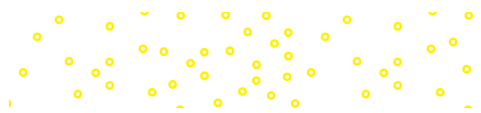


# M: Management







# M: Management

7th Edition

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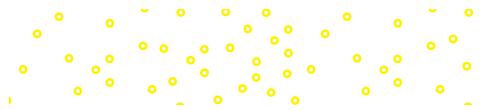
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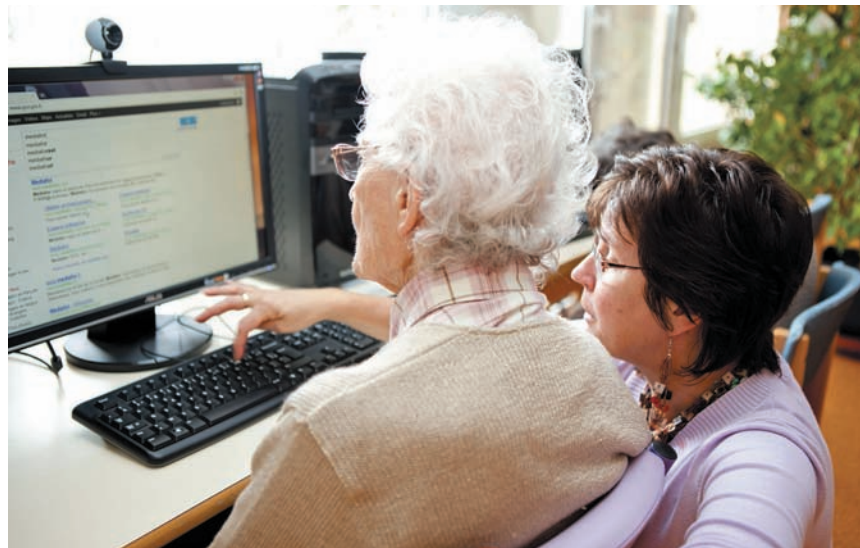
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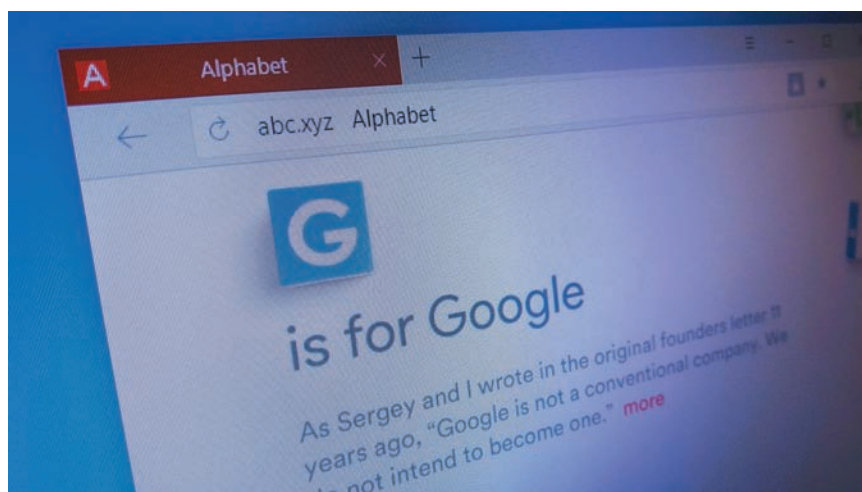
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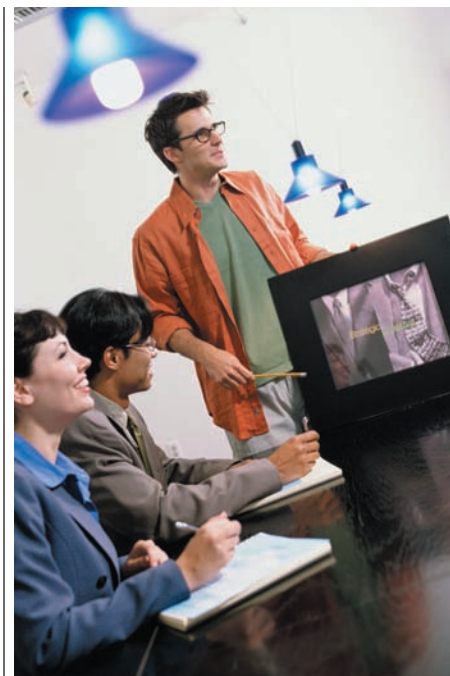
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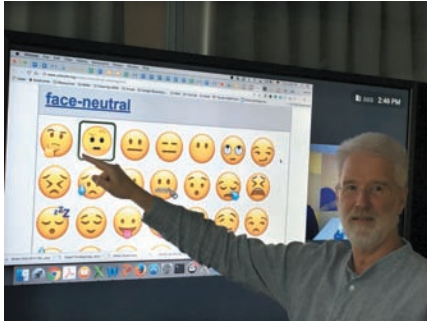
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Yuri Arcurs/E+/Getty Images

# CHAPTER Changes

Overall, the seventh edition of *M: Management* is more streamlined and reader-friendly, with current content and a layout that is visually appealing to today's college learner. The endnotes also have been updated and expanded.

## CHAPTER 1

- New chapter opener about Lynsi Snyder, CEO of In-N-Out Burger, practicing effective leadership and management.
- New example: Tricia Griffith, CEO of Progressive Insurance, fostering an environment of teamwork that motivates employees.
- New example: Capital One experiencing a massive data breach due to ineffective cyber controls.
- New example regarding Pacific Gas & Electric's outdated equipment causing several catastrophic wildfires in California.
- Updated Sustaining the Future feature showcasing REI's stewardship strategy.
- New example: Mary Barra, CEO of GM, using conceptual and decision skills to adapt to environmental changes to ensure the auto company's long-term success.
- New example of Nike and Starbucks operating their enterprises on a global scale.
- New example: Netflix, the largest global streaming service in the world, entertaining over 150 million subscribers with its locally produced content.
- Updated Take Charge of Your Career feature about the benefits of studying abroad.
- Updated statistics about global Internet usage.
- New example: Stitch Fix, IPSY, TikTok, and Snapchat are online success stories.
- Updated section about employee diversity and labor force trends.
- New example about Starbucks, Gatorade, and Nike allowing customers to customize products.
- New example: Walmart increasing the efficiency of employee scheduling by launching a new self-service app called My Walmart Schedule.

- New example: List of companies with strong sustainability performance like Corporate Knights, Banco do Brasil, and McCormick.
- New example about Patagonia's Worn Wear program repairing customers' outdoor gear and clothing to reduce waste.
- New example: Managers at Discount Tire delivering all six sources of competitive advantage.

## CHAPTER 2

- Updated chapter opener about the importance of knowing how management practices have evolved over time.
- Edited exhibit that illustrates the evolution of management thought.
- Updated Sustaining the Future feature about companies embracing green power.
- Trimmed nonessential text, enhancing the student experience.

## CHAPTER 3

- New chapter opener about Gordon Logan (founder of Sports Clips) creating a hair salon designed specifically for male customers.
- New example: Microsoft and Walmart paying millions to settle charges that the companies violated the U.S. Foreign Corrupt Practices Act.
- Updated list of federal regulatory agencies.
- New example: Escalating trade war against China and exit of the United Kingdom (Brexit) from the European Union affecting managers and organizations.
- Updated section about the stock market being an important economic influence.
- New example of mobile apps like Gusto for HR payroll services and Slack for instant messaging and team collaboration changing how business gets done.
- New Did You Know? feature suggesting that students texting during lectures leads to lower exam scores.

- Updated section on employee demographics and immigration trends.
- Updated Sustaining the Future feature: “Water for People.”
- New example: IBM allowing both parents of a newborn or adopted child to take up to 20 weeks of parental leave.
- New example: Johnson & Johnson providing reservable lactation rooms for working mothers.
- New example of immersive virtual reality games like *Beat Saber* and *The Thrill of the Fight* getting players moving.
- New section about the United States-Mexico-Canada Agreement (USMCA).
- New example: Gillette learned that social media is hard to control after it posted a video about the #MeToo movement that backfired.
- Updated example of Whole Foods positioning itself as an alternative to traditional grocery stores.
- New example: PepsiCo, Dell, and Berkshire Hathaway monitoring events in the environment that may affect their businesses.
- New example about GMC Cadillac developing an electric car for the fast-growing Chinese auto market.
- New example: Ford adapts to changing regulations and customer tastes by using aluminum alloy in the body of its popular F-150 truck.
- New example: Fitpl, a health foods brand, taking voluntary actions by sponsoring organized volunteer cleanups of natural areas.
- New example: Ariana Grande sues Forever 21, claiming it used her unauthorized likeness in a social media campaign.
- New Take Charge of Your Career feature discussing how job seekers can assess whether they fit with an employer’s organizational culture.

## CHAPTER 4

- New example: Coca-Cola, Intel, and Best Buy enacting ethics policies related to employee use of social media.
- New example about Facebook selling without permission user data to Cambridge Analytica, a political consulting firm.
- New example: The Justice Department charges several people, including celebrities and university coaches, for participating in a college admissions scandal.
- New example of WhatsApp being used to circulate unconfirmed news about the Brazilian presidential election.
- New example: Kim Kardashian, a popular social media-based influencer, accumulating more than 140 million followers.
- Updated Did You Know? feature ranking 180 countries from most honest (New Zealand) to least honest (Somalia).
- New example: Rate of retaliation against employees reporting unethical behavior tripled over a 10-year period.
- Business leaders at Apple, Google, Intel, Facebook, and Ingersoll Rand remaining committed to the Paris Climate Accord’s goal of limiting climate change.

- New example: Chick-fil-A fostering an ethical organizational climate by hiring individuals who are honest, respectful, and kind.
- Cognizant Technology Solutions Corp. paid \$25 million to the U.S. government to settle a case involving attempted bribery of Indian government officials.
- New Take Charge of Your Career feature: “Want to find an ethical employer?”
- Updated example of Ethisphere Institute honoring companies like Hilton, L’Oréal, and Grupo Bimbo for making a positive impact on society.
- Updated example of 10,000 students and graduates from 300 colleges and institutions signing the MBA Oath to act with integrity.
- Updated example of New Belgium Brewery’s sustainability practices.
- New example: LEGO identifying sustainable alternatives for its building bricks and product packaging.
- New example: Nintendo, Southwest Airlines, and Honda taking steps to reduce carbon emissions caused by their operations.
- Updated Sustaining the Future feature: “A College Built by and for the Poor.”
- New example: Bloomberg Philanthropies bringing business leaders and scientists together to identify ways to replace coal with clean energy.
- Updated section on water scarcity and how companies are responding to the shortage.
- New example: Ben & Jerry’s stops using ingredients dried with harmful herbicides.
- New example about IKEA working toward using 100 percent renewable energy and sourcing wood from only sustainable sources.
- New section on the circular economy, an economic system that is an alternative to the current “take-make-waste” industrial model.

## CHAPTER 5

- New chapter opener about the unexpected effects of the COVID-19 pandemic reminding organizations to plan strategically for contingencies.
- New quote by Simon Sinek.
- New example: Mission statements from Life is Good, Patagonia, and Honest Tea.
- New example: Vision statements from Creative Commons, Alzheimer’s Association, and Hilton.
- Updated example of McDonald’s acting in alignment with its mission.
- New example of Florida Power & Light investing in nuclear, wind, and solar energy.
- New example about Denmark’s Orsted and GE partnering to build offshore wind farms.



- New example: Anheuser-Busch InBev developing strategic plans to leverage its tangible and intangible assets.
- New example: IBM's nearly 10,000 patents are rare and valuable resources.
- New example about Jimmy John's core capability of fast sandwich production and delivery.
- New example: Apple creating appealing product designs to achieve competitive advantage.
- New example of In-N-Out Burger and Walmart using benchmarking to eliminate inefficiencies.
- New example about Five Guys following a concentration business strategy.
- New example: Procter & Gamble diversifying into unrelated product areas from hand soaps to laundry detergents to paper towels.
- New example of UK retailer Boots making changes to grow and maintain its competitive market position.
- New example about Tiefs using a differentiation strategy by producing handwritten thank-you cards and colorful high-quality packaging.
- New example: Oatly's oat milk being popular among baristas who like the unique product's quality.
- Updated Sustaining the Future feature: "The Green Cities Movement."
- Updated section about the Wells Fargo fake customer account scandal.
- New example: Companies like Amazon, Alphabet, and Volkswagen spending heavily on research and development.
- New example: Amazon takes a risk and sells over 100 million Echo speakers with Alexa voice activation.

## CHAPTER 6

- New chapter opener discussing Anne Wojcicki, the successful entrepreneur who founded 23andMe.
- New example of one-third of adults in Texas, Utah, California, and Colorado starting businesses.
- New example: Cindy Mi, CEO of VIPKID, connecting North Americans to teach over half a million Chinese students.
- New quote by Peter Drucker.
- Updated example about Shama Hyder and her company, Zen Media.
- Updated example: Bill Gross starting more than 150 companies.
- New example: Tiff's Treats, which started off as a hot-cookie delivery service, expanded to over 50 stores with over 1,000 employees.
- New example about Apoorva Mehta cofounding Instacart, a grocery home delivery service.
- New example: Guzman Energy providing affordable renewable energy to communities in the western United States.

- Updated example of Team Rubicon helping victims of Hurricane Dorian in the Bahamas.
- Updated Take Charge of Your Career: "You don't have to wait! You can be an entrepreneur while still in school."
- New example about Krispy Kreme being a successful franchise with over 1,000 stores.
- Updated Traditional Thinking—The Best Managers Today feature about crowdfunding websites like Kickstarter and Indiegogo.
- Updated example about the advertising support model used by Google and Facebook.
- New example about Society6 using an affiliate model to market its premium consumer goods to affiliates who decorate and sell them.
- New example: List of entrepreneurial frontiers including virtual reality, cryptocurrency, and robots powered by artificial intelligence.
- New quote by Richard Branson.
- Updated Did You Know? feature about the best U.S. cities for starting new businesses.
- New example: Uber expanding its service offerings to include Uber Eats food delivery service and Uber Mobility, rentable battery-powered bikes.
- New feature discussing the top three factors that predict start-up company success.

## CHAPTER 7

- Updated chapter opener about the organizational restructuring of Activision Blizzard (owner of the *Call of Duty* and *Candy Crush* franchises).
- New quote by Stephen R. Covey.
- New example: Top management teams from Target, Airbnb, Amazon, and Nepris meeting regularly to make important decisions for their organizations.
- New example about Elon Musk, CEO of Tesla, flattening the company's management structure to improve communication and increase market responsiveness.
- New example: Fog Creek Software growing to a point where it needed middle managers positioned between programmers and top management.
- New example: Burgerville recycling oil into biofuel and using 100 percent renewable energy to power its operations.
- New example: Unilever organizing into four product divisions with more than 100 independent company divisions.
- Updated Take Charge of Your Career feature: "Land an internship."
- New example: China and India are the leading producers of motorcycles in the world.
- Updated Sustaining the Future case: "Community Solutions' Goal to End Homelessness."
- New example: Hyundai Motor aligning with Uber to develop the S-A1, an autonomous personal air vehicle.

- Updated example about Bombardier Aerospace using a virtual network of suppliers to make its products.
- New example: Basecamp maintaining its agile, balanced, and anti-workaholic culture.
- New example of how Pizza Hut, Microsoft, *USA Today*, and Honeywell are learning organizations.
- New example: Mead Metals crediting ISO 9001 certification with helping it safely create high-quality products.
- New example about Apple using large batch technologies to make AirPods and Beats.
- New example: Panera using standardized production runs to deliver consistent food products to its customers.
- New quote by Albert Einstein.
- Trimmed nonessential text, enhancing the student experience.

## CHAPTER 8

- Updated chapter opener about Enterprise hiring and training ambitious people, promoting from within, and putting customers and employees first.
- New example: Alcon, Southwest Airlines, and Toyota seeing their employees as adding unique value to customers.
- New example about employees contributing to hard-to-imitate cultures at Pipedrive, Google, and Airbnb.
- New example: Companies like Nielsen, Virgin Media, and Clarks leveraging data analytics to make more informed talent management decisions.
- New quote by Jim Collins.
- New example: Microsoft, Alphabet, Deloitte, and EY relying on H-1B employees to fill key positions.
- New example of managers at Mayo Clinic encouraging employees to be lifelong learners and to continually develop capabilities by taking on new roles.
- Updated example of Accenture's progress toward its goal of having a 50 percent female workforce by 2025.
- Updated example about JPMorgan Chase's "Veteran Jobs Mission" expanding to 230 companies with a goal of hiring one million veterans.
- Updated Did You Know? feature identifying the top reasons why employees leave their organizations.
- New example: Job candidates answering interview questions with the STAR method: describing the specific situation, required tasks, action taken, and results achieved.
- New example: Former CEOs of Bausch & Lomb, Yahoo!, and RadioShack adding false information to their résumés.
- Updated example: Nearly 85 percent of recruiters check candidates' information posted on social networking sites.
- Updated section discussing how 76,000 charges of illegal discrimination were filed in 2019, costing employers millions in settlements.
- New example: Uber agreeing to pay over \$4 million to settle a sexual harassment and retaliation charge.

- New example: Dollar General settling a race discrimination charge for \$6 million.
- New example of an Alaskan mining company settling charges for not providing advancement opportunities for women.
- Updated exhibit listing important training and development topics.
- New example: Companies like The Gap, Adobe, and Deloitte replacing their formal, annual performance appraisals with informal, frequent check-ins.
- New quote by Ken Blanchard.
- New Take Charge of Your Career: "Tips for receiving constructive feedback."
- New example: CEO pay is more than 278 times the average worker's pay.
- New exhibit titled: "HR executives cannot neglect safety and health."

## CHAPTER 9

- New chapter opener about managing diversity being one of the biggest challenges and opportunities.
- New example of there being only 33 percent female representation at Google.
- New example: Federal contractor, SOS International, applying affirmative action policies to advance the inclusion of minorities, women, veterans, and the disabled.
- New quote by Ola Joseph.
- Updated section about changing diversity of the U.S. workforce.
- Updated section about women's earnings, pay gaps, and glass ceiling effects.
- New examples of female CEOs of *Fortune* 500 companies, including Safra Catz of Oracle and Tricia Griffith of Progressive.
- New Did You Know? feature highlighting some of Diversity Inc's Top 50 Companies for Diversity.
- Updated statistics regarding the participation of minorities and immigrants in the workplace.
- New example of successful immigrant entrepreneurs like Beto Perez of Zumba, Jan Koum of WhatsApp, and Mariama Levy of Verdi Consulting.
- New example: Hilton, Farmers Insurance, and Old Navy being awarded for their myriad diversity initiatives.
- New example: Companies like 3M, Yum! Brands, Lowe's, and Target employing corporate diversity officers.
- New example: Merck and Microsoft, among other companies, supporting minority internships.
- Updated section about people with mental and physical disabilities.
- New quote by Isabel Allende.
- New example: L'Oréal, Sodexo, and Lenovo listed on *Bloomberg's* 2019 Gender-Equality Index.

- New example about Starbucks closing 8,000 stores to provide four hours of racial bias training to 175,000 employees.
- Updated Take Charge of Your Career: “Finding a mentor.”
- New example: KFC in China adapting its menu by adding egg tarts, rice congee, and matcha ice cream among other items to match location-specific tastes.
- Updated Sustaining the Future case: “The Greenest Countries and Companies on Earth.”

## CHAPTER 10

- New chapter opener about effective leaders influencing the attainment of critical organizational goals.
- New example: Kenneth Frazier, CEO of Merck, creating value for stockholders while also delivering value in the form of vaccines and medicines to serve humanity.
- New Did You Know? feature about a Gallup survey reporting that manager coaching improves employees’ work.
- New example of Richard Branson’s vision about the world being powered entirely by renewable energy by 2050.
- New quote by Alan Mulally.
- New example: Employees of H-E-B grocery store chain giving their CEO, Charles C. Butt, a 99 percent approval rating on Glassdoor.
- New Traditional Thinking—The Best Managers Today feature about leaders needing influential managers to effect lasting change.
- New quote by John C. Maxwell.
- Updated Sustaining the Future feature about the The B Team encouraging business leaders to be a force for social, environmental, and economic good.
- New quote by Harvey Firestone.
- New example: Frances Hesselbein, former CEO of the Girl Scouts of America, continuing to be a transformational leader.
- New example about Dr. Anthony Fauci, leading expert on the coronavirus pandemic, exemplifying a Level 5 leader.
- New Take Charge of Your Career feature: “Hone your leadership skills.”
- Trimmed nonessential text, enhancing the student experience.

## CHAPTER 11

- New chapter opener about how motivating employees is an important managerial responsibility.
- New quote by Arthur Ashe.
- New example of goal setting at companies like Uber Eats, Grubhub, and DoorDash.
- New example: New Belgium Brewery dedicating itself to continuously improving its sustainability initiatives.
- New example of organic and natural beverage maker, Honest Tea, establishing a goal to improve people’s health and well-being.

- New example: Google using the Objectives and Key Results (OKR) framework to motivate employee performance.
- New example: Aramark settling a \$21 million lawsuit for unexpectedly canceling bonuses earned by frontline managers.
- Updated Sustaining the Future feature: “Stonyfield Organic Motivates Through Its Mission.”
- New exhibit illustrating the potential consequences of making a mistake at work.
- New example: New Belgium Brewery celebrates employee tenure with anniversary milestones, including a one-week paid trip to Belgium after five years.
- New example about companies offering financial incentives to employees who live healthier lives, including weight loss, cholesterol management, and smoking cessation.
- New example: Enterprise develops its employees by assigning them to a management training program where they learn several functions.
- New Take Charge of Your Career feature: “Are you motivated to find a job you love?”
- New example: Anheuser-Busch, GEICO, and Blue Cross and Blue Shield rotating future leaders through multiple positions and locations to help them learn the businesses.
- New example: 3M encouraging employees to spend up to 15 percent of their time pursuing innovative ideas.
- New Did You Know? feature highlighting some of the best jobs in the United States.
- New example identifying the top three contributors to employee dissatisfaction.

## CHAPTER 12

- New chapter opener discussing Stephanie Farsht leading innovative teams at Target to create positive culture change and enhanced customer service.
- New example: Teams at Papa & Barkley helping the company achieve sizable growth in revenue.
- New example: Tarang Amin crediting teamwork for helping build successful brands like Bounty, Pantene, and e.l.f. Cosmetics.
- New example of Amazon, 3M, and Boeing using teams to create new products faster.
- New example: Nestlé’s In Genius program encouraging employees to pitch new innovative business ideas to senior management.
- New example: Software engineering teams at Google producing new products like Google Pixel, Google Translate, and Chromecast.
- Updated Sustaining the Future feature about teams making a social impact with design thinking.
- New example: Teams at Spotify deciding what projects to develop and how, resulting in innovative services like Rise and Secret Genius.

- New Did You Know? feature about virtual teams and enhanced communications technology potentially making face-to-face meetings obsolete.
- New quote by Dale Carnegie.
- Revised Traditional Thinking—The Best Managers Today feature about the evolving role of team leaders.
- New Did You Know? feature highlighting the differences between high- and low-performing teams at Google.
- New Take Charge of Your Career: “Build your teamwork skills now.”
- Updated Did You Know? feature about the EEOC’s mediation program to resolve complaints resulting in more than \$165 million in monetary benefits to complainants.
- Trimmed nonessential text, enhancing the student experience.

### CHAPTER 13

- New chapter opener about CEOs at organizations like Slack, Marriott, and the Dallas Mavericks needing to communicate empathy, support, and understanding to employees during the coronavirus pandemic in 2020.
- New exhibit illustrating how the Zoom videoconferencing app is being utilized as a two-way communication tool.
- New example indicating that one-third of companies are moving away from formal performance appraisals to frequent, informal check-ins with employees.
- New exhibit providing several tips for improving communication with someone who speaks a different native language.
- New example of some technology companies that have allowed ageism to negatively bias their decisions about hiring older employees.
- Updated example about average full-time employees spending about one-third of their day reading and answering emails.
- New example of team collaboration platforms growing in popularity like Asana, Ryver, Google’s G Suite, Microsoft Teams, and Office 365 OneDrive.
- New Sustaining the Future feature: “Getting the Green Message Out with Social Media.”
- New example: Tens of thousands of employees shifting to telework to adhere to social distancing rules during the coronavirus pandemic in 2020.
- New example: Deloitte giving its employees the choice to work outside the office and, when coming in, to reserve a workspace for the day (known as “hotdesking”).
- New Study Tip feature: “Visiting your professor.”
- New quote by John Kotter.
- New example: Google Cafés providing a space to encourage horizontal communication among employees and between teams.
- Trimmed nonessential text, enhancing the student experience.

### CHAPTER 14

- New chapter opener about Julie Sweet, CEO of Accenture, taking several measurable steps to create a culture of equality.
- Updated section on General Motors’ vehicle recall replacing faulty ignition switches.
- Updated Taking Charge of Your Career: “How to control without being too controlling.”
- New example: Procter & Gamble’s Worldwide Business Conduct Manual providing clear ethical and legal guidelines to employees around the world.
- New quote by Mark Twain.
- New example: Hertz using feedback from customer ratings of service and car quality to make corrections and improvements.
- New example: Bechtel, Caterpillar, Wipro, and Starwood Hotels & Resorts utilizing six sigma to address issues causing customer dissatisfaction.
- New Sustaining the Future feature: “The Gates Foundation: Do Even Good Intentions Need to be Controlled?”
- New example: 3M funding disruptive innovation, including Flex & Seal shipping material that requires no tape or filler, and residential roofing shingles containing smog-reducing granules to improve air quality.
- New example: Callie Field and her team at T-Mobile creating new and better ways to serve customers, decreasing the percentage of calls escalated to supervisors.
- New example about Starbucks relying on clan control to shape employee behavior by emphasizing satisfying customers more than pleasing managers.
- Trimmed nonessential text, enhancing the student experience.

### CHAPTER 15

- New chapter opener discusses how coping effectively with major challenges requires bold and ethical leadership, dynamic strategic planning, new forms of intelligent organization, and sound control systems.
- New example: Global pharmaceutical companies like Roche, Eli Lilly, and Johnson & Johnson taking the unprecedented step to share information and resources to fight the coronavirus pandemic.
- Updated statistics about the Internet of Things (IoT).
- New examples of IoT devices like the Garmin smartwatch, Ring video doorbells, and Philips Hue personal lighting.
- New example: 3M, Nike, Google, and Merck achieving dominant competitive positions through early development and application of new technologies.
- New example of Amazon Web Services gaining a first-mover advantage in the cloud infrastructure market.
- New example: Netflix, LinkedIn, ESPN, and Airbnb relying on cloud service to store voluminous amounts of data generated from their applications.



- New example of Google Glass inspiring next-generation brands of smartglasses like North Focals, Vuzix Blade, and Solos.
- New example: Uber investing heavily in driverless car technology to make rides more efficient and prices lower for customers.
- New example: Samsung and Capital One acting as prospector firms, which are outward-looking and opportunistic.
- New Traditional Thinking–The Best Managers Today feature discussing the source of innovation in many organizations.
- Updated section about Intuit’s Innovation Days.
- New Did You Know? feature about senior leaders communicating compelling stories to effect transformational change.
- New example of managers enlisting the support of employees regarding the need to work from home during the coronavirus pandemic.
- Updated Sustaining the Future feature about TerraCycle’s new home recycling delivery service called Loop.
- New quote by C.S. Lewis.
- Updated Take Charge of Your Career: “Is a side hustle in your future?”
- Trimmed nonessential text, enhancing the student experience.

## PART 1

## chapter

## 1

# Managing in a Global World

## Learning Objectives

After studying Chapter 1, you should be able to

- LO1** Describe the four functions of management.
- LO2** Understand what managers at different organizational levels do.
- LO3** Define the skills needed to be an effective manager.
- LO4** Summarize the major challenges facing managers today.
- LO5** Recognize how successful managers achieve competitive advantage.



**A**lmost everyone has worked for a good supervisor, played for a good coach, or taken a class with a good professor. What made these managers effective? Did they have a plan and goals to guide people to accomplish what needed to get done? Were they organized and always prepared? Or maybe they were effective because of the way they motivated, inspired, and led employees, players, or students. Of course, they were probably good at keeping things under control and making changes when needed.

Effective managers in companies all over the world lead, plan, organize, and control to help employees reach their potential so organizations can thrive in the highly competitive global marketplace. Lynsi Snyder, CEO of fast-food chain In-N-Out Burger, has proven to be an effective *leader*. With a 99 percent approval rating by employees, Snyder was ranked in 2019 as one of the top 5 CEOs in the United States.<sup>1</sup> Over the past decade, she's expanded In-N-Out Burger's cultlike following to over 300 stores in six states. She's been able to do so, in part, by creating a constructive and positive work environment. In-N-Out Burger pays its employees an average of \$13 an hour, 25 percent more than most competitors, and it offers strong job-training programs and benefit plans for part- and full-time staff. Says Snyder, "[M]y hope is that anyone who spends time as an In-N-Out Associate finds the experience valuable."<sup>2</sup>

Another secret to In-N-Out Burger's success has been not to chase the latest food craze or try to outmarket

other fast-food restaurants with an unending number of menu options. Its success has been in doing the opposite: staying true to its core principles of making quality food with quality products. Many fast-food chains have recently introduced "never-frozen" ground beef in their stores; In-N-Out Burger has never used frozen meat in its 70-plus-year history. The chain still bakes its own buns each day and banned microwaves and heat lamps from its stores. These are *controlling* principles that help it deliver the consistent quality its loyal customers want. Says Snyder, "It's not [about] adding new products. Or thinking of the next bacon-wrapped this or that. We're making the same burger, the same fry. We're really picky and strategic. We're not going to compromise."<sup>3</sup>

But preserving those core values while also trying to expand the company's reach doesn't happen on its own. It requires careful *planning*. Since taking over the company in 2010, Snyder has taken a slow-but-steady approach to expansion. While Snyder opened more than 80 new stores and branched out from California into states such as Texas and Oregon, she wanted to make sure that adding locations didn't result in less quality. "I felt a deep call to make sure that I preserve those things that [my family] would want. That we didn't ever look to the left and the right to see what everyone else is doing, cut corners or change things drastically or compromise," says Snyder. "I really wanted to make sure that we stayed true to what we started with. That required me to become a protector. A guardian."<sup>4</sup>

In-N-Out Burger hasn't grown as quickly as some of its competitors, but it has grown smartly. The average In-N-Out location generates twice as much revenue as the average McDonald's, and it does so while sustaining a 20 percent profit margin, significantly higher than its competitors.<sup>5</sup> To maintain such efficiency requires effective *organizing*. Fast-food outlets sometimes boast as many as 80 different menu items at a time; In-N-Out serves fewer than 15. That has led to streamlined production and stronger quality control standards across its stores. Snyder hasn't rushed to flood the market with In-N-Outs nationwide, but her restraint and dedication to organizational efficiency promises a strong profit-generating store with each new opening.



● In-N-Out Burger's CEO Lynsi Snyder puts the four functions of management into action. Ethan Pines/The Forbes Collection/Contour RA/Getty Images



In business, there is no replacement for effective management. A company may fly high for a while, but it cannot maintain that success for long without good management. Our goal in this book is to help you learn what it takes to become an effective and successful manager. You will learn a wide variety of strategies and tactics, organized under the major themes described above. Along the way, we emphasize how the best managers differentiate themselves and achieve excellence in today's marketplace, including globalization, sustainability, entrepreneurship, diversity management, and more.

LO1 Describe the four functions of management.

1 | THE FOUR FUNCTIONS OF MANAGEMENT

**Management** is the process of working with people and resources to accomplish organizational goals. Good managers do those things both effectively and efficiently:

- To be *effective* is to achieve organizational goals.
- To be *efficient* is to achieve goals with minimal waste of resources—that is, to make the best possible use of money, time, materials, and people.

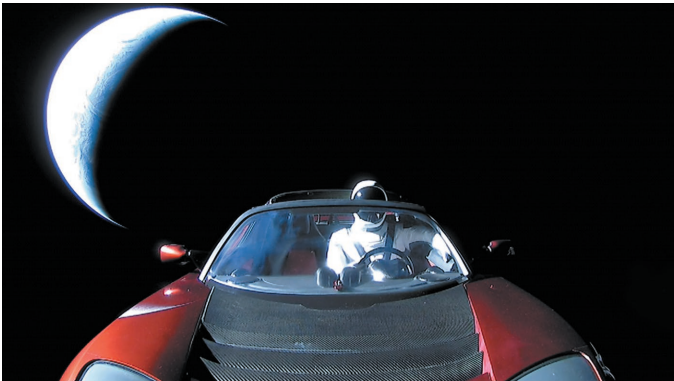
Unfortunately, far too many managers fail on both criteria or focus on one at the expense of another. The best managers maintain a clear focus on both effectiveness *and* efficiency.

Although business is changing rapidly, there are still plenty of timeless principles that make managers great and companies thrive. While fresh thinking and new approaches are required now more than ever, much of what we already know about successful management practices (Chapter 2 discusses historical

study tip 1

“Chunk” your study time

You’re busy with work, school, family, and a social life and probably don’t have four or five hours to spend studying in one sitting. Try chunking your study time into one-hour minisessions. This will help you focus better while reading a chapter, making online flashcards to learn key terms, or preparing for a quiz or exam. Try silencing your phone. This will boost the efficiency of your study time. Get (and stay) in the study zone!



• Elon Musk, CEO of the Boring Company, reveals that he plans on combining the start-up’s hyperloop technology with SpaceX’s plan to use its latest rocket program to create a transportation system to get anywhere on Earth in less than an hour. SpaceX/Getty Images

but still-pertinent contributions) remains relevant, useful, and adaptable to the current highly competitive global marketplace.

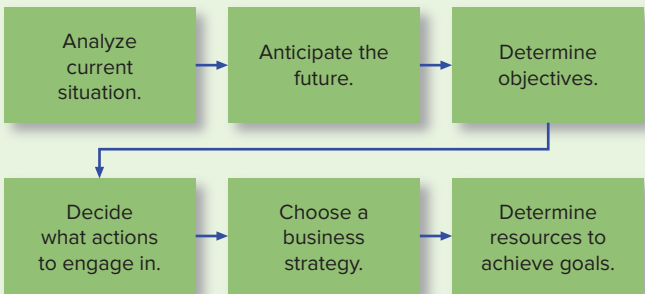
Great managers and executives like Lynsi Snyder of In-N-Out Burger not only adapt to changing conditions but also apply—passionately, rigorously, consistently, and with discipline—the fundamental management principles of planning, organizing, leading, and controlling. These four core functions remain as relevant as ever, and they still provide the fundamentals that are needed to manage effectively in all types of organizations, including private, public, nonprofit, and entrepreneurial (from microbusinesses to global firms).

As any exceptional manager, coach, or professor would say, excellence always starts with the fundamentals.

1.1 | Planning Helps You Deliver Value

**Planning** is specifying the goals to be achieved and deciding in advance the appropriate actions needed to achieve those goals. As Exhibit 1.1 illustrates, planning activities include analyzing current situations, anticipating the future, determining objectives, deciding what types of activities the company will engage in, choosing corporate and business strategies, and determining the resources needed to achieve the organization’s goals. Plans set the stage for action.

Exhibit 1.1 Examples of planning activities



For example, Elon Musk, CEO of Tesla and SpaceX, has ambitious plans to make life interplanetary.<sup>6</sup> The entrepreneur wants to be the first to colonize Mars, as early as 2024.<sup>7</sup> Before humans can survive on the Red Planet, several objectives need to be met. The first hurdle is transportation. SpaceX is planning to build a 31-engine, 387-foot-tall rocket (nicknamed “Starship”) to carry about 100 human passengers on the six- to nine-month journey to Mars.<sup>8</sup> The second challenge is preparing the infrastructure on the planet to sustain human life. SpaceX plans to send multiple unpiloted cargo missions to ferry equipment, search for water, and build a fuel plant.<sup>9</sup> These cargo missions will be followed by astronaut-carrying missions. The third objective is to shuttle human passengers to the Red Planet.<sup>10</sup> Following the achievement of this goal, Elon Musk will likely make plans for other ambitious interstellar adventures.

In today’s highly competitive business environment, the planning function can also be described as *delivering strategic value*. Value is a complex concept.<sup>11</sup> Fundamentally, it describes the monetary amount associated with how well a job, task, good, or service meets users’ needs. Those users might be business owners, customers, employees, governments, and even nations. When Steve Jobs, founder and CEO of Apple, died on October 5, 2011, many people around the world experienced a sense of loss both for him as a person and for the value that his transformational Apple products

Effectively creating value requires fully considering a new and changing set of factors, including the government, the natural environment, global forces, and the dynamic economy in which ideas are king and entrepreneurs are both formidable competitors and potential collaborators. You will learn about these and related topics in Chapter 4 (ethics and corporate responsibility), Chapter 5 (strategic planning and decision making), and Chapter 6 (entrepreneurship).

**management** the process of working with people and resources to accomplish organizational goals

**planning** the management function of systematically making decisions about the goals and activities that an individual, a group, a work unit, or the overall organization will pursue

**organizing** the management function of assembling and coordinating human, financial, physical, informational, and other resources needed to achieve goals

## 1.2 | Organizing Resources Achieves Goals

**Organizing** is the process of assembling and coordinating the human, financial, physical, informational, and other resources needed to achieve goals. Organizing activities include attracting people to the organization, specifying job responsibilities,

“Out of clutter find simplicity. From discord find harmony. In the middle of difficulty lies opportunity.”  
—Albert Einstein

provided. The better you meet users’ needs (in terms of quality, speed, efficiency, and so on), the more value you deliver. That value is “strategic” when it contributes to meeting the organization’s goals. On a personal level, you should periodically ask yourself and your boss, “How can I add value?” Answering that question will enhance your contributions, job performance, and career.

Traditionally, planning was a top-down approach in which top executives established business plans and told others to implement them. For the best companies, delivering strategic value is a continual process in which people throughout the organization use their knowledge and that of their external customers, suppliers, and other stakeholders to identify opportunities to create, seize, strengthen, and sustain competitive advantage. (Chapter 3 discusses the external competitive environment of business and how managers can influence it.) This dynamic process swirls around the objective of creating more and more value for the customer. For example, In-N-Out Burger provides value to customers by using only high-quality ingredients and maintaining consistency across its franchises.<sup>12</sup>

grouping jobs into work units, marshaling and allocating resources, and creating conditions so that people and things work together to achieve maximum success.

The organizing function’s goal is to *build a dynamic organization*. Traditionally, organizing involved creating an organization chart by identifying business functions; establishing reporting relationships; and having a personnel department that administered plans, programs, and paperwork. Now and in the future, effective managers will be using new forms of organizing and viewing their people as their most valuable resources. They will build organizations that are flexible and adaptive, particularly in response to competitive threats and customer needs.

Tony Hsieh, CEO of Zappos, has built a dynamic and successful online shoe and retail business by changing the rules of how to organize and treat the company’s diverse employees and customers. After he founded the business in 2000, Hsieh’s entrepreneurial approach was rewarded when Amazon purchased Zappos in 2009 for \$1.2 billion.<sup>13</sup>



## Traditional Thinking

Leaders are born with the right traits to lead others.



## The Best Managers Today

Anyone can become a more effective leader with concerted effort, training, experiences, and mentoring.

Fast-forward to today. Hsieh has adopted a “holacracy” organizational model that takes decision making away from managers and places it in the hands of self-organizing circles of employees.<sup>14</sup> Instead of job descriptions, employees have one or more roles that support Zappos’ goal to be more innovative and adaptable. Employees’ roles and accountabilities are posted online to increase understanding of everyone’s responsibilities.<sup>15</sup>

Employees aren’t the only stakeholders who benefit from Hsieh’s flexible and adaptive approach to organizing. Customers who call the online retailer often feel spoiled by the treatment they receive. Surprisingly, customer service employees at Zappos aren’t told how long they can spend on the phone with customers. In a time when many call-in customer service operations are tightly controlled or outsourced, Hsieh encourages his employees to give customers a “wow” experience, such as staying on the phone with them for as long as it takes to connect and make them happy (the longest recorded phone call lasted 10 hours and 51 minutes), giving customers free shipping both ways, sending greeting cards to celebrate customers’ marriages and birthdays, writing thank-you notes, or even sending a military care package to a customer in Afghanistan.<sup>16</sup>

Progressive employee- and customer-oriented practices such as those at Zappos help organizations organize and effectively deploy the highly dedicated, diverse, and talented human resources needed to achieve success. You will learn more about these topics in Chapter 7 (organizing for success), Chapter 8 (human resources management), and Chapter 9 (managing diversity and inclusion).

### 1.3 | Leading Mobilizes Your People

**Leading** is stimulating people to be high performers. It includes motivating and communicating with employees, individually and in groups. Leaders maintain contact with people, guiding and inspiring them toward achieving team and organizational goals. Leading takes place in teams, departments, and divisions, as well as at the tops of large organizations.

In earlier textbooks, the leading function described how managers motivate workers to come to work and execute top management’s plans by doing their jobs. Today and in the future, managers must be good at *mobilizing and inspiring people* to engage fully in their work and contribute their ideas—to use their

knowledge and experience in ways never needed or dreamed of in the past.

Tricia Griffith, CEO of Progressive Insurance since 2016, has created an environment that fosters teamwork and motivates her employees by “making them feel connected to the brand.”<sup>17</sup> On Fridays, Griffith eats lunch in the cafeteria in order to meet employees, and employees can participate in the innovation garage, which allows employees to experiment with new ideas and get feedback from their peers. Under Griffith’s leadership, Progressive has risen to become the third largest auto insurer in the United States, behind only State Farm and Geico.<sup>18</sup> In *Fortune*’s list of top companies to work for, Progressive ranked 76 out of 100.<sup>19</sup>

Like Tricia Griffith, today’s managers must rely on a very different kind of leadership (Chapter 10) that empowers and



● Online retail giant Zappos’ zany culture and work environment make it a great place to work. Tribune Content Agency LLC/Alamy Stock Photo



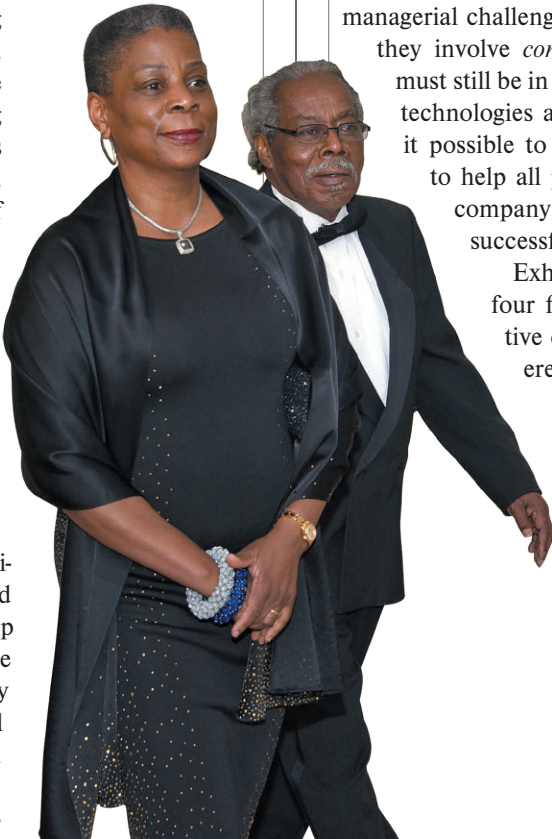
motivates people (Chapter 11). Far more than in the past, great work must be done via great teamwork (Chapter 12), both within work groups and across group boundaries. Underlying these processes will be effective interpersonal and organizational communication (Chapter 13).

1.4 | Controlling Means Learning and Changing

Planning, organizing, and leading do not guarantee success. The fourth function, **controlling**, is about monitoring performance and making necessary changes in a timely manner. By controlling, managers make sure the organization’s resources are being used properly and the organization is meeting its goals for quality and safety.

Control must include monitoring. If you have any doubts that this function is important, consider a monitoring lapse that caused over 100 million people’s private data to be hacked.<sup>20</sup> Capital One’s customer application information (with Social Security numbers) was hacked by Paige Thompson, a software engineer who formerly worked for Amazon Web Services, who exploited a “misconfiguration” of a firewall on a web application.”<sup>21</sup> The hack went undetected until Capital One was alerted by a tip received from its security hotline. The hack exposed 140,000 Social Security numbers, one million Canadian Social Insurance numbers, and 80,000 bank account numbers, as well as people’s names, addresses, credit scores, balances, and other information.<sup>22</sup> Corporations must monitor customer data and continuously assess the processes in place to secure these data.

When managers implement their plans, they often find that things are not working out as planned. After two years of devastating wildfires, Pacific Gas & Electric, a California utility company, filed bankruptcy and faced lawsuits from stakeholders across the state for its role in the wildfires. Under California law, utilities companies are liable for wildfires caused by equipment, even when the company is not negligent in maintaining the equipment; in the past two years, PG&E equipment was blamed for starting more than 12 fires,<sup>23</sup> destroying thousands of homes and killing dozens of people.<sup>24</sup> To reduce the company’s risk in the future, PG&E created a wildfire safety plan and pledged to spend up to \$2.3 billion in 2019 to reduce wildfires.<sup>25</sup>



● Ursula Burns, chair and CEO of Xerox, attends a State Dinner at the White House in honor of Canadian Prime Minister Justin Trudeau. REX/Shutterstock

The plan called for PG&E to do more tree trimmings, conduct more equipment inspections, and have preventative blackouts on dry and windy days. PG&E has since hired a new board member and appointed a special independent safety advisor.<sup>26</sup>

Successful organizations, large and small, pay close attention to the controlling function. But today and for the future, the key managerial challenges are far more dynamic than in the past; they involve *continually learning and changing*. Controls must still be in place, as described in Chapter 14. But new technologies and other innovations (Chapter 15) make it possible to achieve controls in more effective ways, to help all people throughout a company and across company boundaries change in ways that forge a successful future.

Exhibit 1.2 provides brief definitions of the four functions of management and the respective chapters in which these functions are covered in greater detail.

1.5 | Managing Requires All Four Functions

As a manager in the ever-changing global economy, your typical day will not be neatly divided into the four functions. You will be doing many things more or less simultaneously.<sup>27</sup> Your days will be busy and fragmented, with interruptions, meetings, and firefighting. If you work with heavy digital users who constantly send texts and e-mails, then your workdays will require even more stop-and-go moments.<sup>28</sup> There will be plenty of activities that you wish you

**leading** the management function that involves the manager’s efforts to stimulate high performance by employees

**controlling** the management function of monitoring performance and making needed changes

Exhibit 1.2 The four functions of management

Function	Brief Definition	See Chapters
Planning	Systematically making decisions about which goals and activities to pursue.	4, 5, and 6
Organizing	Assembling and coordinating resources needed to achieve goals.	7, 8, and 9
Leading	Stimulating high performance by employees.	10, 11, 12, and 13
Controlling	Monitoring performance and making needed changes.	14 and 15

**top-level managers** senior executives responsible for the overall management and effectiveness of the organization

**middle-level managers** managers located in the middle layers of the organizational hierarchy, reporting to top-level executives

**frontline managers** lower-level managers who supervise the operational activities of the organization

**team leaders** employees who are responsible for facilitating successful team performance

could be doing but can't seem to get to. These activities will include all four management functions.

Some managers are particularly interested in, devoted to, or skilled in one or two of the four functions. Try to devote enough time and energy to developing your abilities with *all four* functions. You can be a skilled planner and controller, but if you organize your people improperly or fail to inspire them to perform at high levels, you will not be realizing your potential as a manager. Likewise, it does no good to be the kind of manager who loves to organize and lead but doesn't really understand where to go

or how to determine whether you are on the right track.

Good managers don't neglect any of the four management functions. You should periodically ask yourself whether you are devoting adequate attention to *all* of them.

The four management functions apply to your career and other areas of your life as well. You must find ways to create value; organize for your own personal effectiveness; mobilize your own talents and skills as well as those of others; monitor your performance; and constantly learn, develop, and change for the future. As you proceed through this book and this course, we encourage you to engage in the material and apply the ideas to your other courses (e.g., improve your leadership skills), your part-time and full-time jobs (e.g., learn how to motivate coworkers and delight your customers), and use the ideas for your own personal development by becoming an effective manager.



● Facebook has overhauled its News Feed to focus on what friends and family share. JGI/Tom Grill/Getty Images

LO2 Understand what managers at different organizational levels do.

## 2 | FOUR DIFFERENT LEVELS OF MANAGERS

Organizations—particularly large organizations—have many levels. In this section, you will learn about the types of managers found at four different organizational levels:

- Top-level manager.
- Middle-level manager.
- Frontline manager.
- Team leader.

### 2.1 | Top Managers Strategize and Lead

**Top-level managers** are the organization's senior executives and are responsible for its overall management. Top-level managers, often referred to as *strategic managers*, focus on the survival, growth, and overall effectiveness of the organization.

Top managers are concerned not only with the organization as a whole but also with the interaction between the organization and its external environment. This interaction often requires managers to work extensively with outside individuals and organizations.

The chief executive officer (CEO) is one type of top-level manager found in large corporations. This individual is the primary strategic manager of the firm and has authority over everyone else. Others include the chief operating officer (COO), company presidents, vice presidents, and members of the top management team. As companies have increasingly leveraged technology and knowledge management to help them achieve and maintain a competitive advantage, they have created the position of chief information officer (CIO). A relatively new top manager position, chief ethics officer, has emerged in recent years. Emmanuel Lulin holds that position for L'Oréal. Lulin has been recognized as a champion for "ethics as a way of life within the company."<sup>29</sup>

Traditionally, the role of top-level managers has been to set overall direction by formulating strategy and controlling resources. But now, more top managers are called on to be not only strategic architects, but also true organizational leaders. Like Eric Artz of REI, leaders must create and articulate a broader corporate purpose with which people can identify—and one to which people will enthusiastically commit.



## 2.2 | Middle Managers Bring Strategies to Life

As the name implies, **middle-level managers** are located in the organization's hierarchy below top-level management and above the frontline managers and team leaders. Sometimes called *tactical managers*, they are responsible for translating the general goals and plans developed by strategic managers into more specific objectives and activities.

Traditionally, the role of the middle manager is to be an administrative controller who bridges the gap between higher and lower levels. Today, middle-level managers break down corporate objectives into business unit targets; put together separate business unit plans from the units below them for higher-level corporate review; and serve as nerve centers of internal communication, interpreting and broadcasting top management's priorities downward and channeling and translating information from the front lines upward.

As a stereotype, not long ago, the term *middle manager* connoted mediocre, unimaginative people defending the status quo. Companies have been known to cut them by the thousands, and television often portrays them as incompetent (such as Michael Scott of NBC's *The Office*).<sup>31</sup> But middle managers are closer than top managers to day-to-day operations, customers, frontline managers, team leaders, and employees, so they know the problems. They also have many creative ideas—often better than their bosses'. Good middle managers provide the operating skills and practical problem solving that keep the company working.<sup>32</sup>

## 2.3 | Frontline Managers Are the Vital Link to Employees

**Frontline managers**, or *operational managers*, are lower-level managers who execute the operations of the organization. These managers often have titles such as *supervisor* or *sales manager*. They are directly involved with nonmanagement employees, implementing the specific plans developed with middle managers. This role is critical because operational managers are the link between management and nonmanagement personnel. Your first management position probably will fit into this category.

Traditionally, frontline managers were directed and controlled from above to make sure that they successfully implemented operations to support the company strategy. But in leading companies, their role has expanded. Operational execution remains vital, but in leading companies, frontline managers

### Did You KNOW

From 2008–2018, Google's Project Oxygen study found that their managers' success was based less on technical skill and more on their ability to communicate effectively, empower and develop teammates, and make connections. The best managers were results-oriented, created inclusive teams, coached teams, collaborated with other departments, and were strong decision makers.<sup>30</sup>

are increasingly called on to be innovative and entrepreneurial, managing for growth and new business development.

Managers on the front line—usually newer, younger managers—are crucial to creating and sustaining quality, innovation, and other drivers of financial performance.<sup>33</sup> In outstanding organizations, talented frontline managers are not only *allowed* to initiate new activities but are *expected* to do so by their top- and middle-level managers. And they receive the freedom, incentives, and support to do so.<sup>34</sup>

## 2.4 | Team Leaders Facilitate Team Effectiveness

A relatively new type of manager, known as a **team leader**, engages in a variety of behaviors to achieve team effectiveness.<sup>35</sup> The use of teams (discussed in Chapter 12) has increased as organizations shift from hierarchical to flatter structures that require lower-level employees to make more decisions.<sup>36</sup> While both team leaders and frontline managers tend to be younger managers with entrepreneurial skills, frontline managers have direct managerial control over their nonmanagerial employees. This means that frontline managers may be responsible for hiring, training,

scheduling, compensating, appraising, and if necessary, firing employees in order to achieve their goals and create new growth objectives for the business.



• Actor Steve Carell played Michael Scott, the likeable but often incompetent middle manager on NBC's *The Office*. RGR Collection/Alamy Stock Photo

# REI's Stewardship Strategy

It would be hard to come up with a better example of a company that fully embraces the idea of environmental stewardship than Recreational Equipment, Inc., or REI. Based in Kent, Washington, REI is the maker of an award-winning line of outdoor gear and clothing backed by a 100 percent satisfaction guarantee. Structured as a retail cooperative, the company offers its 18 million members a discount on all purchases and one vote in the election of board members for a one-time fee of \$20. By hiring outdoor enthusiasts, it continues to operate with a passion for and commitment to outdoor adventure. It has appeared on *Fortune's 100 Best Companies to Work For* list every year since the list began.

REI's commitment to the environment is equally strong. From gathering community input before building its flagship store in Seattle to retrofitting existing facilities for the same energy efficiency it builds into its new ones, the company strives to design and operate each of its buildings to reduce operating costs and environmental impact. It operates seven facilities holding the coveted LEED certification for environmental sustainability and has long been at the forefront of the green building movement. REI generates its own energy via solar panels on more than two dozen of its buildings, and it partners with business groups dedicated to promoting action on climate change while protecting the economic health of their communities. In 2014 the company was named a Green Power Leader by the U.S. Environmental Protection Agency. It monitors energy used in the course of executive travel and employee commutes, supports responsible forestry in paper goods it needs for its operations, composts waste at its headquarters, and works with suppliers to eliminate packaging waste. Through all these efforts, REI now operates on 100 percent renewable power.



REI is a company that has fully embraced the idea of environmental stewardship.  
Jonathan Weiss/Shutterstock

Each year the company produces a stewardship report; its 2018 report announced that more than 70 percent of its profits went back to the outdoor community, mostly in

contributions to nonprofits and environmental groups. By making such investments, REI is living up to its core principle of putting “purpose before profits.”

## Discussion Questions

- REI earned record revenues of nearly \$3 billion in 2018. To what extent do you think REI's environmentally responsible strategies help support its financial success?
- In a recent message to the company, CEO Eric Artz declared the company's “fight for life outside” initiative as one of its core values. All 13,000 REI employees pledged to do so. What kind of effect do you think this

kind of collective call to action can have on a workforce? Could other companies learn from REI's example? Are there any risks?

**Sources:** Company website, <https://www.rei.com/stewardship>, accessed March 4, 2020; “Fortune's 100 Best Companies to Work For 2020,” *Fortune*, <https://fortune.com/best-companies/2020/search/>; and company website, <https://www.rei.com/stewardship/climate-change>, accessed March 4, 2020.

In comparison, team leaders are more like project facilitators or coaches. Their responsibilities include organizing the team and establishing its purpose, finding resources to help the team get its job done, removing organizational impediments that block the team’s progress, and developing team members’ skills and abilities.<sup>37</sup> In addition, a good team leader creates and supports a positive social climate for the team, challenges the team, provides feedback to team members, and encourages the team to be self-sufficient.<sup>38</sup> Beyond their internally focused responsibilities, team leaders also need to represent the team’s interests with other teams, departments, and groups within and outside the organization. In this sense, the team leader serves as the spokesperson and champion for the team when dealing with external stakeholders.

Team leaders are expected to help their teams achieve important projects and assignments. In some ways, a team leader’s job can be more challenging than frontline and other types of managers’ jobs because team leaders often lack direct control (e.g., hiring and firing) over team members. Without this direct control, team leaders need to be creative in how they inspire, motivate, and guide their teams to achieve success.

Exhibit 1.3 elaborates on the changing roles and activities of managers at different levels within the organization. You will learn about each of these aspects of management throughout the course.

2.5 | Three Roles That All Managers Perform

The trend today is toward less hierarchy and more teamwork. In small firms—and in large companies that have adapted to these highly competitive times—managers have strategic, tactical, and operational responsibilities and team responsibilities.



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Exhibit 1.3 Transformation of management roles and activities

	Team Leaders	Frontline Managers	Middle-Level Managers	Top-Level Managers
Changing Roles	From operational implementers to facilitators of team effectiveness.	From operational implementers to aggressive entrepreneurs.	From administrative controllers to supportive controllers.	From resource allocators to institutional leaders.
Key Activities	Structuring teams and defining their purpose.	Attracting and developing resources.	Linking dispersed knowledge and skills across units.	Establishing high performance standards.
	Finding resources and removing obstacles so teams can accomplish their goals.	Creating and pursuing new growth opportunities for the business.	Managing the tension between short-term purpose and long-term ambition.	Institutionalizing a set of norms to support cooperation and trust.
	Developing team members’ skills so teams can be self-managing.	Managing continuous improvement within the unit.	Developing individuals and supporting their activities.	Creating an overarching corporate purpose and ambition.
<b>Sources:</b> F. P. Morgeson, D. S. DeRue, and E. P. Karam, “Leadership in Teams: A Functional Approach to Understanding Leadership Structures and Processes,” <i>Journal of Management</i> 36, no. 1 (January 2010), pp. 5–39; J. R. Hackman and R. Wageman, “A Theory of Team Coaching,” <i>Academy of Management Review</i> 30, no. 2 (April 2005), pp. 269–87; and C. Bartlett and S. Goshal, “The Myth of the Generic Manager: New Personal Competencies for New Management Roles,” <i>California Management Review</i> 40, no. 1 (Fall 1997), pp. 92–116.				

ASDF\_MEDIA/Shutterstock



They are *complete* businesspeople; they have knowledge of all business functions, are accountable for results, and focus on serving customers both inside and outside their firms. All of this requires the ability to think strategically, translate strategies into specific objectives, coordinate resources, and do real work with lower-level people.

Today’s best managers can do it all; they are adaptive and agile and are “working leaders.”<sup>39</sup> They focus on relationships with other people and on achieving results. They don’t just make decisions, give orders, wait for others to produce, and then evaluate results. They get their hands dirty, do hard work themselves, solve problems, and create value.

What does all of this mean in practice? How do managers spend their time—what do they actually do? A classic study of top executives found that they spend their time engaging in 10 key activities, falling into three broad categories or roles.<sup>40</sup>

1. **Interpersonal roles:**

- *Leader*—Developing effective strategies to achieve organizational goals.  
Example: The manager of a tech start-up motivates and leads seven employees.
- *Liaison*—Maintaining a network of outside stakeholders and alliances that provide information and favors.  
Example: A human resources director attends monthly HR association meetings.
- *Figurehead*—Performing symbolic duties on behalf of the organization, like greeting important visitors and speaking at important events.  
Example: The president of a university presides over a graduation ceremony.

2. **Informational roles:**

- *Monitor*—Seeking information to develop a thorough understanding of the organization and its environment.  
Example: A financial analyst researches the financial health of a publicly traded company.
- *Disseminator*—Sharing information between different people, like employees and managers; sometimes interpreting and integrating diverse perspectives.  
Example: A team leader in a management consulting firm shares her team’s concerns with the managing partner.
- *Spokesperson*—Communicating on behalf of the organization about plans, policies, actions, and results.  
Example: A public relations officer of a global company issues a news release detailing plans to expand into Pacific Rim countries.

3. **Decisional roles:**

- *Entrepreneur*—Searching for new business opportunities and initiating new projects to create change.

Example: A software engineer at a social networking website company identifies a new and more intuitive way to connect its users.

- *Disturbance handler*—Taking corrective action during crises or other conflicts.  
Example: The owner of an amusement park implements new safety protocols after a malfunctioning ride injures a customer.
- *Resource allocator*—Providing funding and other resources to units or people; includes making major organizational decisions.  
Example: The chief financial officer at a company determines the size of each division’s budget for the upcoming fiscal year.
- *Negotiator*—Engaging in negotiations with stakeholders inside and outside the organization.  
Example: An account executive from an advertising company negotiates the purchase price and terms of an advertising campaign with a team from a large client.

This classic study of managerial roles remains highly descriptive of what all types of managers do today. As you review the list, you might ask yourself, “Which of these activities do I enjoy most (and least)? Where do I excel (and not excel)? Which would I like to improve?” Whatever your answers, you will be learning more about these activities throughout this course.

LO3 Define the skills needed to be an effective manager.

3 | MANAGERS NEED THREE BROAD SKILLS

Performing management functions and roles, pursuing effectiveness and efficiency, and competitive advantage (discussed later in this chapter) are the cornerstones of a manager’s job. However, understanding this fact does not ensure success. Managers need a variety of skills to *do* these things *well*. Skills are specific abilities that result from knowledge, information, aptitude, and practice. Although managers need many individual skills, which you will learn about throughout this text, three general categories are crucial:<sup>41</sup>

- Technical skills.
- Conceptual and decision skills.
- Interpersonal and communication skills.

First-time managers tend to underestimate the challenges of the many technical, human, and conceptual skills required.<sup>42</sup>

However, with training, experience, and practice, managers can learn to apply each of these skills to improve their effectiveness and performance.

### 3.1 | Technical Skills

A **technical skill** is the ability to perform a specialized task that involves a certain method or process. The technical skills you learn in college will give you the opportunity to get an entry-level position or change careers; they will also help you as a manager. For example, your accounting and finance courses will develop the technical skills you need to understand and manage an organization's financial resources.

Lower-level managers who possess technical skills earn more credibility from their subordinates than comparable managers without technical know-how.<sup>43</sup> Thus, newer employees may want to become proficient in their technical area (e.g., human resources management or marketing) before accepting a position as team leader or frontline manager.

### 3.2 | Conceptual and Decision Skills

**Conceptual and decision skills** involve the ability to identify and resolve problems for the benefit of the organization and everyone concerned. Managers use these skills when they consider the overall strategy of the firm, the interactions among different parts of the organization, and the role of the business in its external environment. Managers (like Mary Barra of GM) are increasingly required to think out of their comfort zones to make periodic and major changes in the way they do business to ensure the long-term success of their missions and organizations.

As you acquire greater responsibility, you will be asked often to exercise your conceptual and decision skills. You will confront issues that involve all aspects of the organization and must consider a larger and more interrelated set of decision factors. Much of this text is devoted to enhancing your conceptual and decision skills, but experience also plays an important part in their development.

### 3.3 | Interpersonal and Communication Skills

**Interpersonal and communication skills** influence the manager's ability to work well with people. These skills are often called *people skills* or *soft skills*. Managers spend the great majority of their time interacting with people,<sup>44</sup> and they must develop their abilities to build trust, relate to, and communicate effectively with those around them. Your people skills often make a difference in the levels of success you achieve. LinkedIn founder Jeff Weiner said, "The biggest skills gap in the United States is soft skills. . . . Everyone's so keenly focused on technology and AI. It's related though. . . . If you don't have that foundation in place, it becomes almost prohibitively complex to learn multiple skills at the same time."<sup>45</sup> Supporting this view, a study by the National Association of Colleges and Employers found that the ability to work in a team and written and verbal communication skills were the most desired skills sought in recent college graduates.<sup>46</sup>

Management professor Michael Morris emphasizes that it is vital for future managers to realize the importance of these skills in getting a job, keeping it, and performing well, especially in this era when so many managers supervise independent-minded knowledge workers. He explains, "You have to get high performance out of people in your organization who you don't have any authority over. You need to read other people, know their motivators, know how you affect them."<sup>47</sup>

As Exhibit 1.4 illustrates, the importance of these skills varies by managerial level. Technical skills are most important early in your career when you are a team leader and frontline manager. Conceptual and decision skills become more important than technical skills as you rise higher in the company and occupy positions in the middle and top manager ranks. But interpersonal and communication skills are important throughout your career, at every level of management. One way to increase the effectiveness of your interpersonal and communication skills is by being emotionally intelligent at work.

Good, successful managers often demonstrate a set of interpersonal skills known collectively as **emotional intelligence**<sup>48</sup> (or EQ). EQ combines three skill sets:

- *Understanding yourself*—including your strengths and limitations as a manager.
- *Managing yourself*—dealing with emotions, making good decisions, seeking feedback, and exercising self-control.
- *Working effectively with others*—listening, showing empathy, motivating, and leading.

**technical skills** the ability to perform a specialized task involving a particular method or process

**conceptual and decision skills** skills pertaining to the ability to identify and resolve problems for the benefit of the organization and its members

**interpersonal and communication skills** people skills; the ability to lead, motivate, and communicate effectively with others

**emotional intelligence** the skills of understanding yourself, managing yourself, and dealing effectively with others

#### Exhibit 1.4

Importance of skills at different managerial levels

	Technical Skills	Conceptual/ Decision Skills	Interpersonal/ Communication Skills
Top manager	Low	High	High
Middle manager	Medium	High	High
Frontline manager	High	Medium	High
Team leader	High	Medium	High

**Source:** Adapted from R. Katz, "Skills of an Effective Administrator," *Harvard Business Review* 52, no. 5 (September–October 1974), pp. 90–102.

The basic idea is that before you can be an effective manager of other people, you need to be able to manage your own emotions and reactions to others. Maybe you already have a high EQ, but if you feel that you could use some improvement in this area, observe how others connect with the people around them, handle stressful situations, and exercise self-control. This can help you build your own EQ so that you can be a more effective manager.

LO4 Summarize the major challenges facing managers today.

4 | MAJOR CHALLENGES FACING MANAGERS

When the economy is soaring, business seems easy. Starting up an Internet company looked easy in the 1990s, and ventures related to the real estate boom looked like a sure thing during the early 2000s. Eventually investors grew wary of dot-com start-ups, and the demand for new homes cooled as the United States experienced a major economic recession. At such times, it becomes evident that management is a challenge that requires constant adaptation to new circumstances.

What defines the competitive landscape of today’s businesses? You will be reading about many relevant issues in the coming chapters, but we begin here by highlighting five key elements that make the current business landscape different from those of the past:

- 1. Globalization.
- 2. Technological change.
- 3. The importance of knowledge and ideas.
- 4. Collaboration across organizational boundaries.
- 5. Increasingly diverse labor force.

4.1 | Business Operates on a Global Scale

Far more than in the past, today’s enterprises are global, with offices and production facilities all over the world. Corporations such as Starbucks and Adidas transcend national borders. A key reason for this change is the strong demand coming from consumers and businesses overseas. Companies that want to grow often need to tap international markets where incomes are rising and demand is increasing.

Nike got its start selling athletic shoes and apparel from a small town in Oregon.<sup>49</sup> Nike now sells products in 170 countries, with more than half its revenues coming from outside the United States.<sup>50</sup>

Globalization also occurs via cross-border partnership. Netflix created partnership agreements with cable and cell

phone operators across the globe and expanded its reach to every country except China, Crimea, North Korea, and Syria.<sup>51</sup> Not only does Netflix offer local subscribers access to its massive database of movies, documentaries, and TV shows, but it also provided funding to local producers to create new content for global consumption. For example, *Elite* is a Spanish series produced by Zeta Audiovisual that stars Spanish actors.<sup>52</sup> Other global content funded by Netflix includes *Schitt’s Creek*, a Canadian production by Daniel Levy, *Aggretsuko*, a Japanese animated series, and *Bodyguard*, a U.K.-based drama.<sup>53</sup> The global partner strategy is working. In 2018, for the first time, “international streaming revenues exceeded domestic streaming revenues.”<sup>54</sup> Netflix is the largest global streaming service with over 151 million subscribers, only 60 million of whom live in the United States.<sup>55</sup>

Another factor that is making globalization both more possible and more prevalent is the Internet. It is estimated that by the end of 2019, there will be over 26 billion devices around the world connected to the Internet.<sup>56</sup> From 2000 to 2019, the largest increases in users of the Internet were from developing countries in Africa, the Middle East, Asia, Latin America, and the Caribbean.<sup>57</sup> As people in developing nations turn to the power of the web, they develop content in their own languages and create their own means of access, like Baidu, the search engine market leader in China that has over 70 percent of the search engine market share.<sup>58</sup>

The Internet is a powerful force for connecting people without regard to time and space. The Internet enables people to connect and work from anywhere in the world on a 24/7 basis. Laura Asiala, a manager for Dow Corning, based in Midland, Michigan, supervises employees in Tokyo, Seoul, Hong Kong, Shanghai, and Brussels. To keep in touch with them, she starts working at 5:00 a.m. some days and ends as late as midnight. She takes a break from 3:30 to 9:30 each day, and technology lets her communicate from home.<sup>59</sup>

China, with its 829 million Internet users,<sup>60</sup> is an attractive market for tech companies that want to expand internationally. Internet companies have struggled to operate and succeed in the Chinese market due to intense local competition, logistical challenges, and human rights concerns.

Involvement in company operations by the Chinese government has reached a new level. The state-run Xinhua News Agency announced that cybersecurity police would be embedded in large Internet companies to help guard against fraud and the “spreading of rumors.” This policing effort is believed to be an effort on the part of the Chinese government to exert better control over the Internet in a country of over 1.4 billion people.<sup>61</sup>

Despite these challenges, LinkedIn entered the Chinese market in 2014 to try to attract some of the 140 million knowledge workers to its professional networking site. In exchange for being granted access to Chinese Internet users, LinkedIn agreed to censor content when asked to do so by government officials. In 2019, the company had 50 million registered users in China.<sup>62</sup> Time will tell whether LinkedIn can navigate successfully the myriad challenges in the world’s largest Internet market.<sup>63</sup>



# Take Charge of Your Career



## Study abroad while you can

**D**o you have the cultural sensitivity, international perspective, and foreign-language skills to succeed in the global economy? If you truly want to become a global citizen, how can you get the skills and experience you need?

One obvious—and fun—way to develop this skill set is to study abroad. Colleges all over the country award students credit for these programs, and many options are available, from a one-week stay, to a summer- or a semester-long program, to full-year immersion programs. Through study abroad you can gain valuable exposure to a new culture, perfect a language you've studied or begin learning a new one,

acquire marketable job skills, and make professional connections.

Cultural awareness and empathy are two skills that increasingly appear as top criteria for hiring managers. The modern workplace emphasizes inclusion and collaboration, so being aware of cultural differences, as well as being able to empathize—see things from the perspectives of other people—are critical skills to achieve these goals. Study abroad programs present you with opportunities to interact with people whose culture is different from your own, experience others' values and norms, and observe the way people of different backgrounds approach and solve problems. In navigating an unfamiliar environment, you'll increase your independence and self-reliance, enhance your problem-solving skills, overcome explicit or implicit stereotypes

you may have formed, and develop patience, flexibility, and adaptability that will serve as assets in whatever career you pursue.

Currently only about 10 percent of U.S. students study abroad, a number some experts say is too low given our increasingly globalized economy and job market. Many of the critical health, energy, environmental, and political problems humans now face will best be solved by people who know how to communicate across cultures and understand that we work best when we work together. Why not be one of them?

**Sources:** A. Doyle, "Top Skills and Attributes Employers Look For." *The Balance*, January 22, 2020, <https://www.thebalancecareers.com/top-skills-employers-want-2062481>; and NAFA, "Trends in U.S. Study Abroad," accessed March 4, 2020.



● Reed Hastings, the Netflix chief, had a global vision that disrupted the television industry. Ethan Miller/Getty Images

Smaller firms are also engaged in globalization. Many small companies export their goods. Many domestic firms assemble their products in other countries, using facilities such as Mexico's maquiladora plants. And companies are under pressure to improve their products in the face of intense competition from foreign manufacturers. Firms today must ask themselves, "How can we be the best in the world?"

For students, it's not too early to think about the personal ramifications. In the words of chief executive officer Jim Goodnight of SAS, the largest privately held software company

in the world, "The best thing business schools can do to prepare their students is to encourage them to look beyond their own backyards. Globalization has opened the world for many opportunities, and schools should encourage their students to take advantage of them."<sup>64</sup>

## 4.2 | Technology Is Advancing Continuously

The Internet's impact on globalization is only one of the ways that technology is vitally important in the ever-changing business world. Technology both complicates things and creates new opportunities. The challenges come from the rapid rate at which communication, transportation, information, and other technologies change.<sup>65</sup>

Until recently, for example, desktop computers were a reliable source of income, not only for computer makers, but also for the companies that make keyboards and a whole host of accessories like wrist rests and computer desks. But after just a couple of decades of widespread PC use, customers switched to laptops, tablets, and even smartphones for their computing needs, requiring different accessories and using them in different ways.<sup>66</sup> Any company that still makes desktops has to rethink its customers' wants and needs, not to mention the possibility that these customers may be doing their work at the airport or a local coffee shop rather than in an office.

Later chapters will discuss technology further, but here we highlight the rise of the Internet and its effects. Why is the Internet so important to business?<sup>67</sup>

**social capital** goodwill stemming from your social relationships

**knowledge management** practices aimed at discovering and harnessing an organization's intellectual resources

- It enables managers to be mobile and connected 24/7.
- It fulfills many business functions. It is a virtual marketplace, a means to

sell goods and services, a distribution channel, an information service, and more.

- It speeds up globalization. Managers can see what competitors, suppliers, and customers are doing on the other side of the world.
- It provides access to information, allows better-informed decisions, and improves efficiency of decision making.
- It facilitates design of new products and services, from smartphones to online banking services.

While these advantages create business opportunities, they also create threats as competitors capitalize on new developments.

At the beginning, Internet companies dazzled people with financial returns that seemed limitless. Today, investors and entrepreneurs have learned that not every business idea will fly, but many profitable online businesses have become a part of our day-to-day lives. Just a few years ago, it was novel to go online to order plane tickets, read the news, or share photos.

Some online success stories, such as Stitch Fix, IPSY, and Zappos, are purely Internet businesses. Other online companies added brick-and-mortar channels to their business strategies.

The Internet's impact is felt not only at the level of businesses as a whole, but also by individual employees and their managers. Just as globalization has stretched out the workdays of some people, high-tech gadgets have made it possible to stay connected to work anytime and anywhere. Wi-Fi hotspots make connections available in shared working spaces, coffee shops, restaurants, hotels, airports, and libraries. Software lets users download and read files and e-mail on their phones and tablets.

Social media and networking are also challenging the way businesses operate and managers connect. Facebook, the largest online social network, has reported 2.376 billion monthly active users as of April 2019; nearly 90 percent of these users are located outside the United States and Canada.<sup>68</sup> Other popular social networking sites—like Instagram, Twitter, Snapchat, and TikTok—also connect people with one another.

Finding the time to build and maintain meaningful connections to a large and diverse network of contacts, clients, and other key stakeholders is a major challenge for managers today. While it can be time-consuming, connecting with people has never been easier because of online social networking sites that allow you to develop your **social capital**. The goodwill stemming from your social relationships is more important than ever and aids your career success, compensation, employment, team effectiveness, successful entrepreneurship, and relationships with suppliers and other outsiders.<sup>69</sup> Students should take time

to build a large and diverse network while in school. This network may prove valuable in the future.

The stress comes when employees or their supervisors don't set limits on being connected. As out-of-office flex work becomes increasingly common, research suggests that individuals are using their smartphones to work longer hours during workday evenings and on weekends.<sup>70</sup> Users can and should decide when to turn off the devices. Jean Chatzky, an editor for *Money* magazine, realized that her device had become more of a distraction than a help and began reminding herself that the messages were not emergencies.<sup>71</sup> Thus, using technology effectively is more than a matter of learning new skills; it also involves making judgments about when and where to apply the technology for maximum benefit.<sup>72</sup>

### 4.3 | Knowledge Needs Managing

Companies and managers need new, innovative ideas. Because companies in advanced economies have become so efficient at producing physical goods, most workers have been freed up to provide services like training, entertainment, research, and advertising. Efficient factories with fewer workers produce the cereals and cell phones the market demands; meanwhile, more and more workers create software and invent new products. These workers, whose primary contributions are ideas and problem-solving expertise, are often referred to as *knowledge workers*.

Managing these workers poses some particular challenges, which we will examine throughout this book. For example, determining whether they are doing a good job can be difficult because the manager cannot simply count or measure a knowledge worker's output. Also, these workers often are most motivated to do their best when the work is interesting, not because of a carrot or stick dangled by the manager.<sup>73</sup>

Because the success of modern businesses so often depends on the knowledge used for innovation and the delivery of services, organizations need to manage that knowledge. **Knowledge management** is the set of practices aimed at discovering and harnessing an organization's intellectual resources—fully utilizing the intellects of the organization's people. Knowledge management is about finding, unlocking, sharing, and capitalizing on the most precious resources of an organization: people's expertise, skills, wisdom, and relationships.



Gorodenkoff/Shutterstock



Typically, knowledge management relies on software that lets employees contribute what they know and share that knowledge readily with one another. As a result, knowledge management may be the responsibility of an organization's information technology (IT) department, perhaps under the leadership of a chief information officer or chief knowledge officer.

#### 4.4 | Collaboration Boosts Performance

One of the most important processes of knowledge management is to ensure that people in different parts of the organization collaborate effectively. This requires communication among departments, divisions, or other subunits of the organization. For example, BP tries to encourage managers to break out of the traditional corporate hierarchy to share knowledge freely across the organization while remaining fiercely committed to the performance of their individual business units. This emphasis on dual responsibilities for performance and knowledge sharing also occurs at pharmaceutical giant Glaxo-SmithKline, the large German industrial company Siemens, and the London-based steelmaker Ispat International.<sup>74</sup>

Toyota keeps its product development process efficient by bringing together design engineers and manufacturing employees from the beginning. Often, manufacturing employees can see ways to simplify a design so that it is easier to make without defects or unnecessary costs. Toyota expects its employees to listen to input from all areas of the organization, making this type of collaboration a natural part of the organization's culture. The collaboration is supported with product development software, including an online database that provides a central, easily accessible source of information about designs and processes. Along with this information, employees use the software to share their knowledge—best practices they have developed for design and manufacturing.<sup>75</sup> At Toyota, knowledge management supports collaboration and vice versa.

Customers, too, can be collaborators. Creating outstanding products and services can start with involving customers in company decisions. For example, Starbucks customers have a huge variety of drink options, and Zazzle customers can personalize products such as tote bags, pillows, and iPhone cases prior to purchasing them.<sup>76</sup>

#### 4.5 | Diversity Needs to Be Leveraged

The labor force is becoming more and more diverse. This means that it is likely that your coworkers, customers, suppliers, and other stakeholders will differ from you in race, ethnicity, age, gender, physical characteristics, or sexual orientation. To be an effective manager, you'll need to understand, relate to, and work productively with these individuals. How diverse are we becoming at work? The following trends in the U.S. labor force are expected from 2016 through 2026:<sup>77</sup>

- The labor force will continue to grow more diverse.
- The share of women in the labor force will increase to just over 47 percent.

- Fast growth of “older workers” will occur to the point that approximately one out of four workers will be 55 and older.
- Hispanics will grow to about 20 percent, African Americans to nearly 13 percent, and Asians to approximately 7 percent of the labor force.
- A higher percentage of women than men will join the labor force.
- White (non-Hispanic) workers' participation in the labor force will decrease from 63 to 58 percent.

The increase in gender, racial, age, and ethnic diversity in the workplace will accentuate the many differences in employees' values, attitudes toward work, and norms of behavior. In addition to leveraging the strengths of diverse employees, effective managers need to find ways to connect with diverse customers, suppliers, and government officials, both in the United States and internationally. As will be discussed in greater detail in later chapters, managers need to be acutely aware of these differences and be prepared to prevent (or deal with) miscommunication, insensitivity, and hostility on the part of an employee, customer, or other stakeholder who doesn't embrace the benefits of diversity management.

Fortunately, effective managers and organizations are taking steps to address these concerns and leverage the diversity of their resources and talent in new ways. Members of Target's board of directors are 36 percent female and 45 percent racially diverse, while the store management workforce is 52 percent female and 33 percent racially diverse.<sup>78</sup> Target has also taken steps to make its products more diverse, including carrying clothing lines specifically designed for kids with sensory-processing difficulties and other physical disabilities, carrying more than 1,000 beauty products that address different skin tones and hair types, and sourcing products from diverse suppliers.<sup>79</sup>

Accounting, taxation, and consulting firm Deloitte LLP has undertaken several steps to break the “glass ceiling” and retain more of its talented female employees. The firm decreased the amount of travel for employees to allow them to have better work-life balance, created a Parents Transition Programme to help women and men with parental leave, and made diversity management a key priority for the entire organization. Deloitte created the Female Academy initiative, which features academic workshops, speakers, and events given to 25 promising female university students over the course of six weeks, to challenge and support them in their pursuit of creativity and growth.<sup>80</sup> By making a concerted effort to retain and value female employees, Deloitte is managing its talent in a more effective and efficient manner. Twenty-five percent of board members and 31 percent of the leadership team are women.<sup>81</sup>

Globalization, technological change, the monumental importance of new ideas, collaboration across disappearing boundaries, diversity—what are the effects of this tidal wave of new forces? The remainder of this chapter and the following chapters will answer this question with business and management principles, real-world examples, and insights from successful managers and leaders.

LO5 Recognize how successful managers achieve competitive advantage.

5 | SOURCES OF COMPETITIVE ADVANTAGE

Why do some companies lose their dominant positions while others manage to stay on top?<sup>82</sup> Blockbuster was a successful video rental chain until Netflix, cable companies, and online enterprises changed the delivery and pricing of videos and entertainment content. Then there's Eastman Kodak. For more than 100 years, it dominated the camera and film markets until being upended by the invention of digital photography, file sharing, and the like. On the other hand, how does a company like Apple continually excite customers with its "iGadget" offerings?<sup>83</sup> How does the Chinese electric car manufacturer BYD compete effectively in this emerging segment of the automobile industry? How does the Indian technology company Infosys compete effectively against its American rivals, Accenture and McKinsey?<sup>84</sup>

These successful companies have strong managers who know they are in a competitive struggle to survive and win. To do this, you have to gain advantage over your competitors and earn a profit. You gain competitive advantage by being better than your competitors at doing valuable things for your customers. But what does this mean, specifically? To succeed, managers must deliver the fundamental success drivers: innovation, quality, service, speed, cost competitiveness, and sustainability.

5.1 | Innovation Keeps You Ahead of Competitors

Founded in 2000, Baidu is the number one Chinese-language Internet search engine. With more than 40,000 employees<sup>85</sup> and nearly 20,000 of those working on research and development initiatives,<sup>86</sup> Baidu is hoping that its recent innovations—from driverless car technology to AI customer service—will help it maintain an innovative edge in China.<sup>87</sup>

**Innovation** is the introduction of new goods and services. Your firm must adapt to changes in consumer demand and to new competitors. Products don't sell forever; in fact, they don't sell for nearly as long as they used to because so many competitors are introducing so many new products all the time. Likewise, you have to be ready with new ways to communicate with customers and deliver products to them, as when the Internet forced traditional merchants to learn new ways of reaching customers directly. Globalization and technological advances have accelerated the pace of change and thus the need for innovation.

Sometimes, the most important innovation isn't the product itself but the way it is delivered. Borrowing an idea that has proved

popular in Europe, Opaque's Dining in the Dark creates dining experiences in complete darkness.<sup>88</sup> Guests select gourmet meals from a menu in a lighted lounge and then are led into a dark banquet room by blind or visually impaired servers. The attraction is that diners experience the meal in a completely new way because they are forced to concentrate on their senses of taste, smell, and touch. The company is located in Santa Monica, California.<sup>89</sup>

Innovation is today's holy grail.<sup>90</sup> And like the other sources of competitive advantage, innovation comes from people, it must be a strategic goal, and it must be managed properly. Later chapters will show you how great companies innovate.

5.2 | Quality Must Improve Continually

Historically, quality pertained primarily to the physical goods that customers bought. It referred to attractiveness, lack of defects, reliability, and long-term dependability. The traditional approach to quality was to check work after it was completed and then eliminate defects. But then W. Edwards Deming, J. M. Juran, and other quality gurus convinced managers to take a more complete approach to achieving *total* quality. This includes several objectives:

- Preventing defects before they occur.
- Achieving zero defects in manufacturing.
- Designing products for quality.

The goal is to plan carefully; prevent, from the beginning, all quality-related problems; and live a philosophy of *continuous improvement* in the way the company operates. Deming and his ideas were actually rebuffed by U.S. managers; only when he found an audience in Japan, and Japan started grabbing big chunks of market share from the United States in vehicles, computer chips, and TVs, did U.S. managers start internalizing and practicing his quality philosophy.<sup>91</sup>

Providing world-class quality requires a thorough understanding of what quality really is.<sup>92</sup> Quality can be measured in terms



Iain Masterton/Alamy Stock Photo

of product performance, customer service, reliability (avoidance of failure or breakdowns), conformance to standards, durability, and aesthetics.

Quality is further provided when companies customize goods and services to the wishes of the individual consumer. Choices at Starbucks give consumers thousands of variations on the drinks they can order. Gatorade GX allows customers to create customized bottles. Nike's 90/10 pack sneakers give customers the opportunity to participate in designing their own shoes, and Icon Meals permits customers to create custom meal plans online.<sup>93</sup>

### 5.3 | Services Must Meet Customers' Changing Needs

As we noted in the discussion of quality, important quality measures often pertain to the level of service customers receive. This dimension of quality is particularly important because the service sector now dominates the U.S. economy. Services include intangible products like insurance, hotel accommodations, medical care, and entertainment. In recent years, Americans spent a higher percentage of their personal income on services than tangible goods.<sup>94</sup> The total number of jobs in service companies—not including retailing, wholesaling, and government workers—is nearly five times the number in manufacturing companies. And that pattern is expected to intensify. Between now and 2024, the fastest-growing job categories will be almost entirely services and retailing jobs, and the jobs expected to see the greatest declines are almost all in manufacturing.<sup>95</sup>

In a competitive context, **service** means giving customers what they want or need, when and where they want it. So service is focused on continually meeting the changing needs of

An important dimension of service quality is making it easy and enjoyable for customers to experience a service or to buy and use products. For example, Apple made it easy and enjoyable for online customers to sample their favorite music and then download it from the

iTunes store. Amazon allows customers to look at a free sample of a book to help them decide whether they want to read and purchase the entire book. These innovations in service are changing the way companies do business.

### 5.4 | Do It Better and Faster

Google's culture, based on rapid innovation, is constantly trying to make improvements in its product. When Sheryl Sandberg (now chief operating officer of Facebook) was a vice president at Google, she once made a mistake by moving too fast to plan carefully. Although the mistake cost the company a few million dollars, Google cofounder Larry Page responded to her explanation and apology by saying he was actually glad she had made the mistake. It showed that Sandberg appreciated the company's values. Page told her, "I want to run a company where we are moving too quickly and doing too much, not being too cautious and doing too little. If we don't have any of these mistakes, we're just not taking enough risks."<sup>97</sup>

While it's unlikely that Google actually favors mistakes over money-making ideas, Page's statement expressed an appreciation that in the modern business environment, **speed**—rapid

**innovation** the introduction of new goods and services

**service** the speed and dependability with which an organization delivers what customers want

**speed** fast and timely execution, response, and delivery of results

"Be everywhere, do everything, and never fail to astonish the customer."

—Macy's Motto

customers to establish mutually beneficial long-term relationships. Service is also an important offering for many companies that sell tangible goods. Software companies, in addition to providing the actual programs, may help their customers identify requirements, set up computer systems, and perform maintenance.

Stores offer a shopping environment and customer service along with the goods on their shelves. To improve service for a wider customer base, Best Buy adjusted its store environment so it would be more inviting to female shoppers. The chain's loud music and emphasis on high-tech features had been aimed at young men, but the store found that women influence 9 out of 10 consumer electronics purchases. Best Buy lowered the volume, dimmed the lighting, and trained staff to discuss what customers want the technology to do for them, rather than merely pointing out bells and whistles.<sup>96</sup>



Chesnot/Getty Images



cost competitiveness

keeping costs low to achieve profits and to be able to offer prices that are attractive to consumers

execution, response, and delivery of results—often separates the winners from the losers. How fast can you develop and get a new product to market? How quickly can you respond to customer requests? You are far better off if you are faster than the competition—and if you can respond quickly to your competitors’ actions.

Speed is no longer just a goal of some companies; it is a strategic imperative. Speed combined with quality is a measure that a company is operating efficiently. The Starbucks mobile app made ordering so much easier and faster that one-third of all U.S. Starbucks transactions are now done through the app. Through the app, customers can order and customize coffee, pay, and redeem rewards all before they arrive at the store. To increase delivery speed, Starbucks has “juggled employees’ tasks to limit bottlenecks caused by in-store pickups of online orders.”<sup>98</sup>

Speed isn’t everything—you can’t get sloppy in your quest to be first. But other things being equal, faster companies are more likely to be the winners, slow ones the losers.

5.5 | Low Costs Help Increase Your Sales

Walmart keeps driving hard to find new ways to cut billions of dollars from its already very low distribution costs. The retail giant is experimenting with using shelf-scanning robots to monitor inventory to reduce employee costs. The robots

move through store aisles scanning the shelves for missing or mispriced inventory; a human worker responds only when an issue is found.<sup>99</sup> Walmart introduced an app called My Walmart Schedule that allows employees to pick up shifts and gives all employees the same weekly shift for 13 weeks. The core-hour schedule gives employees stability and predictability in their schedule and reduces the amount of time managers spend putting the schedules together.<sup>100</sup>

Walmart’s efforts are aimed at **cost competitiveness**, which means keeping costs low enough so the company can realize profits and price its products (goods or services) at levels that are attractive to consumers. Toyota’s efforts to trim product development processes are also partly aimed at cost competitiveness. Making the processes more efficient through collaboration between design and manufacturing employees eliminates wasteful steps and procedures. Needless to say, if you can offer a desirable product at a lower price, it is more likely to sell.

Managing your costs and keeping them down requires efficiency: accomplishing your goals by using your resources wisely and minimizing waste. Every company must worry about cost because consumers can easily compare prices on the Internet from thousands of competitors. Expedia, NexTag, PriceGrabber, Google Flights, and Google Shopping are only a few of the search tools that can generate lists of prices at which a product is available from various suppliers. Consumers looking to buy popular items—such as cameras, printers, and plane fares—can go online to research the best models and the best deals. If you can’t cut costs and offer attractive prices, you can’t compete.



● Walmart controls costs by continuously improving the efficiency and speed of its inventory management system. One of its distribution centers is pictured above. Susana Gonzalez/Bloomberg/Getty Images



## 5.6 | Sustainability

Reducing resource use and waste, especially resources that are polluting and nonrenewable, helps to achieve an important form of competitive advantage: sustainability. Although sustainability means different things to different people,<sup>101</sup> in this text we emphasize a long-term perspective on helping the natural environment and building tomorrow's business opportunities while effectively managing today's business.<sup>102</sup>

In the United States, corporate sustainability efforts have fluctuated as environmental laws are strengthened or loosened; overall, the worldwide trend has been in the direction of greater concern for sustainability. Many companies have discovered that addressing sustainability issues often produces bottom-line benefits. Companies with strong sustainability performance that have also become financial winners include Danish bioscience company Corporate Knights, financial services provider Banco do Brasil, French luxury-goods maker Kering, and U.S. food spice firm McCormick.<sup>103</sup> Patagonia does not want customers to discard their outdoor gear that has a broken zipper, tear in the sleeve, or chewed-up Velcro closure. Known as the Worn Wear program, the company hopes to keep its products out of landfills by offering free repairs with no questions asked. The program is working. In 2017, 14 employees from its Reno, Nevada, service center made more than 50,000 clothing repairs.<sup>104</sup> One vital thing sustainability accomplishes is to protect and create options for moving forward.<sup>105</sup> Done properly, sustainability allows people to live and work in ways that can be maintained over the long term (generations) without destroying our environmental, social, and economic resources.

## 5.7 | The Best Managers Deliver All Six Advantages

Don't assume that you can settle for delivering just one of the six competitive advantages: low cost alone or quality alone, for example. The best managers and companies deliver them all.

When Discount Tire was started by Bruce Halle he had no long-term business plan and was "just trying to make a living."<sup>106</sup>

Halle made several key decisions that gave Discount Tire its competitive edge through the years, including specializing exclusively on tires. He piloted new services like wheel alignments, battery replacements, and oil changes but quickly realized that those services slowed down the tire change process. Halle focused on "getting customers in and out quickly, winning their trust and gaining customers for life." Discount Tire creates loyal customers by offering key services free of charge, like tire air pressure checks and tire rotation and balancing.<sup>107</sup> Halle fosters a positive working environment by giving employees realistic and attainable goals, promoting from within the company, and placing no cap on earning power for managers. Employees are incentivized and rewarded for "treating customers right."<sup>108</sup>

Trade-offs may occur among the various competitive advantages, but this doesn't need to be a zero-sum game where one has to suffer at the expense of another. Many portrait businesses in the United States are run by one or two photographers who do it all—shoot photos, edit, sell and market, run a website and social media, optimize SEO, and more. Photo editing is one of the most time-consuming tasks, so photographers are increasingly hiring professional editing companies like FixThePhoto and WeEdit. Photos to edit their images.<sup>109</sup> As long as the photographer communicates with the editor and chooses an editor with compatible style, the photographer's style and creative vision aren't sacrificed. Turning over those responsibilities to a vendor that specializes in performing them efficiently frees up the photographer to engage in other aspects of the business where the photographer's creativity and personal touch are more necessary.

Making decisions about outsourcing and cost savings are just some important ways to help your organization achieve competitive advantage. As you read this chapter, you learned about several of the challenges facing managers today and what functions and activities managers engage in at different levels of the organization. The next chapter (Chapter 2) looks back to help provide a lens for understanding how we got to where we are today. It provides a brief look at the evolution of management thought and practice.

## Notes

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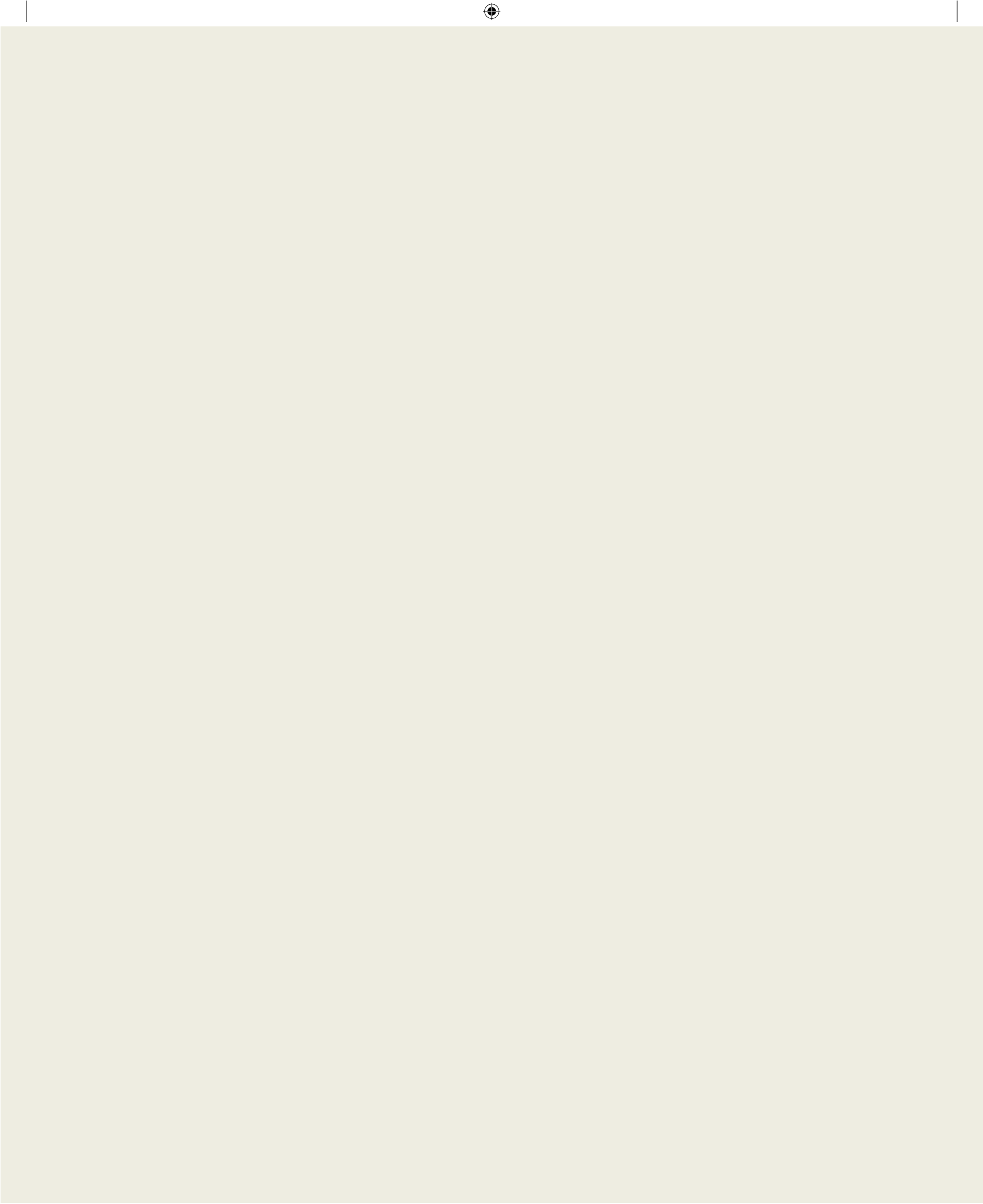
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## chapter

## 2

# The Evolution of Management

## Learning Objectives

After studying Chapter 2, you should be able to

- LO1** Describe the origins of management practice and its early concepts and influences.
- LO2** Summarize the five classical approaches to management.
- LO3** Discuss the four contemporary approaches to management.
- LO4** Identify modern contributors who have shaped management thought and practice.



W

hat is a chapter about history doing in a management textbook? It provides context for understanding how managerial practices have evolved over time. Today's taken-for-granted management practices—efficiency, division of labor, pay for performance efforts, cooperative work environments, equitable treatment of employees, decentralized decision making, empowerment, autonomy, and teamwork—originated and emerged from earlier management.

Many of the legendary contributors discussed in this chapter were colorful, interesting people. Frederick Taylor

Understanding the origins of management thought will help you understand the origins of the ideas and concepts presented in the chapters ahead. Although this chapter is titled “The Evolution of Management,” it might be more appropriately called “Revolutions in Management” because it documents the wide swings in management approaches over the last 100 years. Parts of each of these approaches have survived and found their way into modern management perspectives. Thus, the legacy of past efforts, breakthroughs, and failures has become our guide to current and future management practice.

This chapter discusses the classical and contemporary approaches to management, as well as modern contributions from current and well-known management thought leaders.

### LO1 Describe the origins of management practice and its early concepts and influences.

## 1 | ORIGINS OF MANAGEMENT

For several thousand years, managers have wrestled with some of the same issues and problems that confront executives today. As far back as 5000 BC, the Sumerians practiced the management function of controlling (discussed in Chapter 1) by keeping records of tax receipts, real estate holdings, and lists of farm animals.<sup>1</sup> Here are some other examples of the early application and use of management functions:<sup>2</sup>

- Around 4000 BC, the Egyptians used planning, organizing, leading, and controlling to build their great pyramids; one pyramid took more than 100,000 laborers 20 years to complete.
- As early as 1100 BC, the Chinese applied the managerial concepts of delegation, cooperation, efficiency, organization, and control.

did not like seeing that processes at his company were disorganized and workers were slacking off. His ideas inspired the likes of Henry Ford, who perfected the assembly line and changed history. Lillian Gilbreth maintained quite a balancing act between her successful career, husband, and 12 children while still finding time to design kitchens and appliances as a consultant for General Electric. Henri Fayol saved a large mining and steel company that was on the brink of bankruptcy and turned it into a profitable, well-managed organization. He saved more than 10,000 employees' jobs.



• The Egyptians needed all four management functions to build the pyramids. Alfredo Dagli Orti/Shutterstock

- In 500 BC, Sun Tzu discussed the importance of planning and leading in his book *The Art of War*.
- Around 400–350 BC, the Greeks recognized management as a separate art and advocated a scientific approach to work.
- Around 1436, the Venetians standardized production through the use of an assembly line and an inventory system to monitor the contents.
- In 1776, Adam Smith discussed control and the principle of specialization for manufacturing workers.

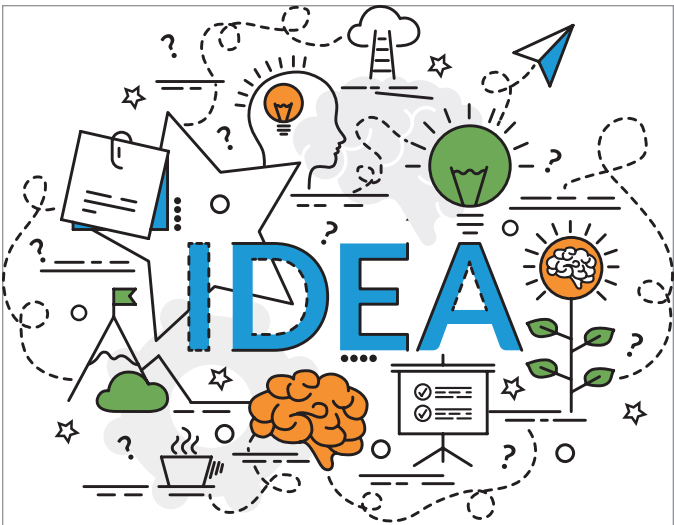
However, throughout history, most managers operated on a trial-and-error basis. The Industrial Revolution in the 18th and 19th centuries changed that. Fueled by major advances in manufacturing and transportation technologies like the steam engine, cotton gin, and railway networks and the availability of large numbers of low-skilled laborers,<sup>3</sup> businesses and factories grew in size and became more complex to operate. Managers who made minor improvements in management tactics produced impressive increases in production quantity and quality.<sup>4</sup>

The emergence of **economies of scale**—reductions in the average cost of a unit of production as the total volume produced increases—drove managers to strive for further growth. The opportunities for mass production created by the Industrial Revolution spawned intense and systematic thought about management challenges—particularly efficiency, production processes, and cost savings.<sup>5</sup> In the 1890s, the newly formed General Electric Company was able to mass-produce several new products (many invented or refined by Thomas A. Edison), including incandescent lightbulbs, electric fans, and phonographs.<sup>6</sup>

Toward the end of the Industrial Revolution, management emerged as a formal discipline. The first university programs to offer management and business education, the Wharton School at the University of Pennsylvania and the Amos Tuck School at Dartmouth, were founded in the late 19th century. By 1914, 25 business schools existed.<sup>7</sup>

1.1 | The Evolution of Management

Exhibit 2.1 provides a timeline depicting the evolution of management thought through the decades. This historical perspective is divided into two major sections: classical approaches and contemporary approaches. Many of these approaches overlapped as they developed, and they often had a significant impact on one another. Some approaches were direct reactions to the deficiencies of previous approaches. Others developed as the needs and issues confronting managers changed over the years. These efforts addressed the real issues facing managers and provided them with tools to solve future problems. Exhibit 2.1 will reinforce your understanding of the key relationships among the approaches and place each perspective in its historical context.



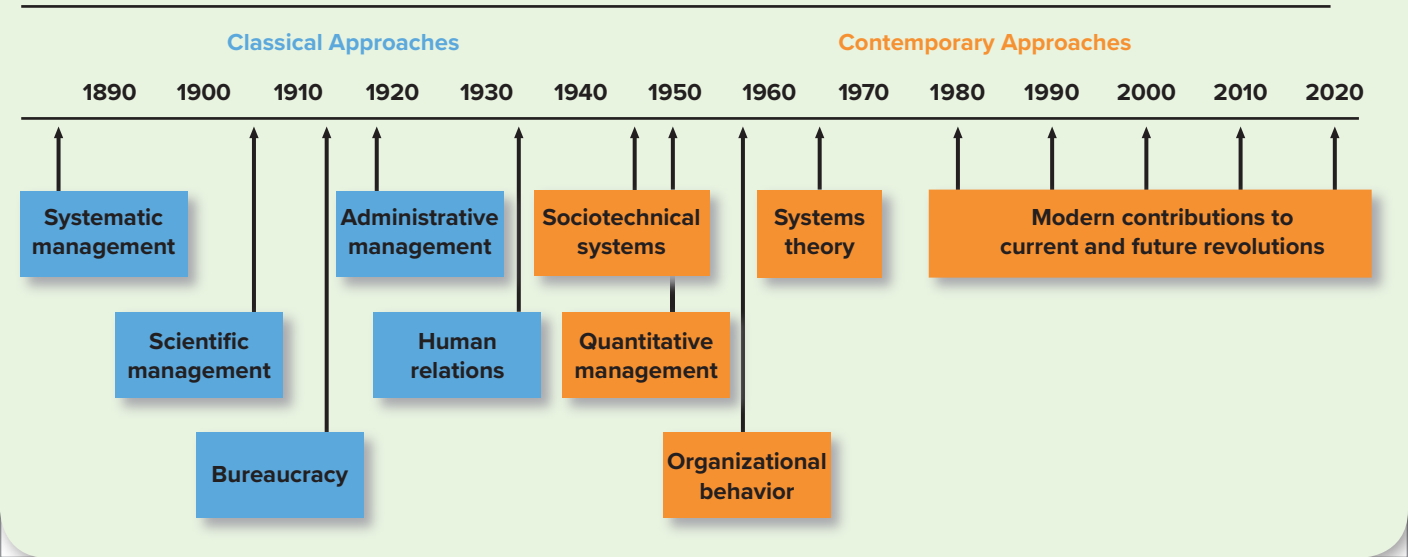
pieceofmind/Shutterstock

LO2 Summarize the five classical approaches to management.

2 | CLASSICAL APPROACHES

The classical period extended from the mid-19th century through the early 1950s. The major approaches that emerged during this period were systematic management, scientific management, bureaucracy, administrative management, and human relations.

Exhibit 2.1 The evolution of management thought



## 2.1 | Systematic Management

During the 19th century, growth in U.S. business centered on manufacturing.<sup>8</sup> Early writers such as Adam Smith believed the management of these firms was chaotic, and their ideas helped to systematize it. Most work tasks were subdivided and performed by specialized labor. However, poor coordination caused frequent problems and breakdowns of the manufacturing process.

### An Early Labor Contract

The following rules, taken from the records of Cocheco Company, were typical of labor contract provisions in the 1850s.

1. The hours of work shall be from sunrise to sunset, from the 21st of March to the 20th of September inclusively; and from sunrise until eight o'clock, P.M., during the remainder of the year. One hour shall be allowed for dinner, and half an hour for breakfast during the first mentioned six months; and one hour for dinner during the other half of the year; on Saturdays, the mill shall be stopped one hour before sunset, for the purpose of cleaning the machinery.
2. Every hand coming to work a quarter of an hour after the mill has been started shall be docked a quarter of a day; and every hand absenting him or herself, without absolute necessity, shall be docked in a sum double the amount of the wages such hand shall have earned during the time of such absence. No more than one hand is allowed to leave any one of the rooms at the same time—a quarter of a day shall be deducted for every breach of this rule.
3. No smoking or spiritous liquors shall be allowed in the factory under any pretense whatsoever. It is also forbidden to carry into the factory, nuts, fruits, etc., books, or papers during the hours of work.

**Source:** W. Sullivan, "The Industrial Revolution and the Factory Operative in Pennsylvania," *The Pennsylvania Magazine of History and Biography* 78 (1954), pp. 478–79.

The **systematic management** approach built specific procedures and processes into operations to ensure coordination of effort. Systematic management emphasized economical operations, adequate staffing, maintenance of inventories to meet consumer demand, and organizational control. These goals were achieved through

- Careful definition of duties and responsibilities.
- Standardized techniques for performing these duties.
- Specific means of gathering, handling, transmitting, and analyzing information.
- Cost accounting, wage, and production control systems to facilitate internal coordination and communications.

Systematic management emphasized internal operations because managers needed to meet the explosive growth in demand brought about by the Industrial Revolution. They focused on internal issues of efficiency, in part because the government did not regulate business practices significantly. Labor was poorly organized, and many managers were oriented more toward things than toward people.

Systematic management did not address all the issues 19th-century managers faced, but it tried to raise managers' awareness about the most pressing concerns of their job.

## 2.2 | Scientific Management

Systematic management failed to lead to widespread production efficiency. This shortcoming was apparent to a young engineer named Frederick Taylor, who was hired by Midvale Steel Company in 1878. Taylor

discovered that production and pay were poor, inefficiency and waste were widespread, and most companies had tremendous unused potential. He concluded that management decisions were unsystematic and that no research to determine the best means of production existed.

In response, Taylor introduced a second approach to management, known as **scientific management**.<sup>9</sup> This approach advocated the application of scientific methods to analyze work and to determine how to complete production tasks efficiently. For example, U.S. Steel's contract with the United Steel Workers of America specified that sand shovellers should move 12.5 shovelfuls per minute; shovelfuls should average 15 pounds of river sand composed of 5.5 percent moisture.<sup>10</sup>

### economies of scale

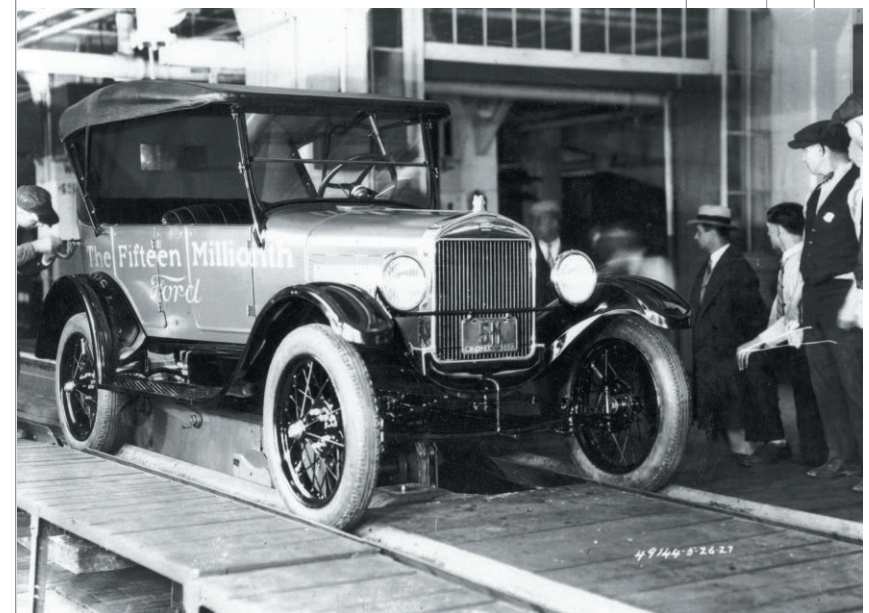
reductions in the average cost of a unit of production as the total volume produced increases

### systematic management

a classical management approach that attempted to build into operations the specific procedures and processes that would ensure coordination of effort to achieve established goals and plans

### scientific management

a classical management approach that applied scientific methods to analyze and determine the "one best way" to complete production tasks



● The fifteen millionth Ford Model T rolls off the assembly line in 1927. Henry Ford revolutionized automobile manufacturing by applying the principles of scientific management. Keystone/Getty Images



Taylor identified four principles of scientific management:

- 1. Management should develop a precise, scientific approach for each element of each job to replace general guidelines.
- 2. Management should scientifically select and place each worker so that the right person has the right job.
- 3. Management should cooperate with workers to ensure that jobs match plans and principles.
- 4. Management should ensure an appropriate division of work and responsibility between managers and workers.

To implement this approach, Taylor used techniques such as time-and-motion studies. With this technique, a task was divided into its basic movements, and different motions were timed to determine the most efficient way to complete the task.

After the “one best way” to perform the job was identified, Taylor stressed the importance of hiring and training the proper worker to do that job. Taylor advocated the standardization of tools, the use of instruction cards to help workers, and breaks to eliminate fatigue.

Another key element of Taylor’s approach was the use of the differential piecerate system. Taylor assumed workers were motivated by receiving money. Therefore, he implemented a pay system in which workers were paid additional wages when they exceeded a standard level of output for each job. Taylor concluded that both workers and management would benefit from such an approach.

Henry L. Gantt worked with and became a protégé of Frederick Taylor’s.<sup>11</sup> Like Taylor, he believed in scientific management and the need for management and labor to cooperate. He expanded on the piecerate system by suggesting that front-line supervisors should receive a bonus for each of their workers who completed their assigned daily tasks.<sup>12</sup> Gantt believed that this would motivate supervisors to provide extra attention and training to those workers who were struggling with meeting their output goals.

## Did You KNOW

Known as the mother of modern management, Lillian Gilbreth was chosen for commemoration on a USPS postage stamp in 1984.



neftali/Shutterstock



● Frederick Taylor was an early expert in management efficiency. Bettmann/Getty Images

Henry Gantt is also known for creating the Gantt chart, which helps employees and managers plan projects by task and time to complete those tasks. An interesting aspect of the chart is that it illustrates how some tasks need to be done during the same time period. Today, Gantt charts (available through Microsoft Project and other project software) are used in several fields for a wide variety of projects.<sup>13</sup> Exhibit 2.2 illustrates how students can use a Gantt chart to complete a semester-long team research project.

Frank B. and Lillian M. Gilbreth were a productive husband and wife team. Frank was a strong believer in Taylor’s philosophies. While working as a supervisor of bricklayers, Frank Gilbreth developed a system to reduce costs and increase worker productivity by showing how employees could work smarter, not harder.<sup>14</sup> His analysis showed how the number of motions for the average bricklayer could be reduced from 18 to 4, allowing worker productivity to increase from 1,000 to 2,700 bricks laid each day.<sup>15</sup> This success inspired Gilbreth to use a motion picture camera (with a clock in the foreground) to capture the precise movements of workers as they accomplished tasks. These “motion studies” were used to identify and remove wasteful movements so workers could be more efficient and productive.

Lillian Gilbreth was an influential contributor in her own right to management thought and practice. Known as the “mother of modern management,” she earned a PhD in psychology and later taught at Purdue University as a professor of

**Exhibit 2.2**

Using a Gantt chart for a team research project at school

Step	Task	Assigned to	Accomplish Task				
			Aug	Sept	Oct	Nov	Dec
1	Review assignment.	All team members	----8/28				
2	Meet as group to discuss and identify areas for clarification.	All team members	-----9/5				
3	Identify team leader.	All team members		-----9/8			
4	Meet with professor to clarify objectives of assignment.	Team leader		----9/12			
5	Meet as group to divide responsibilities.	Team leader and members		-----9/18			
6	Write sections 1–3.	Member B			-----10/31		
7	Write sections 4–6.	Member C			-----10/31		
8	Write introduction and conclusion and type bibliography.	Member D			-----10/31		
9	Edit entire paper.	Team leader				-----11/15	
10	Prepare PowerPoint slides for presentation.	Member E				-----11/20	
11	Practice/rehearse presentation.	Team leader and members					-----11/22
12	Submit completed paper and deliver presentation.	Team leader and members					--12/1

management and was the first female professor in the engineering school.<sup>16</sup> While supportive of her husband's work, Lillian Gilbreth eventually focused less on the technical and more on the human side of management. She was interested in how job satisfaction motivated employees, how motion studies could be used to help disabled individuals perform jobs, and how fatigue and stress affected workers' well-being and productivity.<sup>17</sup>

#### Scientific Management and the Model T

At the turn of the century, automobiles were a luxury that only the wealthy could afford. They were assembled by craftspeople who put an entire car together at one spot on the factory floor. These workers were not specialized, and Henry Ford believed they wasted time and energy bringing the needed parts to the car. Ford took a revolutionary approach to automobile manufacturing by using scientific management principles.

After much study, machines and workers in Ford's new factory were placed in sequence so that an automobile could be assembled without interruption along a moving production line. Mechanical energy and a conveyor belt were used to take the work to the workers.

The manufacture of parts likewise was revolutionized. For example, formerly it had taken one worker 20 minutes to assemble a flywheel magneto. By splitting the job into 29 different operations, putting the product on a mechanical conveyor, and changing the height of the conveyor, Ford cut production time to 5 minutes.

By 1914, chassis assembly time had been trimmed from almost 13 hours to 1½ hours. The new methods of production required complete standardization, new machines, and an adaptable labor force. Costs dropped significantly, the Model T became the first car accessible to the majority of Americans, and Ford dominated the industry for many years.

**Source:** H. Kroos and C. Gilbert, *The Principles of Scientific Management* (New York: Harper & Row, 1911).

Famously, Lillian Gilbreth did all this while raising 12 children and running a consulting business. Some consider her to be the "first superwoman" to balance a remarkably successful career and family life.<sup>18</sup>

Scientific management principles were widely embraced. One of the most famous examples of the application of scientific management is the factory Henry Ford built to produce the Model T.<sup>19</sup>

The legacy of Taylor's scientific management approach is broad and pervasive. Most important, productivity and efficiency in manufacturing improved dramatically. He introduced scientific methods and research to manufacturing. The piecerate system gained wide acceptance because it more closely aligned effort and reward. Taylor also emphasized the need for cooperation between management and workers. And the concept of a management specialist gained prominence.

Despite these gains, not everyone was convinced that scientific management was the best solution to all business problems. First, critics claimed that Taylor ignored many job-related social and psychological factors by emphasizing only money as a worker incentive. Second, production tasks were reduced to a set of routine, machinelike procedures that led to boredom, apathy, and quality control problems. Third, unions strongly opposed scientific management techniques because they believed management might abuse their power to set the standards and the piecerates, thus exploiting workers and diminishing their importance. Finally, although scientific management resulted in intense scrutiny of the internal efficiency of organizations, it did not help managers deal with broader external issues such as competitors and government regulations, especially at the senior management level.





● Lillian Gilbreth focused her research and analysis on the human side of management. This “effort-versus-efficiency” research championed the human over the technical. Also one of the first to “have it all,” she balanced her career with raising a family. Bygone Collection/Alamy Stock Photo

2.3 | Bureaucracy

Max Weber, a German sociologist, lawyer, and social historian, showed how management itself could be more efficient and consistent in his book *The Theory of Social and Economic Organizations*.<sup>20</sup> The ideal model for management, according to Weber, is the **bureaucracy** approach.

study tip 2

Become a better planner

During the first week of the semester, review the syllabi from your classes and record the due dates of exams, quizzes, and assignments in a planner/calendar. These are readily available in electronic or paper formats. Next make a Gantt chart (see Exhibit 2.2) for student team assignments that require multiple steps over several weeks or months. Using a planner/calendar and Gantt chart will help you be better organized and earn higher grades!

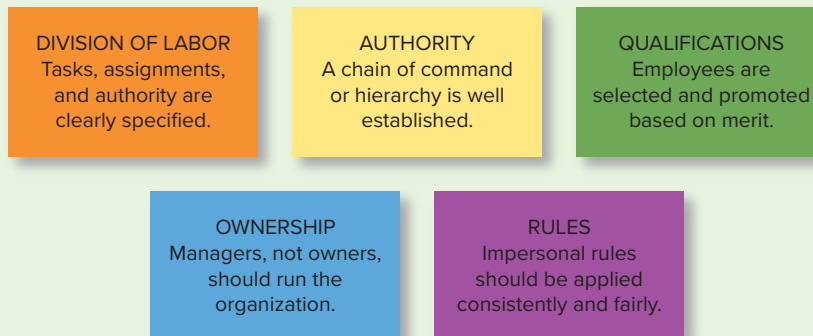
Weber believed bureaucratic structures can eliminate the variability that results when managers in the same organization have different skills, experiences, and goals. As illustrated in Exhibit 2.3, Weber emphasized a structured, formal network of relationships among specialized positions in an organization. Rules and regulations standardize behavior, and authority resides in positions rather than in individuals. As a result, the organization need not rely on a particular individual, but will realize efficiency and success by following the rules in a routine and unbiased manner.

According to Weber, bureaucracies are especially important because they allow large organizations to perform the many routine activities necessary for their survival. Bureaucratic positions foster specialized skills, eliminating many subjective judgments by managers. If the rules and controls are established properly, bureaucracies should be unbiased in their treatment of people, both customers and employees. Many organizations today are bureaucratic.



● German sociologist Max Weber believed that a bureaucracy approach would make management more efficient and consistent. Cci/Shutterstock



**Exhibit 2.3** Characteristics of an effective bureaucracy

**Source:** Adapted from M. Weber, *The Theory of Social and Economic Organization*, trans. T. Parsons and A. Henderson (New York: Free Press, 1947), pp. 324–41.

Bureaucracy can be efficient and productive. However, bureaucracy is not the appropriate model for every organization. Organizations or departments that need rapid decision making and flexibility may suffer under a bureaucratic approach. Some people may not perform their best with excessive bureaucratic rules and procedures.

Other shortcomings stem from faulty execution of bureaucratic principles rather than from the approach itself. Too much authority may be vested in too few people; the procedures may become the ends rather than the means; or managers may ignore appropriate rules and regulations. Finally, one advantage of a bureaucracy—its stability—can also be a problem. Once a bureaucracy is established, dismantling it is very difficult.

## 2.4 | Administrative Management

The **administrative management** approach emphasized the perspective of senior managers within the organization and argued that management was a profession and could be taught.

A broad framework for administrative management emerged in 1916, when Henri Fayol, a French mining engineer and executive, published a book about his management experiences. Fayol identified five functions and 14 principles of management. The five functions, which are very similar to the four functions discussed in Chapter 1, are planning, organizing, commanding, coordinating, and controlling. Exhibit 2.4 lists and defines the 14 principles. Although some critics claim Fayol treated the principles as universal truths for management, he actually wanted them applied flexibly.<sup>21</sup>

A host of other executives contributed to the administrative management literature. These writers discussed a broad spectrum of management topics, including the social responsibilities of management, the philosophy of management, clarification of business terms and concepts, and organizational principles. Chester Barnard's and Mary Parker Follett's contributions have become classic works in this area.<sup>22</sup>

Barnard, former president of New Jersey Bell Telephone Company, published his landmark book *The Functions of the*

### bureaucracy

a classical management approach emphasizing a structured, formal network of relationships among specialized positions in the organization

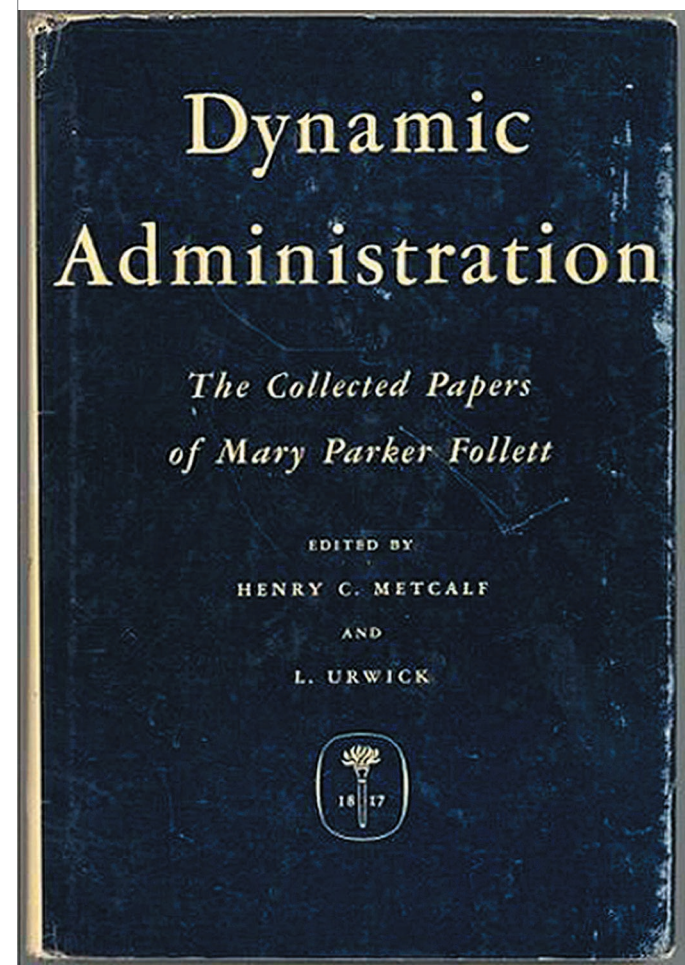
### administrative management

a classical management approach that attempted to identify major principles and functions that managers could use to achieve superior organizational performance

*Executive* in 1938. He outlined the role of the senior executive: formulating the purpose of the organization, hiring key individuals, and maintaining organizational communications.<sup>23</sup>

Mary Parker Follett's 1942 book *Dynamic Administration* extended Barnard's work by emphasizing the continually changing situations that managers face.<sup>24</sup> Two of her key

contributions—the notion that managers desire flexibility and the differences between motivating groups and individuals—laid



- Author of *Dynamic Administration* and other works, Mary Parker Follett was an influential writer, speaker, and management consultant. Call Number: 658.01 F667d (Education Library and Storage Auxiliary) Harper, New York. 320p. Publication Date: 1940 *Dynamic Administration: The Collected Papers of Mary Parker Follett*, Harper, 1942.

Exhibit 2.4

Fayol's 14 principles of management

- 1. *Division of work*—divide work into specialized tasks and assign responsibilities to specific individuals.
- 2. *Authority*—delegate authority along with responsibility.
- 3. *Discipline*—make expectations clear and punish violations.
- 4. *Unity of command*—each employee should be assigned to only one supervisor.
- 5. *Unity of direction*—employees' efforts should be focused on achieving organizational objectives.
- 6. *Subordination of individual interest to the general interest*—the general interest must predominate.
- 7. *Remuneration*—systematically reward efforts that support the organization's direction.
- 8. *Centralization*—determine the relative importance of superior and subordinate roles.
- 9. *Scalar chain*—keep communications within the chain of command.
- 10. *Order*—order jobs and material so they support the organization's direction.
- 11. *Equity*—fair discipline and order enhance employee commitment.
- 12. *Stability and tenure of personnel*—promote employee loyalty and longevity.
- 13. *Initiative*—encourage employees to act on their own in support of the organization's direction.
- 14. *Esprit de corps*—promote a unity of interests between employees and management.

the groundwork for the modern contingency approach discussed later in the chapter.

All the writings in the administrative management area emphasize management as a profession along with fields such as law and medicine. These authors offered many recommendations based on their personal experiences, which often included managing large corporations. Although these perspectives and recommendations were considered sound, critics noted that they might not work in all settings. Different types of personnel, industry conditions, and technologies may affect the appropriateness of these principles.

2.5 | Human Relations

A fifth approach to management, **human relations**, developed during the 1930s. This approach aimed at understanding how psychological and social processes interact with the work situation to influence performance. Human relations was the first major approach to emphasize informal work relationships and worker satisfaction.

This approach owes much to other major schools of thought. For example, many of the ideas of the Gilbreths (scientific management) and Barnard and Follett (administrative management) influenced the development of human relations from 1930 to 1955. In fact, human relations emerged from a research project that began as a scientific management study.

Western Electric Company, a manufacturer of communications equipment, hired a team of Harvard researchers led by Elton Mayo and Fritz Roethlisberger. They were to investigate the influence of physical working conditions on workers' productivity and efficiency in one of the company's factories outside Chicago. This research project, known as the *Hawthorne Studies*, provided some of the most interesting and controversial results in the history of management.<sup>25</sup>

The Hawthorne Studies were a series of experiments conducted from 1924 to 1932. During the first stage of the project (the Illumination Experiments), various working conditions, particularly the lighting in the factory, were altered to determine the effects of those changes on productivity. The researchers found no systematic relationship between the factory lighting and production levels. In some cases, productivity continued to increase even when the illumination was reduced to the level of moonlight. The researchers concluded that the workers performed and reacted differently because the researchers were observing them. This reaction is known as the **Hawthorne effect**.

This conclusion led the researchers to believe productivity may be affected more by psychological and social factors than by physical or objective influences. With this thought in mind, they initiated the other four stages of the project. During these stages, the researchers performed various work group experiments and had extensive interviews with employees. Mayo and his team eventually concluded that productivity and employee behavior were influenced by the informal work group.

Human relations proponents argued that managers should stress primarily employee welfare, motivation, and communication. They believed social needs mattered more than economic needs. Therefore, management must gain the cooperation of the group and promote job satisfaction and group norms consistent with the goals of the organization.

Abraham Maslow was a famous contributor to the field of human relations.<sup>26</sup> In 1943, Maslow suggested that humans have five levels of needs. The most basic needs are the physical needs for food, water, and shelter; the most advanced need is for self-actualization, or personal fulfillment. Maslow argued that people try to satisfy their lower-level needs and then progress upward to the higher-level needs. Managers can facilitate this process and achieve organizational goals by removing obstacles and encouraging behaviors that satisfy people's needs and organizational goals simultaneously.

Although the human relations approach generated research into leadership, job attitudes, and group dynamics, it drew heavy criticism.<sup>27</sup> Critics believed that one result of human relations—a belief that a happy worker was a productive worker—was too simplistic. While scientific management overemphasized the

human relations

a classical management approach that attempted to understand and explain how human psychological and social processes interact with the formal aspects of the work situation to influence performance

Hawthorne effect

people's reactions to being observed or studied, resulting in superficial rather than meaningful changes in behavior



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# Take Charge of Your Career

## Use history to your advantage

Many senior executives and entrepreneurs have not only read many of the modern books by writers like Peter Drucker, Michael Porter, W. Chan Kim, and Renée Mauborgne (discussed later in this chapter), but they also know the classic works of Frederick Taylor, Elton Mayo, Abraham Maslow, Mary Parker Follett, and Douglas McGregor. By familiarizing yourself with these influential works, you can discuss them with senior managers, who will probably be impressed to discover that you have taken the time to learn “where we have come from.”

You might take this approach a step further by learning everything you can about the *history of*

*the industry* in which your organization competes. This may give you insights into your firm’s growth and position relative to its competitors. Next you could dig into the *history of the company* and learn about the key people and founders who shaped its culture and direction. This will help you learn about the firm’s values and how things really work inside its walls.

Last, try to learn about the *history of your supervisor and coworkers* since they joined the organization. This information will give you insight and could prove helpful in many ways. For example, maybe you find out that your supervisor was instrumental in stopping some unethical practices in the department a few years ago. This should tell you that she or he takes these issues very seriously, and thus you and your coworkers should do the same.



Tetra Images/Getty Images

History is a source of information, and information is powerful when it is turned into actionable knowledge that can help you develop an excellent reputation and successful career.



● Employees working at a Western Electric plant circa 1930. Courtesy of Western Electric from the Historical Archive.  
FPG/Hulton Archive/Getty Images