charges.⁴⁸

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" feature describes ways that organizations are trying to promote ethics.

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 is doing. For example, 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.⁴⁹

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 situation 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.⁵⁰

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



Some companies are now giving employees a "nudge" to redirect their behavior in a more ethical manner.

iQoncept/Shutterstock

became much more willing to raise concerns about potentially unethical behavior by their colleagues.⁵¹

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.⁵²

The issue of social responsibility, discussed in Chapter 4, centers on deciding what obligations a company has toward the people and groups affected by its activities—such as employees, customers, or the cities in which it operates. Some companies have strong views about social responsibility; their managers believe they should protect the interests of others. Socially responsible companies put this view into action when they set goals for reducing wasted resources and pollution, treating workers with dignity and respect, and promoting community development.

Managing a Diverse Workforce

A major challenge for managers everywhere is to recognize the ethical need and legal requirement to treat human resources fairly and equitably. Today the age, gender, race, ethnicity, religion, sexual preference, and socioeconomic composition of the workforce presents new challenges for managers. To create a highly trained and motivated workforce, as well as to avoid lawsuits, managers must establish human resource management (HRM) procedures and practices that are legal and fair and do not discriminate against any organizational members.⁵³ Today most organizations understand that to motivate effectively and take advantage of the talents of a diverse workforce, they must make promotion opportunities available to every employee. Managers must recognize the performance-enhancing possibilities of a diverse workforce, such as the ability to take advantage of the skills and experiences of different kinds of people from different generations.⁵⁴

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

Accenture provides hundreds of diversity management training programs to its consultants each year. 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. More than 42% of its workforce is composed of women, and a little more than half of its employees are white and a third Asian. Julie Sweet, CEO of Accenture North America, believes the company needs to make progress in hiring more African Americans, Latinos, and military veterans. Accenture also works to accommodate individuals with disabilities, as well as promoting an inclusionary environment for lesbian, gay, bisexual, and transgender employees.⁵⁵ 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



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

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successful and fast-growing consultancy company in the world. Accenture recently earned the top spot for the second consecutive year on the Refinitiv's Diversity & Inclusion Index, which identifies the 100 publicly traded companies with the most diverse and inclusive workplaces.⁵⁶

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, protecting, and retaining employees is one of the most important challenges managers face in a competitive global environment. To underscore the importance of diversity in today's workplace, *Forbes* initiated an annual list of America's best employers for diversity, based on a survey of 60,000 of U.S. employees working for firms or institutions with 1,000 or more employees. The top five employers on the 2020 list were SAP North America, Henry Ford Health System in Detroit, Procter & Gamble, Ohio State University Wexner Medical Center, and Visa.⁵⁷ We discuss the many issues surrounding the management of a diverse workforce in Chapter 5.

Utilizing New Technologies

As we have discussed, another important challenge for managers is to continually utilize efficient and effective technologies that can link and enable managers and employees to better perform their jobs, regardless of their role in the organization. One example of pushing the technology envelope is UPS's ORION (On-Road Integrated Optimization and Navigation) tool. On average, a UPS driver makes at least 100 deliveries a day, and figuring out the quickest way to navigate all of those stops is a problem with financial indications for the global shipping giant. UPS estimates that a driver with 25 packages could choose from *15 trillion* different routes!⁵⁸

ORION blends GPS navigation and learning to help UPS drivers optimize their routes every day. Of course, UPS drivers must also balance promised delivery times, traffic, weather, and other factors into their decisions, meaning ORION is a critical technological competency helping UPS work effectively and efficiently. According to the company, now that ORION has been fully implemented, the system helps reduce miles driven annually by 100 million—that's a reduction of 10 million gallons of fuel and 100,000 metric tons of carbon dioxide emissions. In addition, reducing just one mile per driver per day can save UPS more than \$50 million.⁵⁹ In addition to ORION, UPS has developed a chatbot powered by artificial intelligence that mimics human conversation and can respond to customer queries through text or voice commands via mobile devices and EDGE technology used for internal operations that is driven by real-time data, which helps employees make decisions, reduce costs, and optimize operations.⁶⁰

Increasingly, new kinds of technology—such as AI, the Internet of Things, 5G, robotics, biometrics, and virtual/augmented reality—enable not just individual employees, but also self-managed teams by giving them important, real-time information and encouraging virtual interactions around the world.⁶¹ Increased global collaboration and coordination also help improve quality and increase the pace of innovation. The importance of technology is discussed in detail in Chapter 18, and throughout the text you will find examples of how technology is changing the way companies operate and employees do their work.

Practicing Global Crisis Management

Today another challenge facing managers and organizations is global crisis management. The causes of global crises or disasters fall into two main categories: natural causes and human causes. Crises that arise because of natural causes include the hurricanes, wildfires, earthquakes, famines, and diseases that have devastated so many countries over the past few years.

Meanwhile, human-created crises result from factors such as industrial pollution, inattention to employee safety, the destruction of natural habitat or environment, and geopolitical tension and terrorism, including war. Human-created crises, such as global warming due to emissions of carbon dioxide and other gases, may intensify the effects of natural disasters. For example, increasing global temperatures and acid rain may have increased the intensity of hurricanes, led to unusually strong rains, and contributed to lengthy droughts. Scientists believe that global warming is responsible for the rapid destruction of coral reefs, forests,

animal species, and the natural habitat in many parts of the world. The shrinking polar ice caps are expected to raise the sea level by a few critical inches.

Increasing geopolitical tensions, which reflect increased globalization, have upset the balance of world power as nations have jockeyed to protect their economic and political interests. For example, global cyberattacks, tensions between the United States and North Korea, military conflicts in Syria and Iran, Russia's meddling in recent U.S. elections—all could play a part in global instability and result in the need for managers who can interpret and respond to often unpredictable situations in a global marketplace.⁶²

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

Summary and Review

LO1-1

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

LO1-2

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

LO1-3, 1-4

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

LO1-5

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

LO1-6

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

Management in Action

Topics for Discussion and Action

Discussion

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



Action

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

Building Management Skills



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

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

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

how well do you perform as an employee, and how motivated are you?

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

Managing Ethically [LO1-1, 1-3]

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

Questions

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



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

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

Small Group Breakout Exercise

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

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

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

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



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

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

Rapid Growth Causes Problems

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

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



There have been increasing complaints from employees that good performance is not being recognized in the organization and that they do not feel they are being treated fairly. 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 kind of organizing and controlling problems is Achieva suffering from?
2. What kinds of management changes need to be made to solve these problems?

Case in the News [LO 1-1, 1-2, 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 changed, GE was unable to sustain solid profits in some of these 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, had been owned by GE since 1907 and had become 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, owned roughly 50 percent 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 more than \$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 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 3,000 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 non-union 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. Recently, Wabtec acquired RELCO Locomotives, a well-known player in the locomotive overhaul and refurbishing industry, which expands Wabtec's capacity to support company expansion and growth.

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 team reporting to Wabtec CEO Rafael Santana.

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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