CENGAGE

UNDERSTANDING MANAGEMENT

e

Richard L. Daft & Dorothy Marcic

UNDERSTANDING MANAGEMENT

Richard L. Daft

Vanderbilt University

Dorothy Marcic

Columbia University



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

CENGAGE

Understanding Management, Eleventh Edition Richard L. Daft and Dorothy Marcic

Senior Vice President, Higher Education Product Management: Erin Joyner

Vice President, Product Management: Mike Schenk

Product Director: Bryan Gambrel

Senior Product Manager: Michael Giffen

Senior Content Manager: Julia Chase

Learning Designer: Courtney Wolstoncroft

Product Assistant: Nick Perez

Production Service: SPi-Global

Marketing Manager: Audrey Wyrick

Digital Delivery Lead: Drew Gaither

Manufacturing Planner: Ron Montgomery

Intellectual Property Analyst: Diane Garrity

Intellectual Property Project Manager: Nick Barrows

Senior Art Director: Bethany Bourgeois

Internal Designer: Ted & Trish Knapke/Ke Design/ Bethany Bourgeois

Cover Designer: Bethany Bourgeois

Cover Image credit: iStock-531318564

Front and Back Matter Images: iStock-531318564

© 2020, 2017 Cengage Learning, Inc.

ALL RIGHTS RESERVED. No part of this work covered by the copyright herein may be reproduced, transmitted, stored or used in any form or by any means graphic, electronic, or mechanical, including but not limited to photocopying, recording, scanning, digitizing, taping, Web distribution, information networks, or information storage and retrieval systems, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without the prior written permission of the publisher.

For product information and technology assistance, contact us at Cengage Customer & Sales Support, 1-800-354-9706 or support.cengage.com.

For permission to use material from this text or product, submit all requests online at **www.cengage.com/permissions.**

Library of Congress Control Number: 2018961051

ISBN-13: 978-0-357-03382-1

Cengage

20 Channel Center Street Boston, MA 02210 USA

Cengage is a leading provider of customized learning solutions with office locations around the globe, including Singapore, the United Kingdom, Australia, Mexico, Brazil, and Japan. Locate your local office at: **www.cengage.com/global**

Cengage products are represented in Canada by Nelson Education, Ltd.

To learn more about Cengage platforms and services, register or access your online learning solution, or purchase materials for your course, visit **www.cengage.com.**

Printed in the United States of America Print Number: 01 Print Year: 2019 To my grandchildren: Nelson, Phoenix, Roman, and Samantha, Who bring me perfume-colored taffy and rainbow-scented flowers And fill my world with light-years of happiness. —Dorothy Marcic



The World of Innovative Management

Today's managers and organizations are being buffeted by massive and far-reaching competitive, social, technological, and economic changes. Any manager who believed in the myth of stability was rocked out of complacency several years ago when, one after another, large financial institutions in the United States began to fail, automakers filed for bankruptcy, the housing market collapsed, European economies faced financial devastation, and a global economic recession took hold and wouldn't let go. Business schools, as well as managers and businesses, are still scrambling to cope with the aftermath, keep up with fast-changing events, and evaluate the impact that this volatile period of history will have on organizations in the future. This edition of *Understanding Management* addresses themes and issues that are directly relevant to the current, fast-shifting business environment.

We revised *Understanding Management*, 11th edition, with a goal of helping current and future managers find innovative solutions to the problems that plague today's organizations—whether they are everyday challenges or once-in-a-lifetime crises. The world in which most students will work as managers is undergoing a tremendous upheaval. Ethical turmoil, the need for crisis management skills, e-business and mobile commerce, economic instability, rapidly changing technologies, globalization, outsourcing, increasing government regulation, social media, global supply chains, cybercrime, and other challenges place demands on managers that go beyond the techniques and ideas traditionally taught in management courses. Managing today requires the full breadth of management skills and capabilities. This text provides comprehensive coverage of both traditional management skills and the new competencies needed in a turbulent environment characterized by economic turmoil, political confusion, and general uncertainty. *Understanding Management* focuses especially on small business and entrepreneurship. The theme of the 11th edition is the food business from farming through grocery, restaurants, and waste management. Since the typical undergraduate student is from a demographic very interested in food and its production, these new examples should be of great interest.

In the traditional world of work, management's job was to control and limit people, enforce rules and regulations, seek stability and efficiency, design a top-down hierarchy, and achieve bottom-line results. To spur innovation and achieve high performance, however, managers need different skills. Managers have to find ways to engage workers' hearts and minds as well as take advantage of their labor. The new workplace asks that managers focus on building trust, inspiring commitment, leading change, harnessing people's creativity and enthusiasm, finding shared visions and values, and sharing information and power. Teamwork, collaboration, participation, and learning are guiding principles that help managers and employees maneuver the difficult terrain of today's turbulent business environment. Rather than controlling their employees, managers focus on training them to adapt to new technologies and extraordinary environmental shifts and thus achieve high performance and total corporate effectiveness.

Our vision for this edition of *Understanding Management* is to present the newest management ideas for turbulent times in a way that is interesting and valuable to students while retaining the best of traditional management thinking. To achieve this vision, we have included the most recent management concepts and research and have shown the contemporary application of management ideas in organizations. At the end of many major chapter sections, we have added a "Remember This" feature that provides a quick review of the salient concepts and terms students should remember. Within each chapter, a feature called "Green Power" highlights how various organizations are responding to the growing demand for socially and environmentally responsible ways of doing business. Thoughtful or inspiring quotes within each chapter—some



from business leaders, others from novelists, philosophers, and everyday people—help students expand their thinking about management issues. The combination of established scholarship, new ideas, and real-life applications gives students a taste of the energy, challenge, and adventure inherent in the dynamic field of management. We have worked together with the Cengage staff to provide a textbook that is better than any other at capturing the excitement of organizational management.

We revised *Understanding Management* to provide a book of utmost quality that will create in students both respect for the changing field of management and confidence that they can understand and master it. The textual portion of this book has been enhanced through the engaging, easy-to-understand writing style and the many new in-text examples, boxed items, and short exercises that make the concepts come alive for students. The graphic component has been enhanced with several new and revised exhibits and updated photo essays that illustrate specific management concepts. The well-chosen photographs provide vivid illustrations and intimate glimpses of management scenes, events, and people. The photos are combined with brief essays that explain how a specific management concept looks and feels. Both the textual and graphic portions of the textbook help students grasp the often abstract and distant world of management.

Focus on Innovation: New to the 11th Edition

A primary focus for revising the 11th edition has been to relate management concepts and theories to events in today's turbulent environment by bringing in present-day issues that real-life managers face. Sections that are particularly relevant to fast-shifting current events are marked with a "Hot Topic" icon.

Learning Opportunities

The 11th edition includes several innovative pedagogical features to help students understand their own capabilities and learn what it is like to manage in an organization today. Each chapter in MindTap begins with an interactive self-assessment questionnaire that directly relates to the topic of the chapter and enables students to see how they respond to situations and challenges typically faced by real-life managers. These short questionnaires provide feedback to the students that compares them with their classmates and give students insight into how they would function in the real world of management. "Remember This" bullet-point summaries at the end of many major chapter sections give students a snapshot of the key points and concepts covered in that section. The end-of-chapter questions have been carefully revised to encourage critical thinking and application of chapter concepts, and "Apply Your Skills: Group Learning" exercises give students the opportunity to apply concepts while building teamwork skills. Ethical dilemma scenarios and our "You Make the Decision" branching activities in MindTap help students sharpen their diagnostic skills for management problem solving and thinking like a manager. Finally, the test bank has been expanded with hundreds of all-new questions.

Chapter Content

Within each chapter, many topics have been added or expanded to address the current issues that managers face. Chapter text has been tightened and sharpened to provide greater focus on

v

Preface

the key topics that count most for management today. The essential elements concerning operations and information technology, subject matter that is frequently covered in other courses, have been combined into an appendix for students who want more information about these topics.

Chapter 1 includes a discussion of some of the high-impact events and changes that have made innovative management so critical to the success of organizations today and into the future. This introductory chapter broaches the concept of the bossless organization and discusses making the leap from being an individual contributor in the organization to becoming a new manager and getting work done primarily through the efforts of others. It touches upon the skills and competencies needed to manage organizations effectively, including issues such as managing one's time, maintaining appropriate control, and building trust and credibility.

Chapter 1 also provides solid coverage of the historical development of management and organizations. It begins with an overview of the historical struggle within the field of management to balance the machinery and the humanity of production. The chapter includes sections on managing the technology-driven workplace and managing the people-driven workplace and ends with a consideration of social business as one current answer to the historical struggle. The section on managing the technology-driven workplace includes information on big data analytics and supply chain management. Managing the people-driven workplace includes discussions of the bossless trend and using engagement to manage millennial employees.

Chapter 2 contains an updated view of current issues related to the environment and corporate culture, including a discussion of organizational ecosystems, the growing importance of the international environment, and trends in the sociocultural environment, including changing social views toward issues such as same-sex marriage and the legalization of marijuana. The chapter also describes how managers shape a high-performance culture as an innovative response to a shifting environment.

Chapter 3 takes an updated look at the shifting international landscape, including the growing clout of China and India and the proposed Trans-Pacific Partnership as well as what these changes mean for managers around the world. The chapter includes a new look at the shifting geography of the *Fortune* Global 500 companies, describes the importance of cultural intelligence (CQ) and a global mind-set, and considers communication challenges, incorporating a new discussion of the role of implicit communication. The chapter includes a section on social entrepreneurship, discusses the bottom-of-the-pyramid (BOP) concept, and considers how the global supply chain brings new ethical challenges for managers in companies based in the United States and other Western countries.

Chapter 4 makes the business case for incorporating ethical values in the organization and looks at the role that managers play in creating an ethical organization. The chapter includes an updated discussion of the state of ethical management today, the pressures that can contribute to unethical behavior in organizations, the difference between "giving" and "taking" corporate cultures, and criteria that managers can use to resolve ethical dilemmas. The chapter considers corporate social responsibility issues as well, including new discussions of conscious capitalism, greenwashing, and benefit corporations.

Chapter 5 provides a discussion of the overall planning and goal-setting process. The chapter describes the socially constructed nature of goals and how managers decide which goals to pursue. It also outlines the criteria for effective goals and talks about the value of key performance indicators. The chapter covers some of the benefits and limitations of planning and goal setting and includes a discussion of using management by means (MBM) to lessen the problem of too much pressure to attain goals. The final section describes innovative approaches to planning to help managers plan in a fast-changing environment.

Chapter 5 continues the focus on the basics of formulating and implementing strategy, including the elements of strategy and Michael E. Porter's competitive strategies. In addition, the chapter explains the Boston Consulting Group (BCG) matrix and diversification strategy.

Chapter 6 gives an overview of managerial decision making, including decision-making models, personal decision styles, and a revised and updated discussion of biases that can cloud managers' judgment and lead to bad decisions. The chapter includes a new section on quasirationality and a short discussion of the 5 Whys technique. The final section looks at innovative group decision

making, including the concept of evidence-based decision making, avoiding groupthink and escalating commitment, and using after-action reviews.

Chapter 7 discusses basic principles of organizing and describes both traditional and contemporary organizational structures in detail. The chapter includes a discussion of the strengths and weaknesses associated with each structural approach and looks at new positions such as chief digital officer (CDO) and social media director. It also offers a discussion of how companies are changing their physical space to enhance relational coordination and horizontal collaboration.

Chapter 8 focuses on the critical role of managing change and innovation in today's business environment and includes a revised and expanded discussion of disruptive innovation and the ambidextrous approach. The chapter describes the bottom-up approach to innovation and the use of innovation contests and explains the horizontal linkage model for new product development. In addition, it describes how some companies are using an innovation by acquisition strategy and discusses open innovation and crowdsourcing. The final sections of the chapter examine the reasons why many people resist change and discuss techniques for implementing change effectively.

Chapter 9 reflects the shifting role of human resource management (HRM) in today's turbulent economic environment. The chapter includes new discussions of talent management, the techniques of blind hiring and fast track hiring, and the types of training and development most desired by young professionals. The chapter also discusses pre-hire testing, using big data to make hiring or compensation decisions, acqui-hiring (acquiring start-ups to get the human talent), and using social media and internships for recruiting. The section on training and development has been updated and includes a discussion of social learning.

Chapter 9 also has a revised section that reflects the most recent thinking on organizational diversity issues. This part includes an updated discussion of demographic changes occurring in the domestic and global workforce and how organizations are responding. It also includes a new section on the challenges that minorities face in organizations, including the problem of unconscious bias. The chapter contains an expanded discussion of challenges that women face, including a revised section on the glass ceiling and the "bamboo ceiling" and delves into the importance of mentoring and employee affinity groups for supporting diverse employees.

Chapter 10 continues its solid coverage of the basics of understanding individual behavior, including personality, attitudes, perception, and emotions. In addition, the chapter includes a section on the value and difficulty of self-awareness, techniques for enhancing self-awareness and recognizing blind spots, and an expanded discussion of the concept of emotional contagion. The chapter also describes self-management and gives a step-by-step guide to time management. The section on stress management has been enhanced by a discussion of challenge stress versus threat stress and revised sections describing ways that both individuals and organizations can combat the harmful effects of too much stress.

Chapter 11 examines contemporary approaches to leadership, including Level 5 leadership, authentic leadership, and servant leadership. The chapter also discusses charismatic and transformational leadership, task versus relationship leadership behaviors, gender differences in leadership, the importance of leaders discovering and honing their strengths, and the role of followers. The section on leadership power has been enhanced with a discussion of the differences between *hard* versus *soft* power.

Chapter 12 covers the foundations of motivation and incorporates sections on positive versus negative approaches to motivating employees and the use of intrinsic versus extrinsic rewards. The chapter also describes motivational methods such as the making progress principle, employee engagement, and building a thriving workforce.

Chapter 13 explores the basics of good communication and includes discussions of using social media for communication, the importance of radical candor, using redundant communication for important messages, and practicing powerful body positions to enhance nonverbal communication. The chapter also discusses the role of listening and asking questions. It includes a section on creating an open communication climate and an expanded and enriched discussion of communicating to influence and persuade.

Preface

Chapter 14 takes a fresh look at the contributions that teams make in organizations. It also acknowledges that work teams are sometimes ineffective and explores the reasons for this, including such problems as free riders and lack of trust. The chapter looks at the difference between putting together a team and building teamwork, covers the types of teams, and includes a look at using technology effectively in virtual teams. It also discusses how factors such as team diversity, member roles, norms, and team cohesiveness influence effectiveness. The section on team norms has been enriched by a discussion of the value of promoting norms of psychological safety and equal participation for effective teamwork. There is also a section on negotiation and managing conflict, including an explanation of task versus relationship conflict and a new look at different ways of expressing conflict.

Chapter 15 provides an overview of financial and quality control, including the feedback control model, Six Sigma, International Organization for Standards (ISO) certification, and use of the balanced scorecard. The chapter includes a discussion of zero-based budgeting, an explanation of quality partnering, and a step-by-step benchmarking process. The chapter also addresses the current issue of electronic monitoring.

You can find an appendix, "Managing Start-Ups and New Ventures" in the eBook.

In addition to the topics listed previously, this text integrates coverage of the Internet, social media, and new technology into the various topics covered in each and every chapter.

Organization

The chapter sequence in *Understanding Management* is organized around the management functions of planning, organizing, leading, and controlling. These four functions effectively encompass both management research and the characteristics of the manager's job.

Part 1 introduces the world of management, including the nature of management, issues related to today's chaotic environment, historical perspectives on management, and the technology-driven workplace.

Part 2 examines the environments of management and organizations. This section includes material on the business environment and corporate culture, the global environment, and ethics and social responsibility.

Part 3 presents two chapters on planning, including organizational goal setting and planning, strategy formulation and execution, and the decision-making process.

Part 4 focuses on organizing processes. These chapters describe dimensions of structural design, the design alternatives that managers can use to achieve strategic objectives, structural designs for promoting innovation and change, the design and use of the human resource function, and how the approach to managing diverse employees is significant to the organizing function.

Part 5 is devoted to leadership and control. The section begins with a chapter on understanding individual behavior, including self-awareness and self-understanding. This foundation paves the way for subsequent discussions of leadership, motivation of employees, communication, and team management.

Part 6 describes the controlling function of management, including basic principles of total quality management (TQM), the design of control systems, and the difference between hierarchical and decentralized control.

Innovative Features

The major goals of this solution are to offer better ways to convey management knowledge to the reader, while providing opportunities for students to "think and act like a manager". To this end, the book and MindTap[®] include several innovative features that draw students in and help them contemplate, absorb, and apply management concepts. Cengage has brought together a team of experts to create and coordinate color photographs, video cases, beautiful artwork, and learning activities for the best management textbook and digital learning solution on the market.

Text and Ebook Features

Chapter Outline and Objectives. Each chapter begins with a clear statement of its learning objectives and an outline of its contents. These devices provide an overview of what is to come and can be used by students to guide their study and test their understanding and retention of important points.

Self-Assessments. Available in the book/e-book and MindTap, self-assessments grab students' attention immediately by giving them a chance to participate in the chapter content actively. The students answer personal questions related to the topic and score the assessment based on their answers. These self-assessments provide insight into what to expect and how students might perform in the world of the new manager.

Take Action. At strategic places within the chapter, students are invited to "Take Action" to complete a self-assessment that relates to the concepts being discussed.

Green Power. A "Green Power" box in each chapter highlights how managers in a specific company are innovatively addressing issues of sustainability and environmental responsibility. Examples of companies spotlighted in these boxes include Whole Foods Market, Cargill Foods India, Burt's Bees, Enel, Coca-Cola, Acciona, Procter & Gamble, Nike, Bean and Body, Intel, and PepsiCo.

Concept Connection Photo Essays. A key feature of the book is the use of photographs accompanied by detailed photo essay captions that enhance learning. Each caption highlights and illustrates one or more specific concepts from the text to reinforce student understanding of the concepts; they also convey the vividness, immediacy, and concreteness of management events in today's business world.

Contemporary Examples. Every chapter of this book contains several examples of management incidents. They are placed at strategic points in the chapter and are designed to illustrate the application of concepts to specific companies, including bossless organizations and other innovative designs. These in-text examples—indicated by the title "Sunny Side Up"—include well-known U.S. and international organizations, including Tesla Motors, the Golden State Warriors, Google, The Container Store, and General Motors (GM), as well as lesser-known companies and not-for-profit organizations, including Yokohama Nursery Company, the Ackerman Institute for the Family, Buurtzorg, and Upper West Side Yoga and Wellness.

Recipe for Success. A "Recipe for Success" box in each chapter addresses a specific topic straight from the food business that is of special interest to students. The new examples include Second Harvest Food Bank, Starbucks, and Kraft Foods as well as start-up organic farms, Vegan donut bakers, a Paleo bakery, two food trucks, craft services for a TV series, and various other small, and often scrappy, food companies. The boxes heighten student interest in the subject matter and provide an auxiliary view of management issues not typically available in textbooks.

Video Cases. Each chapter in MindTap and in the MindTap eReader includes a video case that illustrates the concepts presented in the text. These 15"On the Job" videos (one per chapter) enhance the classroom experience by giving students the chance to hear from real-world business leaders so they can see the direct application of the management theories they have learned. Companies discussed include Tough Mudder, Bissell Brothers Brewery, Black Diamond Equipment, Camp Bow Wow, Theo Chocolate, and many more innovative organizations. Each video case explores critical managerial issues, allowing students to synthesize material they've just viewed. The video cases sections culminate with several questions that can be used to launch classroom discussion or can be assigned as homework. Suggested answers are provided in the Instructor's Manual.

Exhibits. Several exhibits have been added or revised in this edition to enhance student understanding. Many aspects of management are research based, and some concepts tend to be abstract and theoretical. The many exhibits throughout this book enhance students' awareness and understanding of these concepts. These exhibits consolidate key points, indicate relationships among concepts, and visually illustrate concepts. They also make effective use of color to enhance their imagery and appeal.

Preface

Remember This. At the end of each major section of a chapter is a "Remember This" bulletpoint summary of the key concepts, ideas, and terms discussed in that section. The "Remember This" feature gives students an easy way to review the salient points covered in the chapter.

Glossaries. Learning the management vocabulary is essential to understanding contemporary management. This process is facilitated in three ways. First, key concepts are boldfaced and completely defined where they first appear in the text. Second, brief definitions are set out at the end of each major section in the "Remember This" list for easy review and follow-up. Third, students can access flashcards and the glossary in the MindTap product.

Discussion Questions. Each chapter closes with discussion questions that will enable students to check their understanding of key issues, to think beyond basic concepts, and to determine areas that require further study.

Apply Your Skills Exercises. End-of-chapter exercises called "Apply Your Skills" provide self-tests and exercises for students and opportunities to experience management issues in a personal way. These exercises take the form of questionnaires, scenarios, and activities.

Small Group Breakout Exercises. "Apply Your Skills: Group Learning" exercises at the end of each chapter give students a chance to develop both team and analytical skills. Completing the small-group activities will help students learn to use the resources provided by others in the group, to pool information, and to develop a successful outcome together. The "Small Group Breakouts" provide experiential learning that leads to deeper understanding and application of chapter concepts.

Off-Site Learning. "Apply Your Skills: Action Learning" offers students a chance to apply concepts from the chapter either individually or in groups.

Case for Critical Analysis. Also appearing at the end of each chapter is a brief but substantive case that offers an opportunity for student analysis and class discussion. These cases are based on real management problems and dilemmas, but the identities of companies and managers have been disguised. These cases allow students to sharpen their diagnostic skills for management problem solving.

MindTap[®] Management Features

MindTap[®] for Daft/Marcic's *Understanding Management*, 11th edition, is the digital learning solution that helps instructors engage and transform today's students into critical thinkers. Through paths of dynamic assignments and applications that you can personalize, real-time course analytics, and an accessible reader, MindTap helps you turn cookie-cutter into cuttingedge, apathy into engagement, and memorizers into higher-level thinkers. The control to build and personalize your course is all yours, letting you focus on the most relevant material while also lowering costs for your students. Stay connected and informed in your course through real-time student tracking that provides the opportunity to adjust the course as needed based on analytics of interactivity in the course.

Online Self-Assessments. Each chapter starts with short interactive self-assessment questionnaires. Students see how they respond to situations and challenges typically faced by real-life managers and get feedback that compares them with their classmates and provides insight into how they would function in the real world.

Videos. Concept clips help students gain understanding from short, detailed animations that address core concepts with narrated audio. These videos are found in MindTap and the MindTap eReader. On the Job videos give students an inside look into various companies and organizations.

Chapter Assignment. Auto-graded questions powered by *Aplia*, offer detailed feedback and a rotating pool of questions of varying complexity to help students learn to think like managers.

Chapter Quiz. These quizzes test students' knowledge of chapter concepts.

You Make the Decision. These activities let students make real-world business decisions and experience the results of their decisions to help them think like managers.

Experiential Team Task Exercises. Team Tasks (group projects) are designed to develop collaboration, communication and critical thinking skills. Powered by *YouSeeU*, instructors are provided with options for grading and rubrics, and options for setting up and monitoring groups. Students leverage tools for scheduling meetings, collaborating, setting milestones, and uploading documents or videos.

Study Tools: Practice Tests. Students can select which chapters or sections to include in a practice test that mimick's the test experience.

Affordable and Flexible Options for Students

CENGAGE UNLIMITED

Cengage Unlimited is the first-of-its-kind digital subscription designed specially to lower costs. Students get total access to everything that Cengage has to offer on demand—in one place. That's 20,000 eBooks, 2,300 digital learning products, and dozens of study tools across 70 disciplines and over 675 courses, currently available in select markets. Details can be found at www.cengage.com/Unlimited.

Students can also use Cengage.com to select from rent or buy options for the textbook, ebook and MindTap.

Of Special Interest to Instructors

Instructors will find a number of valuable resources available on our online instructor resource center accessed through Cengage.com. These include the following:

Instructor's Manual. Designed to provide support for instructors new to the course as well as innovative materials for experienced professors, the Instructor's Manual includes chapter outlines, annotated learning objectives, lecture notes, and sample lecture outlines. In addition, the Instructor's Manual includes answers and teaching notes to end-of-chapter materials.

Cengage Testing Powered by Cognero. Cognero is a flexible online system that allows you to author, edit, and manage test bank content from multiple Cengage solutions; create multiple test versions in an instant; and deliver tests from your LMS (Learning Management System), your classroom, or wherever you want. The test bank has been expanded with hundreds of new questions.

PowerPoint Lecture Presentation. The PowerPoint Lecture Presentation enables instructors to customize their own multimedia classroom presentation. The material is organized by chapter and can be modified or expanded for individual classroom use.



From Richard Daft: I want to extend special appreciation to my assistant, Linda Roberts, here at Vanderbilt. Linda provided excellent support and assistance on a variety of projects that gave me time to write. I also want to acknowledge an intellectual debt to my colleagues, Bruce Barry, Mark Cannon, David Owens, Ty Park, Ranga Ramanujam, Joe Ryan, Bart Victor, and Tim Vogus. Thanks also to Deans Eric Johnson and Richard Willis, who have supported my writing projects and maintained a positive scholarly atmosphere in the school.

I'd like to pay special tribute to my longtime editorial associate, Pat Lane. I can't imagine how I would ever complete my part of a comprehensive revision without her. Pat provided truly outstanding help throughout every step of writing this edition of *Understanding Management*. She skillfully drafted materials for a wide range of chapter topics, boxes, and cases; researched topics when new sources were lacking; and did an absolutely superb job with the copyedited manuscript and page proofs. Her commitment to this text enabled us to achieve our dream for its excellence.

I also want to acknowledge the love and support from my daughters—Danielle, Amy, Roxanne, Solange, and Elizabeth—who make my life special during our precious time together.

Thanks also to BJ, Kaitlyn, Kaci, Emily, Nelson, Samantha, Roman, and Phoenix for their warmth and smiles that brighten my life.

Richard L. Daft Nashville, Tennessee

From Dorothy Marcic: As a human who operates in community, I have many wonderful people surrounding me who give me continuous support, and this includes my assistants, Allison Greer O'Bryant and Emileena Pedigo. Friends and colleagues who gave invaluable encouragement and assistance include Bill Franzblau, Bob and Debbie Rosenfeld, Valerie Rutstein, Linda Assaf, Haley Swindall, Jamibeth Margolis, Janice Maffei, Deb Victoroff, Wendi Momen, Kathleen McEnerny, Ron Browning, Silvy and Ron Gray, Janet Conrad, Kate DeStefano Weisman, Peter McIntosh, Franz Grebacher, Gail Phanuf, Peter Neamann, Victoria Marsick, Marie Volpe, Karen Streets-Anderson, Andi Seals, Adrienne Corn, Mark and Maxine Rossman, Adrienne Ewing-Roush, Hillary Chapman, Kenneth Ferrone, Aram Ferdowsi, Nikki Gundry, and Lishy Price. And Dick Daft, whose collaboration on this book is greatly satisfying. How can one do such a project without family love and support? My sister, Janet Mittelsteadt, is a true friend; my cousins, Shannon Stordock Hecht, Donna Stordock, Rick and Bill Stordock, Marilyn Nowak, Michael Shoemaker (the genealogist who has helped me find my own roots), and Katherine Runde (who is so precious), and Tony, Iskandar, and Eden Hai. There is no way to imagine my life without my three beautiful daughters-Roxanne, Solange, and Elizabeth, along with my amazing sons-in-law, Thomas Williams and Ryan Lash-who have taught me more than all my degrees combined, and then my lovely stepdaughters, Danielle and Amy. And finally, what I see now as the crowning aspect of life, my four grandchildren, Nelson, Phoenix, Roman, and Samantha. You light up my life.

> Dorothy Marcic New York, NY



We would also like to continue to acknowledge those reviewers who have contributed comments, suggestions, and feedback on this and all previous editions:

David C. Adams Manhattanville College

David Alexander Christian Brothers University

Erin M. Alexander University of Houston–Clear Lake

David Arseneau Eastern Illinois University

Reginald L. Audibert California State University– Long Beach

Hal Babson Columbus State Community College

Reuel Barksdale Columbus State Community College

Gloria Bemben Finger Lakes Community College

Pat Bernson County College of Morris

Andy Bertsch Minot State University

Art Bethke Northeast Louisiana University

Frank Bosco Marshall University

Burrell A. Brown California University of Pennsylvania

Paula Buchanan Jacksonville State University

Deb Buerkley Southwest Minnesota State University Thomas Butte Humboldt State University

Peter Bycio Xavier University, Ohio

Diane Caggiano Fitchburg State College

Douglas E. Cathon St. Augustine's College

Peggy Cerrito Augsburg College

Camille Chapman Greenville Technical College

Bruce Charnov Hofstra University

Jim Ciminskie Bay de Noc Community College

Gloria Cockerell Collin College

Dan Connaughton University of Florida

Bruce Conwers Kaskaskia College

Jack Cox Amberton University

Byron L. David City College of New York

V. J. Daviero Pasco Hernando Community College

H. Kristl Davison University of Mississippi

Richard De Luca William Paterson University

Robert DeDominic Montana Tech Mark DeHainaut California University of Pennsylvania

Granison Eader Manor College

Joe J. Eassa, Jr. Palm Beach Atlantic University

John C. Edwards East Carolina University

Mary Ann Edwards College of Mount St. Joseph

Paul Ewell Bridgewater College

Mary M. Fanning College of Notre Dame of Maryland

Janice M. Feldbauer Austin Community College

Merideth Ferguson Baylor University

Daryl Fortin Upper Iowa University

Karen Fritz Bridgewater College

Michael P. Gagnon New Hampshire Community Technical College

Richard H. Gayor Antelope Valley College

Dan Geeding Xavier University, Ohio

James Genseal Joliet Junior College

Peter Gibson Becker College

Acknowledgments

Alexandra Giesler Augsburg College

Yezdi H. Godiwalla University of Wisconsin–Whitewater

Carol R. Graham Western Kentucky University

Gary Greene Manatee Community College

James Halloran Wesleyan College

Ken Harris Indiana University Southeast

Martin Hart Manchester Community College

Kathy Hastings Greenville Technical College

Paul Hayes Coastal Carolina Community College

Dennis Heaton Maharishi University of Management, Iowa

Stephen R. Hiatt Catawba College

Jeffrey D. Hines Davenport College

Bob Hoerber Westminster College

Betty Hoge Bridgewater College

James N. Holly University of Wisconsin– Green Bay

Genelle Jacobson *Ridgewater College*

Jody Jones Oklahoma Christian University

C. Joy Jones Ohio Valley College

Kathleen Jones University of North Dakota Sheryl Kae Lynchburg College

Jordan J. Kaplan Long Island University

J. Michael Keenan Western Michigan University

Jerry Kinard Western Carolina University

Renee Nelms King Eastern Illinois University

Gloria Komer Stark State College

Paula C. Kougl Western Oregon University

Cynthia Krom Mount St. Mary College

Sal Kukalis California State University– Long Beach

Mukta Kulkarni University of Texas–San Antonio

Donna LaGanga Tunxis Community College

William B. Lamb Millsaps College

Ruth D. Lapsley Lewis-Clark State College

Robert E. Ledman Morehouse College

George Lehma Bluffton College

Joyce LeMay Bethel University

Cynthia Lengnick-Hall University of Texas–San Antonio

Gilda Lewis University of Memphis

Janet C. Luke Georgia Baptist College of Nursing

Jenna Lundburg Ithaca College Walter J. MacMillan Oral Roberts University

Iraj Mahdavi National University

Myrna P. Mandell California State University, Northridge

Daniel B. Marin Louisiana State University

Michael Market Jacksonville State University

Joan McBee Southern Oregon University

Wade McCutcheon East Texas Baptist College

James C. McElroy *Iowa State University*

Tom D. McFarland *Tusculum College*

Dennis W. Meyers Texas State Technical College

Alan N. Miller University of Nevada– Las Vegas

Irene A. Miller Southern Illinois University

Tom Miller Concordia University

W J Mitchell Bladen Community College

Daniel Morrell Middle Tennessee State University

James L. Moseley *Wayne State University*

Micah Mukabi Essex County College

David W. Murphy Madisonville Community College

Nora Nurre Upper Iowa University

Ross O'Brien Dallas Baptist University Tomas J. Ogazon St. Thomas University

Allen Oghenejbo Mills College

John Okpara Bloomsburg University

Linda Overstreet Hillsborough Community College

Michael Payne Milwaukee School of Engineering

Ken Peterson Metropolitan State University

Lori A. Peterson Augsburg College

Clifton D. Petty Drury College

James I. Phillips Northeastern State University

Marliss Platz Cankdeska Cikana Community College

Michael Provitera Barry University

Linda Putchinski University of Central Florida

Abe Qastin Lakeland College

Kenneth Radig Medaille College

Gerald D. Ramsey Indiana University Southeast

Holly Caldwell Ratwani Bridgewater College

Barbara Redmond Briar Cliff College

Tommie Redwine Clatsop Community College

William Reisel St. John's University–New York

Barbara Ribbens Illinois State University Terry L. Riddle Central Virginia Community College

Linda Ridley Hostos Community College

Walter F. Rohrs Wagner College

Meir Russ University of Wisconsin– Green Bay

Marcy Satterwhite Lake Land College

Don Schreiber Baylor University

Kilmon Shin Ferris State University

Daniel G. Spencer University of Kansas

Gary Spokes Pace University

M. Sprencz David N. Meyers College

Shanths Srinivas California State Polytechnic University, Pomona

Barbara Stasek Pasco Hernando Community College

Jeffrey Stauffer Ventura College

William A. Stower Seton Hall University

Mary Studer Southwestern Michigan College

James Swenson Moorhead State University, Minnesota

Thomas Sy California State University– Long Beach

Irwin Talbot St. Peter's College

Andrew Timothy Lourdes College Frank G. Titlow St. Petersburg Junior College

John Todd University of Arkansas

Kevin A. Van Dewark Humphreys College Linn Van Dyne Michigan State University

Philip Varca University of Wyoming

Dennis L. Varin Southern Oregon University

Gina Vega Merrimack College

George S. Vozikis University of Tulsa

Noemy Wachtel Kean University

Peter Wachtel *Kean University*

Bruce C. Walker Northeast Louisiana University

Kevin Wayne *Rivier College*

Mark Weber University of Minnesota

Emilia S. Westney *Texas Tech University*

Rhonda Wetzler Illinois Central College

Irene Wilder Jefferson Community College

Stan Williamson Northeast Louisiana University

Alla L. Wilson University of Wisconsin– Green Bay

Ignatius Yacomb Loma Linda University

Imad Jim Zbib Ramapo College of New Jersey

Vic Zimmerman Pima Community College





Courtesy of the Author

Richard L. Daft, Ph.D., is the Brownlee O. Currey, Jr., Professor of Management and Principal Senior Lecturer in the Owen Graduate School of Management at Vanderbilt University. Professor Daft specializes in the study of organization theory and leadership. He is a fellow of the Academy of Management and has served on the editorial boards of the Academy of Management Journal, Administrative Science Quarterly, and Journal of Management Education. He was the associate editor-in-chief of Organization Science and served for three years as associate editor of Administrative Science Quarterly.

Professor Daft has authored or co-authored more than a dozen books, including Building Management Skills: An Action-First Approach (with Dorothy Marcic, South-Western, 2014), The Executive and the Elephant: A Leader's Guide for Building Inner Excellence (Jossey-Bass, 2010), Organization Theory and Design (South-Western, 2016), The Leadership Experience (South-Western, 2018), and Fusion Leadership: Unlocking the Subtle Forces That Change People and Organizations (Berrett-Koehler, 2000, with Robert Lengel). He has also written dozens of scholarly articles, papers, and chapters in other books. His work has been published in Administrative Science Quarterly, Academy of Management Journal, Academy of Management Review, Strategic Management Journal, Journal of Management, Accounting Organizations and Society, Management Science, MIS Quarterly, California Management Review, and Organizational Behavior Teaching Review. Professor Daft is listed among the world's most highly cited authors in the fields of economics and business. In addition, he is an active teacher and consultant.

Professor Daft has taught management, leadership, organizational change, organizational theory, and organizational behavior. He has served as associate dean, produced for-profit theatrical productions, and helped manage a start-up enterprise. He has been involved in management development and consulting for many companies and government organizations, including the American Banking Association, Bridgestone/Firestone, Bell Canada, the National Transportation Research Board, the National Academy of Science, the Tennessee Valley Authority (TVA), Pratt & Whitney, State Farm Insurance, Tenneco, the U.S. Air Force, the U.S. Army, J. C. Bradford & Co., Central Parking System, Entergy Sales and Service, Bristol-Myers Squibb, First American National Bank, United Methodist Church, Oak Ridge National Laboratory, and the Vanderbilt University Medical Group.



Francois Bonneau

Dorothy Marcic, Ed.D, M.P.H., M.F.A., is a professor at Columbia University and former faculty member at Vanderbilt University. Dr. Marcic is also a former Fulbright Scholar at the University of Economics in Prague and the Czech Management Center where she taught courses and did research on leadership, organizational behavior, and cross-cultural management. She has taught courses at the Monterrey Institute of International Studies and has taught courses or given presentations at the Helsinki School of Economics, Slovenia Management Center, College of Trade in Bulgaria, City University of Slovakia, Landegg Institute in Switzerland, the Swedish Management Association, Technion University in Israel, and the London School of Economics. Other international work includes projects at the Autonomous University in Guadalajara, Mexico, and a training program for the World Health Organization in Guatemala. She has served on the boards of the Organizational Teaching Society, the Health Administration Section of the American Public Health Association, and the *Journal of Applied Business Research*.

Dr. Marcic has authored 18 books, including Organizational Behavior: Experiences and Cases (South-Western Publishing, 6th edition, 2001), Management International (West Publishing, 1984), Women and Men in Organizations (George Washington University, 1984), and Managing with the Wisdom of Love: Uncovering Virtue in People and Organizations (Jossey-Bass, 1997), which was rated one of the top 10 business books of 1997 by Management General, as well as Love Lift Me Higher (George Ronald, 2011). Her most recent book is a true crime thriller about

xvi



the murder of her uncle and is called *With One Shot: Family Murder and a Search for Justice.* In addition, she has had dozens of articles printed in such publications as *Journal of Management Development, International Quarterly of Community Health Education, Psychological Reports,* and *Executive Development.* She has recently been exploring how to use the arts in the teaching of leadership and has a book, *RESPECT: Women and Popular Music,* which serves as the basis for the musical theater production *Respect: A Musical Journey of Women (also titled This One's for the Girls,* which has played in over 75 cities and also the Off-Broadway *SISTAS: The Musical,* in its eighth year Off-Broadway.

Professor Marcic has conducted thousands of seminars on various business topics and consulted for executives at AT&T Bell Labs, the governor and cabinet of North Dakota, the U.S. Air Force, Slovak Management Association, Eurotel, Hallmark Corp, Viacom, Czech Ministry of Finance, the Cattaraugus Center, USAA Insurance, State Farm Insurance, the Salt River– Pima Indian Tribe in Arizona, and Viacom.



- Part 1 Introduction to Management 2
 - 1 The World of Innovative Management 2

Part 2 The Environment of Management 52

- 2 The Environment and Corporate Culture 52
- 3 Managing in a Global Environment 86
- 4 Managing Ethics and Social Responsibility 118

Part 3 Planning 150

- 5 Planning and Goal Setting 150
- 6 Managerial Decision Making 190

Part 4 Organizing 226

- 7 Designing Organization Structure 226
- 8 Managing Change and Innovation 268
- 9 Managing Human Talent and Diversity 302

Part 5 Leading 364

- 10 Understanding Individual Behavior 364
- 11 Leadership 406
- 12 Motivating Employees 444
- 13 Managing Communication 478
- 14 Leading Teams 512

Part 6 Controlling 548

- 15 Managing Quality and Performance 548
 - Glossary 580 Name Index 595 Company Index 601 Subject Index 607



Management Competencies for Today's World 5

Part 1 Introduction to Management 2

Chapter 1 The World of Innovative Management 2

Discover Your Management Approach 4

Sunny Side Up Oregon Ducks 6 Time Management Tips for New Managers 18 Buurtzorg 33

Green Power 9

Recipe for Success General Mills 10

Recipe for Success Second Harvest Food Bank of Middle Tennessee 20

Half-Baked Management Equifax 20

Green Power 24

Recipe for Success McDonald's 35

Recipe for Success Morning Star 40 The Basic Functions of Management 7 Organizational Performance 9 Management Skills 11 When Skills Fail 12 What Is a Manager's Job Really Like? 14 Making the Leap: Becoming a New Manager 14 • Manager Activities 16 Manager Roles 19 Managing in Small Businesses and Nonprofit Organizations 21 The Evolution of Management Thinking 22 The Historical Struggle: The Things of Production versus the Humanity of Production 22 Classical Perspective 24 Scientific Management 25 • Bureaucratic Organizations 26 • Administrative Principles 28 • Management Science 29 Humanistic Perspective 30 Early Advocates 31 • Human Relations Movement 31 • Human Resources Perspective 32 · Behavioral Sciences Approach 33 Recent Historical Trends 34 Systems Thinking 34 · Contingency View 36 Innovative Management Thinking into the Future 37 Managing the New Technology-Driven Workplace 38 • Managing the New People-Driven Workplace 40 The Historical Struggle: Is Social Business the Answer? 41

Part 2 The Environment of Management 52

Chapter 2 The Environment and Corporate Culture 52

Discover Your Management Approach Are You Fit for Managerial Uncertainty? 54

Recipe for Success Grilled Cheeserie 56

Sunny Side Up Costco Wholesale Corporation 58 Facebook 68 The Bossless Workplace 69 Chris Rock 70 TubeMogul 72

Green Power There Is No Finish Line for Sustainability 61

Half-Baked Management Wells Fargo 73

Discover Your Management Approach Culture Preference 74 The External Environment 54 *Task Environment 55 General Environment 57*The Organization–Environment Relationship 64 *Environmental Uncertainty 64 Adapting to the Environment 64*The Internal Environment: Corporate Culture 66 *Symbols 68 • Stories 69 • Heroes 69 Slogans 70 • Ceremonies 71*Types of Culture 71 *Adaptability Culture 72 • Achievement Culture 73 Involvement Culture 73 • Consistency Culture 74*Shaping Corporate Culture for Innovative Response 75 *Managing the Higb-Performance Culture 75 • Cultural Leadership 77*

xix



Chapter 3 Managing in a Global Environment 86

Discover your Management Approach Are You Ready to Work Internationally? 88

Sunny Side Up Bosslessness Emerges Around the Globe 89 Xiaomi 95 Social Entrepreneurship 98

Half-Baked Management Chevron Ecuador 91

Recipe for Success Coffee of Grace 92

Green Power 94

Recipe for Success Godrej & Boyce 97

Recipe for Success Starbucks 100 A Borderless World 89 Globalization 89 • Developing a Global Mind-set 91 The Changing International Landscape 93 China, Inc. 93 • India, the Service Giant 95 Multinational Corporations 96 Characteristics of Multinational Corporations 96 Serving the Bottom of the Pyramid 97 Getting Started Internationally 99

Legal–Political Challenges 101 Sociocultural Challenges 102

Social Values 102 Communication Challenges 104

International Trade Alliances 107 *GATT and the WTO* 107 • European Union 108 North American Free Trade Agreement (NAFTA) 109 Trans-Pacific Partnership 109

Chapter 4 Managing Ethics and Social Responsibility 118

Discover Your

Management Approach What Is Your Level of Ethical Maturity? 120

Sunny Side Up

Paula Reid, U.S. Secret Service 127 Unequal Technologies 129 The Container Store 133 Cultivating a Service Mind-Set 138 Google 139

Recipe for Success Urban Roots 134

Green Power 135

Half-Baked Management JPMorgan Chase 140 What Is Managerial Ethics? 121
Ethical Management Today 122 • The Business Case for Ethics and Social Responsibility 123
Ethical Dilemmas: What Would You Do? 124

Frameworks for Ethical Decision Making 125 Utilitarian Approach 126 • Individualism Approach 126 • Moral Rights Approach 126 • Justice Approach 126 • Practical Approach 126

The Individual Manager and Ethical Choices 128 The Stages of Moral Development 128 Giving versus Taking 130

What Is Corporate Social Responsibility? 131
 Organizational Stakeholders 131 • Conscious Capitalism 133
 The Green Movement 134 • Sustainability and the Triple Bottom Line 135
 Benefit Corporations and B Lab 136

Managing Company Ethics and Social Responsibility 137 Code of Ethics 138 • Ethical Structures 139 • Whistle-Blowing 140



Part 3 Planning 150

Chapter 5 Planning and Goal Setting 150

Discover Your Management Approach Does Goal Setting Fit Your Management Style? 152

Sunny Side Up Goal Conflict versus Manager Coalition 156 Unilever 158 Google 161 Western Digital Thailand 166 Amazon 173 InSinkErator, Emerson Electric Company 177 Procter & Gamble 179

Green Power The Bees Buzz 160

Half-Baked Management Theranos 165

Recipe for Success Asarasi 175

Green Power A Transformation in Clean Power 178 Goal Setting and Planning Overview 153 Levels of Goals and Plans 153 • The Organizational Planning Process 154 Goal Setting in Organizations 155 Organizational Mission 155 · Goals and Plans 157 Performance Management 159 Criteria for Effective Goals 159 • Management by Objectives (MBO) 160 Benefits and Limitations of Planning 163 Planning for a Turbulent Environment 164 Contingency Planning 164 • Scenario Building 164 • Crisis Planning 166 Innovative Approaches to Planning 168 Set Stretch Goals for Excellence 168 Strategy 169 Thinking Strategically 170 What Is Strategic Management? 170 Purpose of Strategy 171 Should You Crowdsource Your Strategy? 173 SWOT Analysis 174 Formulating Corporate-Level Strategy 177 The BCG Matrix 177 • Diversification Strategy 179 Formulating Business-Level Strategy 180 Porter's Five Competitive Forces 180

Chapter 6 Managerial Decision Making 190

Discover Your Management Approach How Do You Make Decisions? 192

Sunny Side Up Ram Trucks 194 Do Biases Influence Your Decision Making? 212

Green Power 194

Half-Baked Management Samsung Galaxy 200

Half-Baked Management U.S. Postal Service 201

Recipe for Success Hudson Valley Cold Pressed Oils 204

Recipe for Success Rose Acre Farms 207 Types of Decisions and Problems 193 Programmed and Nonprogrammed Decisions 193 • Facing Uncertainty and Ambiguity 195
Decision-Making Models 197 The Ideal, Rational Model 197 • How Managers Make Decisions 198 The Political Model 200
Decision-Making Steps 202 Recognition of Decision Requirement 202 • Diagnosis and Analysis of Causes 203 Development of Alternatives 205 • Selection of the Desired Alternative 205 Implementation of the Chosen Alternative 206 • Evaluation and Feedback 206
Personal Decision Framework 208
Why Do Managers Make Bad Decisions? 209
Innovative Decision Making 213 Start with Brainstorming 213 • Use Hard Evidence 213 • Engage in Rigorous Debate

ххі



Part 4 Organizing 226

Chapter 7 Designing Organization Structure 226

Discover Your

Management Approach What Are Your Leadership Beliefs? 228

Half-Baked Management General Electric 231

Sunny Side Up Rolls Royce 234 Google 240 Haier Group 245 The Bossless Upside-Down Structure 246 Microsoft 251 Southwest Airlines 255

Green Power 236

Recipe for Success Smart Balance 248

Recipe for Success Sweetgreen 254 Organizing the Vertical Structure 229 Division of Labor 230 Chain of Command 232 Span of Management 233 Centralization and Decentralization 235

Departmentalization 237 Vertical Functional Approach 239 • Divisional Approach 240 • Matrix Approach 242 • Team Approach 244 Virtual Network Approach 247

Organizing for Horizontal Coordination 250 The Need for Coordination 251 Task Forces, Teams, and Project Management 252 Relational Coordination 253

Factors Shaping Structure 256 Structure Follows Strategy 256 Structure Fits the Technology 258

Chapter 8 Managing Change and Innovation 268

Discover Your Management Approach Do You Have True Grit? 270

Sunny Side Up Elevate Packaging 271 Visa 273 PricewaterhouseCoopers 278 Use Six Thinking Hats for Better Ideas 278 Quirky 282 ENSR 288

Recipe for Success Rubicon Global 273

Recipe for Success HN Agri Serve 275

Green Power 276

Half-Baked Management Uber Ride-Sharing 281 Innovation and the Changing Workplace 271 Disruptive Innovation 271 The Ambidextrous Approach 272
Changing Things: New Products and Technologies 274 Exploration 274 Cooperation 279 Innovation Roles 283
Changing People and Culture 284 Training and Development 285 Organization Development (OD) 285
Implementing Change 289 Why Do People Resist Change? 289 Create a Sense of Urgency 290 Apply Force-Field Analysis 290 Use Implementation Tactics 291

Chapter 9 Managing Human Talent and Diversity 302

The Strategic Role of HRM Is to Drive Organizational Performance 304 *The Strategic Approach 305 Building Human Capital to Drive Performance 307* The Impact of Federal Legislation on HRM 309

xxii



Discover Your Management Approach Will You Get the Right People

Will You Get the Right People on the Bus? 304

Sunny Side Up

Tesla Motors Inc. 305 Upper West Side Yoga and Wellness (UWS Yoga) 306 Yahoo 313 IGN's Code Foo 317 Ace the Interview 319 Delaware North 321 Alterra LLC 330 Yokohama Nursery Company, Yamato Holdings 335 Mark Luckie and Leslie Miley, Twitter 343 Leyla Seka, Salesforce 345 Google and Intel 348

Green Power 309

Recipe for Success Love 'n Faith Community Café 316

Half-Baked Management

Patriots Super Bowl 52 325 Green Power 336

The Changing Social Contract 311 The End of Lifetime Employment 311 • Innovative HR Practices 312 Finding the Right People 314 Human Resource Planning 314 • Recruiting 315 • Selecting 318 Developing Talent 323 Training and Development 323 • Performance Appraisal 324 Maintaining an Effective Workforce 327 Rewards 328 · Benefits 329 · Termination 329 Diversity in the Workplace 330 Diversity Challenges in Corporate America 331 • Diversity Challenges on a Global Scale 335 Managing Diversity 336 Diversity and Inclusion 337 • Diversity of Thought 338 • Dividends of Workplace Diversity 339 Factors Shaping Personal Bias 340 Unconscious Bias 340 • Workplace Prejudice, Discrimination, and Stereotypes 341 Challenges Minorities Face 342 Factors Affecting Women's Careers 344 The Glass Ceiling 344 • The Opt-Out Trend 345 • The Female Advantage 346 Diversity Initiatives and Programs 347 Enhancing Structures and Policies 347 • Expanding Recruitment Efforts 348

Establishing Mentor Relationships 349 • Increasing Awareness of Sexual Harassment 349 • Encouraging Employee Affinity Groups 350

Part 5 Leading 364

Chapter 10 Understanding Individual Behavior 364

Discover Your

Management Approach Do You Have a Gender and Authority Bias? 366

Sunny Side Up

Lois Braverman, Ackerman Institute for the Family 368 Marissa Mayer, Yahoo, and Richard Branson, Virgin Group 376 The Rise of the Introverted Manager 377 Chade-Meng Tan, Google 384 Freelancers Union 392

Green Power 370

Half-Baked Management Valeant 372

Recipe for Success Frank's Little Farm 379

Recipe for Success385Something Good to Eat385

Understanding Yourself and Others 367 The Value and Difficulty of Knowing Yourself 367 Enhancing Your Self-Awareness 367
Job Satisfaction and Trust 369
Job Satisfaction 369
Trust 370
Perception and Attributions 372
Perception and Perceptual Distortions 372 • Attributions: A Special Case of Perception 374
Personality and Behavior 375
Personality Traits 375 • Attitudes and Behaviors Influenced by Personality 377
Problem–Solving Styles and the Myers–Briggs Type Indicator™ 381
Emotions 383
Positive and Negative Emotions 383 • Emotional Intelligence 384
Managing Yourself 386
Basic Principles for Self-Management 387 • A Step-By-Step Guide for Managing
Your Time 387
Stress and Stress Management 389
Challenge Stress and Threat Stress 389 • Type A and Type B Behavior Patterns 390
Causes of Work Stress 390 • Innovative Responses to Stress 391

xxiii



Chapter 11 Leadership 406

Discover Your Management Approach What Is Your Leadership Orientation? 408

Sunny Side Up Bossless Does Not Mean

Admiral Vernon E. Clark, U.S. Chief of Naval Operations, 2000–2005 414 Michelle Rhee 427 Ron Rivera, Carolina Panthers 432

Recipe for Success Levain Bakery 410

Half-Baked Management Nike 413

Recipe for Success422Laura Smith, Yola422

Green Power 426

The Nature of Leadership 409 Contemporary Leadership 410 Level 5 Leadership 411 • Servant Leadership 412 Authentic Leadership 412 Interactive Leadership 414 From Management to Leadership 416 Leadership Traits 417 Behavioral Approaches 419 Task versus People 419 • The Leadership Grid[®] 419 Contingency Approaches 420 The Situational Model of Leadership 421 Fiedler's Contingency Theory 423 Situational Substitutes for Leadership 424 Charismatic and Transformational Leadership 425 Charismatic Leadership 425 • Transformational versus Transactional Leadership 426 Followership 428 Power and Influence 430 Hard Position Power 431 • Personal Soft Power 431 • Other Sources of Power 432 • Interpersonal Influence Tactics 433

Chapter 12 Motivating Employees 444

Discover Your Management Approach What Motivates You? 446

Sunny Side Up Motivating in a Bossless Environment 449 Hilcorp Energy 468

Recipe for Success Zingerman's Community of Businesses 452

Recipe for Success Mars Incorporated 454

Green Power 456

Half-Baked Management Twinkies 459

Recipe for Success Mulan Dumplings 465 Individual Needs and Motivation 447
Intrinsic and Extrinsic Rewards 447
Content Perspectives on Motivation 450 *The Hierarchy of Needs 450 • ERG Theory 452 A Two-Factor Approach to Motivation 453 • Acquired Needs 454*Process Perspectives on Motivation 455 *Goal Setting 456 • Equity Theory 457 • Expectancy Theory 459*Reinforcement Perspective on Motivation 461 *Direct Reinforcement 461 • Social Learning Theory 462*Job Design for Motivation 463 *Job Enrichment 463 • Job Characteristics Model 464*Innovative Ideas for Motivating 466 *Empowering People to Meet Higher Needs 467 Giving Meaning to Work Through Engagement 468 The Making Progress Principle 469*



Chapter 13 Managing Communication 478

Discover Your Management Approach

Do You Focus on What Others Say? 480

Sunny Side Up Gender Differences in Communication 484 Changing the Present 488 Seattle Seahawks 490 Tupperware Nordic 496 Little Mosque on the Prairie 500

Green Power 489

Recipe for Success Earl's Kitchen + Bar 492

Half-Baked Management University of California-Irvine 499

Recipe for Success Lazeez 502 Communication Is the Manager's Job 481 What Is Communication? 482 A Model of Communication 482 Communicating Among People 484 Open Communication Climate 485 Communication Channels 485 Communicating to Persuade and Influence Others 487 Communicating with Radical Candor 489 Asking Questions 491 Listening 491 Nonverbal Communication 492 Workplace Communication 494 Social Media 494 Personal Communication Channels 496 Formal Communication Channels 500

Chapter 14 Leading Teams 512

Discover Your Management Approach How Do You Like to Work? 514

Green Power 515

Sunny Side Up Golden State Warriors 516 How to Run a Great Meeting 524 Diebold Inc. 527 Google 533

Recipe for Success
Tandem Bakery 518

Half-Baked Management
Comcast 522

The Value of Teams 515 What Is a Team? 515 • Contributions of Teams 517 • Types of Teams 518
The Personal Dilemma of Teamwork 521
Model of Team Effectiveness 523
Virtual Teams 524
Team Characteristics 527 Size 528 • Diversity 528 • Member Roles 528
Team Processes 530 Stages of Team Development 530 • Building a Cohesive Team 531 • Establishing Team Norms 532
Managing Team Conflict 534
Types of Conflict 534 • Balancing Conflict and Cooperation 535 • Causes of Conflict 535 • Styles of Handling Conflict 536 • Ways of Expressing Conflict 537 • Negotiation 538



Part 6 Controlling 548

Chapter 15 Managing Quality and Performance 548

Discover Your

Management Approach What Is Your Attitude Toward Improvement? 550

Half-Baked Management Fyre Festival 552

Sunny Side Up Quantify Yourself 553 Pharrell Williams, Inc. 559 La-Z-Boy 564

Recipe for Success Little Mosque on the Prairie 554

Recipe for Success FreshDirect 555

Recipe for Success Campbell Soup Company 560

Green Power 563

Recipe for Success 3G Capital Partners, H. J. Heinz Company, Kraft Food Group 567

Recipe for Success 7-Eleven 570 The Meaning of Control 551 Feedback Control Model 552 Four Steps of Feedback Control 552 The Balanced Scorecard 555 The Changing Philosophy of Control 557 Hierarchical versus Decentralized Approaches 558 **Open-Book Management** 560 Total Quality Management 561 TQM Techniques 561 TQM Success Factors 564 Budgetary Control 565 Expense Budget 566 Revenue Budget 566 Cash Budget 566 Capital Budget 566 Zero-Based Budget 567 Financial Control 568 Financial Statements 568 Financial Analysis: Interpreting the Numbers 570 Trends in Quality and Financial Control 572 International Quality Standards 572 • Electronic Monitoring 572

Glossary 580 Name Index 595 Company Index 601 Subject Index 607

xxvi

33821_fm_hr_i-xxvii.indd 27

1/8/19 3:19 PM

PART 1 Chapter 1The World of Innovative Management



Chapter Outline

Management Competencies for Today's World

The Basic Functions of Management

Organizational Performance

Management Skills When Skills Fail

What Is a Manager's Job Really Like? Making the Leap: Becoming a New Manager Manager Activities

Manager Roles

Managing in Small Businesses and Nonprofit Organizations The Evolution of Management Thinking

The Historical Struggle: The Things of Production Versus the Humanity of Production

Classical Perspective Scientific Management Bureaucratic Organizations Administrative Principles Management Science

Humanistic Perspective Early Advocates Human Relations Movement Human Resources Perspective

Behavioral Sciences Approach

Recent Historical Trends Systems Thinking Contingency View

Innovative Management Thinking into the Future Managing the New Technology-Driven Workplace

Managing the New People-Driven Workplace

The Historical Struggle: Is Social Business the Answer?

2

Learning Outcomes

After studying this chapter, you should be able to:

- **1.1** Describe five management competencies that are becoming crucial in today's fast-paced and rapidly changing world.
- **1.2** Define the four management functions and the type of management activity associated with each.
- **1.3** Explain the difference between efficiency and effectiveness and their importance for organizational performance.
- **1.4** Describe technical, human, and conceptual skills and their relevance for managers.
- **1.5** Describe management types and the horizontal and vertical differences among them.
- **1.6** Summarize the personal challenges involved in becoming a new manager.
- **1.7** Define 10 roles that managers perform in organizations.
- **1.8** Explain the unique characteristics of the manager's role in small businesses and nonprofit organizations.
- **1.9** Summarize the historical struggle between managing the "things of production" and the "humanity of production."
- **1.10** Describe the major components of the classical and humanistic management perspectives.
- **1.11** Discuss the management science approach and its current use in organizations.
- **1.12** Explain the major concepts of systems thinking and the contingency view.
- **1.13** Provide examples of contemporary management tools and explain why these trends change over time.
- **1.14** Describe the management changes brought about by a technology-focused workplace, including the role of big data analytics and supply chain management.
- **1.15** Explain how organizations are implementing the ideas of bossless workplaces and employee engagement to facilitate a peoplefocused workplace.
- **1.16** Explain how social business is bridging the historical struggle between managing the "things of production" and the "humanity of production."

Are You Ready To Be a Manager?

Before reading this chapter, please circle either "Mostly True" or "Mostly False" for each of the following five statements.

I am good at multitasking.

[page 16]

 $2^{l'\!d}$ be a good manager because I enjoy telling people what to do.

Mostly True <------ Mostly False

Page 5]

3 I get easily distracted if I have frequent interruptions in my work.

Mostly True <------ Mostly False

[page 17

 \mathbf{A} l like to be systematic when solving problems.

Mostly True <-----> Mostly False

[page 25]

5 I have a keen awareness of other people's needs.

Mostly True <-----> Mostly False

Page 31]

Discover Your Management Approach

Welcome to the world of management. Are you ready for it? This questionnaire will help you see whether your priorities align with the demands placed on today's managers.

Instructions: Rate each of the following items based on your orientation toward personal achievement. Read each item and based on how you feel right now, check either Mostly True or Mostly False.

	wostly frue	wostly raise
1. I enjoy the feeling I get from mastering a new skill.		
2. Working alone is typically better than working in a group.		
3. I like the feeling I get from winning.		
To complete and score the entire assessment, visit MindTap.		

"In the late 1980s, it seemed inconceivable that Bon Jovi would last five years," wrote one music historian. Yet more than three decades after the rock group was founded, it is still one of the world's top-selling bands. In 2014, Jon Bon Jovi was ranked No. 4 on Forbes's list of the year's highest-paid musicians, and the December 2015 announcement of the band's 14th album had classic rock fans eagerly anticipating another concert tour.¹ Bon Jovi has been so successful partly because its lead singer and namesake is a consummate manager. For example, as the group prepared for the launch of its most recent tour, Jon Bon Jovi was hidden away in the arena at the Mohegan Sun casino in Uncasville, Connecticut, for days, overseeing nearly 100 people organized into various teams such as lighting, sound, and video. It is an activity that he performs again and again when the band is touring, managing a tightly coordinated operation similar to setting up or readjusting a production line for a manufacturing business. Yet Bon Jovi is also performing other management activities throughout the year-planning and setting goals for the future, organizing tasks and assigning responsibilities, influencing and motivating band members and others, monitoring operations and finances, and networking inside and outside the organization (in perhaps the most prestigious example, he was appointed to President Barack Obama's White House Council for Community Solutions). Efficiency and effectiveness are key words in his vocabulary. "Jon is a businessman," said former comanager David Munns. "He knows how to have a great-quality show, but he also knows how to be efficient with money."2

Jon Bon Jovi was smart enough to hire good people who could handle both production activities and the day-to-day minutiae that go along with a global music business. However, it took several years to develop and hone his management skills. He assumed top management responsibilities for the band in 1992, about 10 years after founding it, because he had a vision that his professional managers weren't supporting. "Most of my peers wanted to be on the cover of *Circus* [a magazine devoted to rock music that was published from 1966 to 2006]," he said. "I wanted to be on the cover of *Time*."³

The nature of management is to motivate and coordinate others to cope with diverse and far-reaching challenges. One surprise for many people when they first step into a management role is that they are much less in control of things than they expected to be. Many new managers expect to have power, to be in control, and to be personally responsible for departmental outcomes. However, managers, who depend on subordinates more than the reverse, are evaluated on the work of other people rather than on their own achievements. Managers set up the systems and conditions that help other people perform well. In the past, many managers exercised tight control over employees. But the field of management is undergoing a revolution that asks managers to do more with less, to engage employees' hearts and minds as well as their physical energy, to see change rather than stability as natural, and to inspire vision and cultural values that allow people to create a truly collaborative and productive workplace. This textbook introduces and explains the process of management and the changing ways of thinking about the world that are critical for managers.

Management matters, as substantiated by a McKinsey Global Institute study. In collaboration with the Centre for Economic Performance at the London School of Economics and partners from Stanford and Harvard Universities, McKinsey collected data over a dozen years from roughly 14,000 organizations in more than 30 countries. The data show that well-managed companies have higher productivity, higher market value, and greater growth, as well as a superior ability to survive difficult conditions.⁴ By reviewing the actions of some successful and not-sosuccessful managers, you will learn the fundamentals of management. By the end of this chapter, you will recognize some of the skills that managers use to keep organizations on track, and you will begin to understand how managers can achieve astonishing results through people. By the end of this book, you will understand the fundamental management skills for planning, organizing, leading, and controlling a department or an entire organization.

1-1 Management Competencies for Today's World

Management is the attainment of organizational goals in an effective and efficient manner through planning, organizing, leading, and controlling organizational resources as Jon Bon Jovi does for his rock band and as chairman of the Jon Bon Jovi Soul Foundation, a nonprofit organization that supports community efforts to combat poverty and homelessness. You will learn more about these four basic management functions later in this chapter.

There are certain elements of management that are timeless, but environmental shifts also influence the practice of management. In recent years, rapid environmental changes have caused a fundamental transformation in what is required of effective managers. Technological advances such as social media and mobile apps, the move to a knowledge/information-based economy, the rise of virtual work, global market forces, the growing threat of cyber crime, and shifting employee and customer expectations have led to a decline in organizational hierarchies and more empowered workers, which calls for a new approach to management that may be quite different from managing in the past.⁵ Exhibit 1.1 shows the shift from the traditional management approach to the new management competencies that are essential in today's environment.

Instead of being a *controller*, today's effective manager is an *enabler* who helps people do and be their best. Today's managers learn to "design the rules of the game without specifying the actions of the players."⁶ Managers shape the cultures, systems, and conditions and then give people the freedom to move the organization in the direction it needs to go. Managers help people get what they need, remove obstacles, provide learning opportunities, and offer feedback, coaching, and career guidance. Instead of "management by keeping tabs," they employ an empowering leadership style. Much work is done in teams rather than by individuals, so team leadership skills are crucial. People in many organizations work at scattered locations, so managers can't monitor behavior continually. Some organizations are even experimenting with a bossless design that turns management authority and responsibility over to employees. Managing relationships based on authentic conversation and collaboration is essential for successful outcomes. Social media represent a growing tool for managers to enhance communication and collaboration in support of empowered or bossless work environments. In addition, managers sometimes coordinate the work of people who aren't under their direct control, such as those in partner organizations, and they sometimes even work with competitors. They have to find common ground among people who might have disparate views and agendas and align them to go in the same direction.

"I was once a command-and-control guy, but the environment's different today. I think now it's a question of making people feel they're making a contribution."

—JOSEPH J. PLUMERI, FORMER CHAIRMAN AND CEO OF WILLIS GROUP HOLDINGS

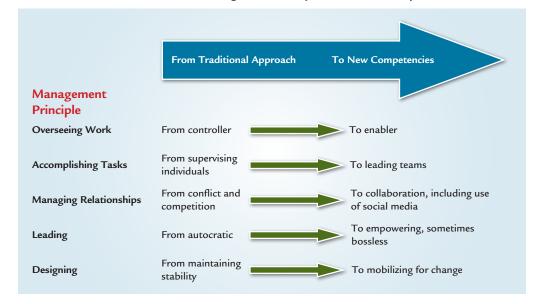


Exhibit 1.1 State-of-the-Art Management Competencies for Today's World

Also, as shown in Exhibit 1.1, today's best managers are "future facing." That is, they design the organization and culture to anticipate threats and opportunities from the environment, challenge the status quo, and promote creativity, learning, adaptation, and innovation. Industries, technologies, economies, governments, and societies are in constant flux, and managers are responsible for helping their organizations navigate through the unpredictable with flexibility and innovation.⁷ Today's world is constantly changing, but "the more unpredictable the environment, the greater the opportunity—if [managers] have the ... skills to capitalize on it."⁸

There are managers in all types of organizations who are learning to apply the new management skills and competencies, and you will learn about some of them throughout this textbook. Consider how coaches of the Oregon Ducks football team are applying new management ideas.

Sunny Side Up **Oregon Ducks**

"It's awesome," the Oregon Ducks starting center told a reporter. "There's leadership everywhere you go. We call it horizontal leadership." Hroniss Grasu now plays for the Chicago Bears of the National Football League (NFL), but he spent four years as starting center for the University of Oregon Ducks.

The Ducks are known for doing things differently. Instead of a hierarchical organization with the head coach at the top, Ducks coaches, administrators, and players are considered equals and collaborators. When head coach Mark Helfrich was asked about the team's leadership, he quickly mentioned about 10 names of players who had stepped forward as vocal leaders. A freshman can call out a senior just as easily as a senior star can challenge a new player. The lowliest graduate assistant is treated with the same respect and esteem as a high-level staff member. "It's so different here," said player Bralon Addison. "Everybody's just'one' and I like that so much about this team."

Another way in which the Ducks are different is that coaches have done away with the traditional approach of yelling at players in favor of a softer, more caring method of correction and motivation. "When you put your arm around a guy and say, 'This is how it could be done better,' they understand you care about them and you just want what's best for the team," said Marcus Mariota, the Ducks Heisman Trophy–winning former quarterback. "Those guys already understand that they did wrong."

Former defensive coordinator Nick Aliotti says things weren't that way when he coached for the Ducks. "I would raise my voice at times," he admits. "But society has changed." By the end of his career with Oregon, Aliotti says he rarely raised his voice because players were no longer responding to that kind of communication.⁹ The approach the Oregon Ducks coaches use to interact with a new generation of football players is also being used more often in other types of organizations. Research has found that the "drill sergeant approach" doesn't go over well with the "Millennial" generation (those born in the 1980s and 1990s), so managers in all types of organizations are using a softer, more collaborative style of management.¹⁰

The shift to a new way of managing isn't easy for traditional managers who are accustomed to being "in charge," making all the decisions, and knowing where their subordinates are and what they're doing at every moment. Even more changes and challenges are on the horizon for organizations and managers. This is an exciting and challenging time to be entering the field of management. Throughout this book, you will learn much more about the new workplace, about the new and dynamic roles that managers are playing in the twenty-first century, and about how you can be an effective manager in a complex, ever-changing world.

Remember This

- Managers get things done by coordinating and motivating other people.
- Management is often a different experience from what people expect.
- **Management** is defined as the attainment of organizational goals in an effective and efficient manner through planning, organizing, leading, and controlling organizational resources.
- Turbulent environmental forces have caused a significant shift in the competencies required for effective managers.
- Traditional management competencies could include a command-and-control leadership style, a focus on individual tasks, and a standardization of procedures to maintain stability.
- New management competencies include being an enabler rather than a controller, using an empowering leadership style, encouraging collaboration, leading teams, and mobilizing for change and innovation.
- The Oregon Ducks football team illustrates some of the new management competencies.

1-2 The Basic Functions of Management

Every day, managers solve difficult problems, turn organizations around, and achieve astonishing performances. To be successful, every organization needs good managers. The famed management theorist Peter Drucker (1909–2005), often credited with creating the modern study of management, summed up the job of the manager by specifying five tasks, as outlined in Exhibit 1.2.¹¹ In essence, managers set goals, organize activities, motivate and communicate, measure performance, and develop people. These five manager activities apply not only to top executives such as Mark Zuckerberg at Facebook, Ginni Rometty at IBM, and Kenneth Chenault at American Express but also to the manager of a restaurant in your hometown, the leader of an airport security team, a supervisor at a Web hosting service, or the director of sales and marketing for a local business.

The activities outlined in Exhibit 1.2 fall into four fundamental management functions: planning (setting goals and deciding activities), organizing (organizing activities and people), leading (motivating, communicating with, and developing people), and controlling (establishing targets and measuring performance). Depending on their job situation, managers perform numerous and varied tasks, but they all can be categorized within these four primary functions.

Exhibit 1.2 illustrates the process of how managers use resources to attain organizational goals through the functions of planning, organizing, leading, and controlling. Chapters of this book are devoted to the multiple activities and skills associated with each function, as well as to the environment, global competitiveness, and ethics that influence how managers perform these functions. Ineffective control can damage an organization. A good example comes from the U.S. Secret Service, which has been embroiled in a public relations nightmare for several years, partly due to a breakdown of managerial control. For example, in March 2015, after a night out drinking,

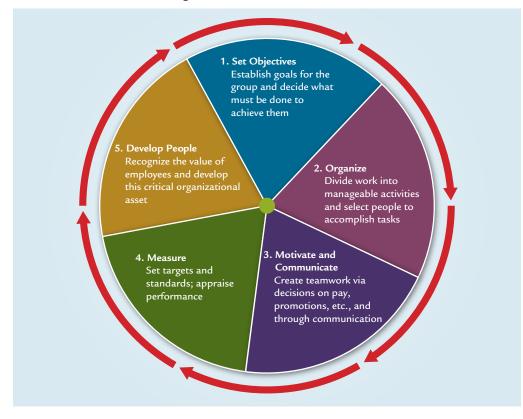
"Good management is the art of making problems so interesting and their solutions so constructive that everyone wants to get to work and deal with them."

—PAUL HAWKEN, ENVIRONMENTALIST, ENTREPRENEUR, AND AUTHOR OF *NATURAL CAPITALISM*

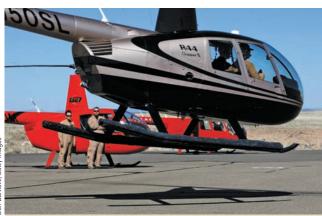


Part 1 Introduction to Management

Exhibit 1.2 What Do Managers Do?



SOURCE: Based on "What Do Managers Do?" The Wall Street Journal Online, http://guides.wsj.com/management/developing-a-leadership-style/what-do-managers-do //(accessed August 11, 2010), article adapted from Alan Murray, The Wall Street Journal Essential Guide to Management (New York: Harper Business, 2010).



Concept Connection

John Stonecipher finds that as the president and CEO of Guidance Aviation, a high-altitude flight school in Prescott, Arizona, his job involves all four management functions. Once he's charted the course for the operation (**planning**) and put all the necessary policies, procedures, and structural mechanisms in place (**organizing**), he supports and encourages his 50+ employees (**leading**) and makes sure that nothing falls through the cracks (**controlling**). Thanks to his strengths in all of these areas, the U.S. Small Business Administration named Stonecipher a National Small Business Person of the Year. two senior agents in a government car hit a security barrier at an active bomb investigation near the White House. Although officers on duty wanted to administer a sobriety test, a supervisor told the officers to let the offending agents go home. This event, combined with numerous other allegations of agent misconduct and "morally repugnant behavior," has put the Secret Service in a harsh spotlight. Two directors have resigned under pressure, and numerous agents and top executives have been fired or demoted. One response from managers has been to create stricter rules of conduct, rules that apply even when agents are off duty.¹²

Remember This

- Managers perform a wide variety of activities that fall within four primary management functions.
- Recent U.S. Secret Service agency scandals can be traced partly to a breakdown of management control.

8

1-3 Organizational Performance

The definition of management also encompasses the idea of attaining organizational goals in an efficient and effective manner. Management is so important because organizations are so important. In an industrialized society where complex technologies dominate, organizations bring together knowledge, people, and raw materials to perform tasks that no individual could do alone. Without organizations, how could technology be provided that enables us to share information around the world in an instant; electricity be produced from huge dams and nuclear power plants; and millions of songs, videos, and games be available for our entertainment at any time and place? Organizations pervade our society, and managers are responsible for seeing that resources are used wisely to attain organizational goals.

Our formal definition of an **organization** is a social entity that is goal directed and deliberately structured. *Social entity* means being made up of two or more people. *Goal directed* means designed to achieve some outcome, such as make a profit (Target Stores), win pay increases for members (United Food & Commercial Workers), meet spiritual needs (Lutheran Church), or provide social satisfaction (college sorority Alpha Delta Pi). *Deliberately structured* means that tasks are divided, and responsibility for their performance is assigned to organization members. This definition applies to all organizations, including both for-profit and nonprofit ones. Small, offbeat, and nonprofit organizations are more numerous than large, visible corporations—and just as important to society.

Based on our definition of management, the manager's responsibility is to coordinate resources in an effective and efficient manner to accomplish the organization's goals. Organizational **effectiveness** is the degree to which the organization achieves a *stated goal*, or succeeds in accomplishing what it tries to do. Organizational effectiveness means providing a product or service that customers value. Organizational **efficiency** refers to the amount of resources used to achieve an organizational goal. It is based on how much raw material, money, and people are necessary for producing a given volume of output. *Efficiency* can be defined as the amount of resources used to produce a product or service. Efficiency and effectiveness can both be high in the same organization.

Many managers are using mobile apps to increase efficiency, and in some cases, the apps can enhance effectiveness as well.¹³ For example, Square is revolutionizing small business by enabling any smartphone to become a point-of-sale (POS) terminal that allows the user to accept credit card payments. Millions of small businesses and entrepreneurs in the United States and Canada who once had to turn customers away because they couldn't afford the fees charged by credit card

A Local Market in a Box Can a huge corporation that is frequently targeted by environmental activists be a force for social good? Coca-Cola CEO Muhtar Kent believes so. The company has set specific goals to improve the wellbeing of the communities in which it operates, achieve water neutrality in its products and production, and empower women entrepreneurs. One tangible project is the Ekocenter, an off-the-grid, modular "community market in a box" that is run by a local female entrepreneur. At the Ekocenter,

customers can charge their mobile devices, send a fax, access the Internet, pick up educational materials on hygiene and health issues, and buy

Green Power

basic products. Each Ekocenter has solar panels to provide consistent power and reduce the environmental footprint.

With plans for 150 Ekocenters in Africa, Asia, and Latin America, the purpose is to stimulate the local economies and provide some of the most remote and distressed communities in the world access to things many of us take for granted, such as safe drinking water, electric power, and Internet access. The local markets in a box will ultimately create 600 new jobs, mostly for local women entrepreneurs.

SOURCE: Based on Eric J. McNulty, "Teaching the World to Do More Than Sing," *Strategy* + *Business* (September 8, 2015), http://www.strategy-business.com/article/00358?gko=a9ace (accessed February 15, 2016).

Recipe for Success

General Mills

Sales at General Mills have been lagging, but thanks to extensive and thoughtful cost-cutting and smart strategic decisions, profits haven't suffered. General Mills managers pay attention to both efficiency and effectiveness.

To reduce overhead expenses, managers have cut hundreds of jobs at corporate headquarters, closed factories, and sold off the struggling Green Giant and Le Sueur brands. An annual efficiency program that concentrates on reducing waste and improving productivity has saved \$2.4 billion over the past five years. But CEO Ken Powell knows cutting costs isn't enough. "To have a sustainable business model, you have to have growth," he says.

General Mills managers are pumping money into products that meet changing consumer tastes. Powell says Millennial

consumers, a growing part of the company's customer base, have "different food values" and pay much more attention to what goes into their food. The company recently bought the natural and organic food maker Annie's, reduced sugar by 25 percent in its original Yoplait yogurt, and introduced several new products under the Nature Valley brand. General Mills has also cut salt from many of its products and banished artificial colors and flavors from all of its cereals. Gluten-free Chex is the company's fastest-growing cereal, so managers cut gluten from Cheerios and are rolling out more gluten-free products.

General Mills managers strive to find a balance between efficiency and effectiveness to stay competitive in the rapidly changing food industry. "I've been doing this a long time, and I've never seen it this fast," Powell said.¹⁴

companies can now use Square to process credit cards. Customers get their need to pay with a card met, and businesses get a sale that they might have missed.¹⁵

All managers have to pay attention to costs, but severe cost cutting to improve efficiency whether it is by using cutting-edge technology or old-fashioned frugality—can sometimes hurt organizational effectiveness. The ultimate responsibility of managers is to achieve high **performance**, which is the attainment of organizational goals by using resources in an efficient *and* effective manner. Consider the example of General Mills, maker of Cheerios cereal and Betty Crocker dessert mixes.

Powell knows he and his managers must both run an efficient operation as well as adapt their company's products to give customers what they want. Compare the approach of General Mills managers to what happened at music company EMI. Weak sales led managers to focus on financial efficiency, which successfully trimmed waste and boosted operating income. However, the efficiencies damaged effectiveness by reducing the company's ability to recruit new artists, who are vital to record companies, and also led to internal turmoil that caused some longtime acts like the Rolling Stones to leave the label. Thus, the company's overall performance suffered. After struggling for several years, the century-old music company was split in two and sold for \$4.1 billion to Universal Music Group and Sony Corporation.¹⁶

Remember This

- An organization is a social entity that is goal-directed and deliberately structured.
- Good management is important because organizations contribute so much to society.
- Efficiency pertains to the amount of resources—raw materials, money, and people—used to produce a desired volume of output.
- Effectiveness refers to the degree to which the organization achieves a stated goal.
- Some managers are using mobile apps to increase efficiency; one example is Square, which is used to process credit and debit card payments with a smartphone.
- **Performance** is defined as the organization's ability to attain its goals by using resources in an efficient and effective manner.
- Managers at General Mills are concerned both with keeping costs low (efficiency) and providing products that meet changing consumer tastes (effectiveness).

Chapter 1 The World of Innovative Management

1-4 Management Skills

A manager's job requires a range of skills. Although some management theorists propose a long list of skills, the necessary skills for managing a department or an organization can be placed in three categories: conceptual, human, and technical.¹⁷ As illustrated in Exhibit 1.3, the application of these skills changes dramatically when a person is promoted to management. Although the degree of each skill that is required at different levels of an organization may vary, all managers must possess some skill in each of these important areas to perform effectively.

Human skills are increasingly important for managers at all levels and in all types of organizations.¹⁸ Even at a company such as Google, which depends on technical expertise, human skills are considered essential for managers. Google analyzed performance reviews and feedback surveys to find out what makes a good manager of technical people and found that technical expertise ranked dead last among a list of eight desired manager qualities, as shown in Exhibit 1.4. The exhibit lists eight effective behaviors of good managers. Notice that almost all of them relate to human skills, such as communi-



Concept Connection

Holding degrees in both physics and economics, entrepreneur Elon Musk certainly possesses his share of **technical skills**. He designed and created the first viable electric car—the Tesla roadster—as well as the Web-based payment service PayPal and a spacecraft that will enable private citizens to travel to outer space. But it is his stellar **conceptual skills** that allow him to lead the innovative companies that are making these products and services available to people worldwide.

cation, coaching, and teamwork. People want managers who listen to them, build positive relationships, and show an interest in their lives and careers.¹⁹ A recent study found that human skills were significantly more important than technical skills for predicting manager effectiveness.²⁰ Another survey compared the importance of managerial skills today with those from the late 1980s and found a decided increase in the role of skills for building relationships with others.²¹

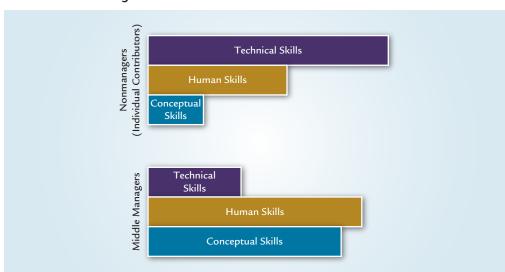


Exhibit 1.3 Relationship of Technical, Human, and Conceptual Skills to Management

Exhibit 1.4 Google's Rules: Eight Good Behaviors for Managers

To know how to build better managers, Google executives studied performance reviews, feedback surveys, and award nominations to see what qualities made a good manager. Here are the "Eight Good Behaviors" Google found, in order of importance:



SOURCE: "Google's Quest to Build a Better Boss," by Adam Bryant, published March 12, 2011, in The New York Times. Courtesy of Google, Inc.

1-4a When Skills Fail

Good management skills are not automatic. Particularly during turbulent times, managers really have to stay on their toes and apply all their skills and competencies in a way that benefits the organization and its stakeholders—employees, customers, investors, the community, and so forth. In recent years, numerous highly publicized examples have shown what happens when managers fail to apply their skills effectively to meet the demands of an uncertain, rapidly changing world.



Everyone has flaws and weaknesses, and these shortcomings become most apparent under conditions of rapid change, uncertainty, or crisis.²² Think of the recent diesel emissions scandal at Volkswagen. In the early 2000s, CEO Martin Winterkorn announced a bold strategy to triple Volkswagen's sales in the United States in just a decade and become the world's largest automaker by 2018. The company reached the goal years earlier, surpassing Toyota in July 2015—but Winterkorn had just two months to savor the victory. He resigned and several other high-level managers were fired after Volkswagen was discovered to have used software in diesel vehicles designed to cheat U.S. emissions tests. Although Winterkorn says he had no knowledge of the trickery, others say the former CEO's meticulous attention to every technical detail and the hard-driving culture he created put enormous pressure on managers to meet high goals.²³

The numerous ethical and financial scandals of recent years have left people cynical about business and government managers and even less willing to overlook mistakes. Crises and examples of deceit and greed grab the headlines, but many more companies falter or fail less spectacularly. Managers fail to listen to customers, are unable to motivate employees, or can't build a cohesive team. For example, the reputation of Zynga, maker of games like Farmville that were ubiquitous on Facebook for a while, plummeted along with its share price in recent years. Although there were several problems at Zynga, one was that founder and CEO Mark Pincus had an aggressive style that made it difficult to build a cohesive team. The exodus of key executives left the company floundering, and Zynga's shares fell 80 percent.²⁴ Exhibit 1.5 shows the top 10 factors that cause managers to fail to achieve desired results, based on a survey of managers in U.S. organizations operating in rapidly changing business environments.²⁵ Notice that many of these factors are due to poor human skills, such as the inability to develop good work relationships, a failure to clarify direction and performance expectations, or an inability to create cooperation and teamwork. The number one reason for manager failure is ineffective communication skills and practices, which was cited by 81 percent of managers surveyed. Especially in times of uncertainty or crisis, if managers do not communicate effectively, including listening to employees and customers and showing genuine care and concern, organizational performance and reputation suffer.

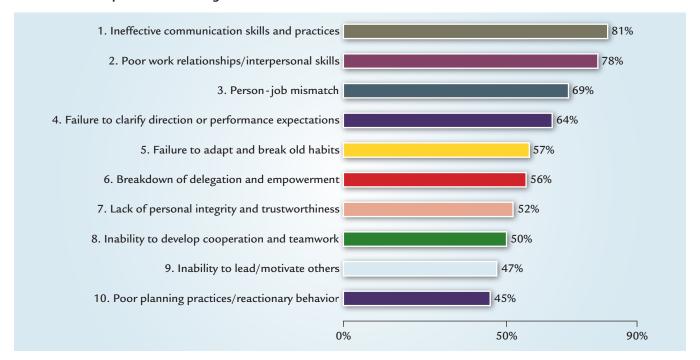
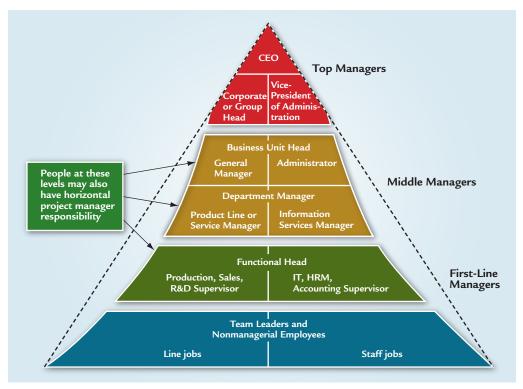


Exhibit 1.5 Top Causes of Manager Failure

SOURCE: Adapted from Clinton O. Longenecker, Mitchell J. Neubert, and Laurence S. Fink, "Causes and Consequences of Managerial Failure in Rapidly Changing Organizations," Business Horizons 50 (2007): 145–155, Table 1.

An important determinant of the manager's job is the hierarchical level. Exhibit 1.6 illustrates the three levels in the hierarchy. The manager's job differs as the level increases. First-level managers are more concerned with employee performance, middle managers with putting plans into place and top managers is strategy, as shown in Exhibit 1.6.





SOURCE: Adapted from Thomas V. Bonoma and Joseph C. Lawler, "Chutes and Ladders: Growing the General Manager," Sloan Management Review (Spring 1989): 27–37.



Perhaps one of the best-known leaders in baseball is Billy Beane of the Oakland A's. Before he was promoted to executive vice president of baseball operations in late 2015, Beane served for 17 years as **general manager** of the A's. Beane is famous for finding and developing talented young players who are less expensive to hire than the big names, which allowed him to keep his payroll low while still winning six division titles. Beane was the subject of the best-selling book and hit film *Moneyball*.

Remember This

- Managers have complex jobs that require a range of abilities and skills.
- The two major reasons that managers fail are poor communication and poor interpersonal skills.
- A manager's weaknesses become more apparent during stressful times of uncertainty, change, or crisis.

1-5 What Is a Manager's Job Really Like?

"Despite a proliferation of management gurus, management consultants, and management schools, it remains murky to many of us what managers actually do and why we need them in the first place," wrote Ray Fisman, a Columbia Business School professor.²⁶ Unless someone has actually performed managerial work, it is hard to understand exactly what managers do on an hour-by-hour, day-to-day basis. One answer to the question of what managers do to plan, organize, lead, and control was provided by Henry Mintzberg, who followed managers around and recorded all their activities.²⁷ He developed a description of managerial work that included three general characteristics and 10 roles. These characteristics and roles, discussed in detail later in this section, have been supported by other research.²⁸

Researchers also have looked at what managers *like* to do. Both male and female managers across five different countries report that they most enjoy activities such as leading others, networking, and leading innovation. Activities that managers like least include controlling subordinates, handling paperwork, and managing time pressures.²⁹ Many new managers in particular find the intense time pressures of management, the load of administrative paperwork, and the challenge of directing others to be quite stressful as they adjust to their new roles and responsibilities. Indeed, the initial leap into management can be one of the scariest moments in a person's career.

1-5a Making the Leap: Becoming a New Manager

Many people who are promoted into a manager position have little idea what the job actually entails and receive little training about how to handle their new role. It's no wonder that, among managers, first-line supervisors tend to experience the most job burnout and attrition.³⁰

Making the shift from individual contributor to manager is often tricky. Mark Zuckerberg, whose company, Facebook, went public a week before he turned 28 years old, provides an example. In a sense, the public has been able to watch as Zuckerberg has "grown up" as a manager. He was a strong individual performer in creating the social media platform and forming the company, but he fumbled with day-to-day management, such as interactions with employees and communicating with people both inside and outside Facebook. Zuckerberg was smart enough to hire seasoned managers, including former Google executive Sheryl Sandberg, and cultivate

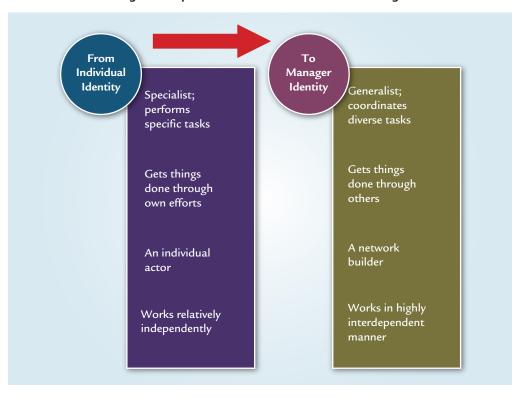


Exhibit 1.7 Making the Leap from Individual Performer to Manager

SOURCE: Based on Linda A. Hill, Exhibit 1.1, "Transformation of Identity," Becoming a Manager: Mastery of a New Identity, 2d ed. (Boston, MA: Harvard Business School Press, 2003), p. 6.

advisors and mentors who have coached him in areas where he is weak. He also shadowed David Graham at the offices of The Post Company (the publisher of *The Washington Post* before it was purchased by Jeff Bezos) for four days to try to learn what it is like to manage a large organization. Now that Facebook is a public company, Zuckerberg is watched more closely than ever to see if he has what it takes to be a manager of a big public corporation.³¹

Harvard professor Linda Hill followed a group of 19 managers over the first year of their managerial careers and found that one key to success is to recognize that becoming a manager involves more than learning a new set of skills. Rather, becoming a manager means a profound transformation in the way people think of themselves, called *personal identity*, which includes letting go of deeply held attitudes and habits and learning new ways of thinking.³² Exhibit 1.7 outlines the transformation from individual performer to manager. The individual performer is a specialist and a "doer." His or her mind is conditioned to think in terms of performing specific tasks and activities as expertly as possible. The manager, on the other hand, has to be a generalist and learn to coordinate a broad range of activities. While the individual performer strongly identifies with his or her specific tasks, the manager has to identify with the broader organization and industry.

In addition, the individual performer gets things done mostly through his or her own efforts and develops the habit of relying on self rather than others. The manager, though, gets things done through other people. Indeed, one of the most common mistakes that new managers make is wanting to do all the work themselves, rather than delegating to others and developing others' abilities.³³ Hill offers a reminder that, as a manager, you must "be an instrument to get things done in the organization by working with and through others, rather than being the one doing the work."³⁴

Another problem for many new managers is that they expect to have greater freedom to do what they think is best for the organization. In reality, though, managers find themselves hemmed in by interdependencies. Being a successful manager means thinking in terms of building teams and networks and becoming a motivator and organizer within a highly interdependent system of people and work.³⁵ Although the distinctions may sound simple in the abstract, they are anything but. In essence, becoming a manager means becoming a new person and viewing oneself in a completely new way.



Visit MindTap for "Self-Assessment: Are You a Winner?" to see how your priorities align with the demands placed on a manager.

Many new managers have to make the transformation in a "trial by fire," learning on the job as they go, but organizations are beginning to be more responsive to the need for new manager training. The cost to organizations of losing good employees who can't make the transition is higher than the cost of providing training to help new managers cope, learn, and grow. In addition, some organizations use great care in selecting people for managerial positions, including ensuring that each candidate understands what management involves and really wants to be a manager.

1-5b Manager Activities

Most new managers are unprepared for the variety of activities that managers routinely perform. One of the most interesting findings about managerial activities is how busy managers are and how hectic the average workday can be.

Adventures in Multitasking Managerial activity is characterized by variety, fragmentation, and brevity.³⁶ The widespread and voluminous nature of a manager's tasks leaves little time for quiet reflection. A recent study by a team from the London School of Economics and Harvard Business School found that the time CEOs spend working alone averages a mere six hours a week. The rest of their time is spent in meetings, on the phone, traveling, and talking with others inside and outside the organization.³⁷

Managers shift gears quickly. In his study, Mintzberg found that the average time a top executive spends on any one activity is less than nine minutes, and another survey indicates that some first-line supervisors average one activity every 48 seconds!³⁸ Significant crises are interspersed with trivial events in no predictable sequence. Every manager's job is similar in its diversity and fragmentation to what *Workforce Management* described as a typical day in the life of human resources (HR) manager Kathy Davis:³⁹

- 6:55 a.m.—Arrives at work early to begin investigating a complaint of sexual harassment at one of the factories, but as she's walking to her office, she bumps into someone carrying a picket sign that reads "Unfair Hiring! Who Needs HR?" Spends a few minutes talking with the young man, who is a temp that she had let go due to sloppy work.
- 7:10 a.m.—Finds the factory shift supervisor and a security staff member already waiting outside her door to discuss the sexual harassment complaint.



Concept Connection

New managers sometimes find themselves overwhelmed by the various activities, multiple responsibilities, long hours, and fast pace that come with management. A manager's **life on speed dial** requires good **time management skills**. Managers must also find ways to maintain a healthy balance between their work and personal lives.

- 7:55 a.m.—Sue, a member of Kathy's team who has just arrived and is unaware of the meeting, interrupts to let Kathy know there is someone picketing in the hallway outside her office and the CEO wants to know what's going on.
- 8:00 a.m.—Alone at last, Kathy calls the CEO and explains the picketing situation, and then she begins her morning routine. Checking voice mail, she finds three messages that she must respond to immediately, and she passes four others to members of her team. She begins checking e-mail but is interrupted again by Sue, who reminds her that they have to review the recent HR audit so that the company can respond promptly and avoid penalties.
- 9:15 a.m.—As she is reviewing the audit, Kathy gets a call from manager Pete Channing, asking if she's sent the offer letter to a prospective hire. "Don't send it," Pete said, "I've changed my mind." Weeks of interviewing and background checks, and now Pete wants to start over!
- 11:20 a.m.—Kathy is getting to the end of her critical e-mail list when she hears a commotion outside her door and finds Linda and Sue arguing. "This report IT did for us is full of errors," Linda says, "but Sue says we should let it go." Kathy agrees to take a look at the IT department's report and discovers that there are only a few errors, but they have critical implications.

ACTION

Visit MindTap for "Self-Assessment:

How Do You Manage Your Time?" to see

how good you are at time management.

- 12:25 p.m.—As she's nearing the end of the IT report, Kathy's e-mail pings an "urgent" message from a supervisor informing her that one of his employees will be absent from work for a few weeks "while a felony morals charge is worked out." This is the first she's heard about it, so she picks up the phone to call the supervisor.
- 1:20 p.m.—Time for lunch—finally. She grabs a sandwich at a local supermarket and brings one back for the picketer, who thanks her and continues his march.
- 2:00 p.m.—Meets with CEO Henry Luker to review the audit and IT reports, discuss changes to the company's 401(k) plan, and talk about ideas for reducing turnover.
- 3:00 p.m.—Rushes back to her office to grab her keys so that she can drive to a meeting with the manufacturing facilities manager, who has asked Kathy to "shadow" him and share ideas about training and skills development.
- 3:15 p.m.—As she gets out of her car at the facility, Kathy runs into a man who had attended a supervision training course a few months earlier. He tells her that the class really helped him—there are fewer misunderstandings, and the staff seems to respect him more.
- 3:30 p.m.—Arrives right on time and spends the next couple of hours observing and asking questions, talking to employees to learn about the problems and obstacles they face.
- 5:40 p.m.—All is quiet back in the HR department, but there's a message from Sue that Kathy has an appointment first thing tomorrow morning with two women who had gotten into a fight in the elevator. Sighing, Kathy returns to her investigation of the sexual harassment complaint that she had begun at 7:00 that morning.

Life on Speed Dial The manager performs a great deal of work at an unrelenting pace.⁴⁰ Managers' work is fast paced and requires great energy. Most top executives routinely work at least 12 hours a day and spend 50 percent or more of their time traveling.⁴¹ Calendars are often booked months in advance, but unexpected disturbances erupt every day. Mintzberg found that the majority of executives' meetings and other contacts are ad hoc, and even scheduled meetings are typically surrounded by other events such as quick phone calls, scanning of e-mail, or spontaneous encounters. During time away from the office, executives catch up on work-related reading, paperwork, phone calls, and e-mail. Technology, such as e-mail, text messaging, smart-phones, tablets, and laptops, has intensified the pace. Brett Yormark, the National Basketball Association (NBA)'s youngest CEO (he heads the Brooklyn Nets), typically responds to about 60 messages before he even shaves and dresses for the day, and employees are accustomed to getting messages that Yormark has zapped to them in the wee hours of the morning.⁴²

The fast pace of a manager's job is illustrated by Michelle Davis, an analytics director at Fair Isaac Corporation (FICO). As a middle manager at this company, which is best known for calculating consumer credit scores, Davis oversees three direct reports and three other subordinates assigned to her teams. On a typical day, she arrives at work at 6:00 a.m. so she can pick up her children in the early afternoon, and she uses the first hour and a half of quiet time to catch up on messages and respond to urgent requests for data. At 7:30, she has her first meeting, often a conference call with the analytics board of directors. Then Davis leads an hour-long training session for a few dozen staffers on new analytics products, staying longer to answer questions and talk about how clients might use the data. At 10:30 a.m., she checks in with senior members of the product development and product management teams and sorts out various problems. Lunch is a quick stop at the company cafeteria and then on to present a few slides at the monthly lunch-and-learn session. Davis squeezes in an hour or so of hands-on work time before it's back to more meetings. Afternoon meetings often run long, meaning she has to scramble to pick up her three children. While the kids



Ethan Miller/Getty Image:

Concept Connection

As the executive vice president of marketing at Microsoft, Tami Reller plays a number of significant interpersonal roles. She serves as the top **leader** for the company's bevy of marketers on functions like advertising, media usage, and distribution, and she is often Microsoft's **liaison** with the public, providing information about Windows and other products.

eat snacks and play in the backyard, Davis catches up on e-mail and phone calls. After dinner with her husband, she tries to stay away from work, but admits that she keeps an eye on her text messages until bedtime.⁴³

Where Does a Manager Find the Time? With so many responsibilities and so many competing demands on their time, how do managers cope? One manager who was already working 18-hour days five days a week got assigned another project. When the CEO was informed of the problem, he matter-of-factly remarked that by his calculations, she still had "30 more hours Monday through Friday, plus 48 more on the weekend." That is surely an extreme example, but most managers often feel the pressure of too much to do and not enough time to do it.44 The Wall Street Journal's "Lessons in Leadership" video series asked CEOs of big companies how they managed their time, and it found that many of them carve out time just to think about how to manage their time.⁴⁵ Time is a manager's most valuable resource, and one characteristic that identifies successful managers is that they know how to use time effectively to accomplish the important things first and the less important things later.⁴⁶ Time management refers to using techniques that enable you to get more done in less time and with better results, be more relaxed, and have more time to enjoy your work and your life. New managers in particular often struggle with the increased workload, the endless paperwork, the incessant meetings, and the constant interruptions that come with a management job. Learning to manage their time effectively is one of the greatest challenges that new managers face. The "Sunny Side Up" box offers some tips for time management.

Becoming a manager is considered by most people to be a positive, forward-looking career move, and indeed, life as a manager offers appealing aspects. However, it also holds many challenges, not the least of which is the increased workload and the difficulty of finding the time to accomplish everything on one's expanded list of duties and responsibilities. The following classic time management techniques can help you eliminate major time-wasters in your daily routines.

- Keep a To-Do List. If you don't use any other system for keeping track of your responsibilities and commitments, at the very least you should maintain a to-do list that identifies all the things that you need to do during the day. Although the nature of management means that new responsibilities and shifting priorities occur frequently, it's a fact that people accomplish more with a list than without one.
- Remember Your ABCs. This is a highly effective system for prioritizing tasks or activities on your to-do list:
 - An "A" item is something highly important. It *must* be done, or you'll face serious consequences.
 - A "B" item is a *should do*, but consequences will be minor if you don't get it done.
 - "C" items are things that would be nice to get done, but there are no consequences at all if you don't accomplish them.
 - "D" items are tasks that you can delegate to someone else.

- Schedule Your Workday. Some experts propose that every minute spent in planning saves 10 minutes in execution. Take your to-do list a step further and plan how you will accomplish each task or project you need to handle. Planning to tackle the big tasks first is a good idea because most people are at peak performance early in the day. Save the e-mails and phone calls for less productive times.
- **Do One Thing at a Time**. Multitasking has become the motto of the early twenty-first century, but too much multitasking is a time-waster. Research has shown that multitasking *reduces* rather than enhances productivity. The authors of one study suggest that an inability to focus on one thing at a time could reduce efficiency by 20 to 40 percent. Even for those whose job requires numerous brief activities, the ability to concentrate fully on each one (sometimes called *spotlighting*) saves time. Give each task your full attention, and you'll get more done and get it done better, too.

SOURCES: Based on information in Pamela Dodd and Doug Sundheim, *The 25 Best Time Management Tools & Techniques* (Ann Arbor, MI: Peak Performance Press, Inc., 2005); Brian Tracy, *Eat That Frog: 21 Great Ways to Stop Procrastinating and Get More Done in Less Time* (San Francisco: Berrett-Koehler, 2002); Joshua S. Rubinstein, David E. Meyer, and Jeffrey E. Evans, "Executive Control of Cognitive Processes in Task Switching," *Journal of Experimental Psychology: Human Perception and Performance* 27, no. 4 (August 2001): 763–797; Sue Shellenbarger, "Multitasking Makes You Stupid: Studies Show Pitfalls of Doing Too Much at Once," *The Wall Street Journal (February 27, 2003)*; and Ilya Pozin, "Quit Working Late: 8 Tips," *Inc.* (une 26, 2013), http://www.inc.com/ilya-pozin/8-ways-to-leave-work-at-work .html (accessed August 19, 2013).

1-5c Manager Roles

Mintzberg's observations and subsequent research indicate that diverse manager activities can be organized into 10 roles.⁴⁷ A **role** is a set of expectations for a manager's behavior. Exhibit 1.8 describes activities associated with each of the roles. These roles are divided into three conceptual categories: informational (managing by information), interpersonal (managing through people), and decisional (managing through action).

One of Mintzberg's roles is disseminator, which means scanning for information and knowing what to share and with whom. Equifax failed, as shown in this chapter's "Half-Baked Management" box.

Each role represents activities that managers undertake to ultimately accomplish the functions of planning, organizing, leading, and controlling. Although it is necessary to separate the components of the manager's job to understand the different roles and activities of a manager, it is important to remember that the real job of management isn't practiced as a set of independent parts; all the roles interact in the real world of management.

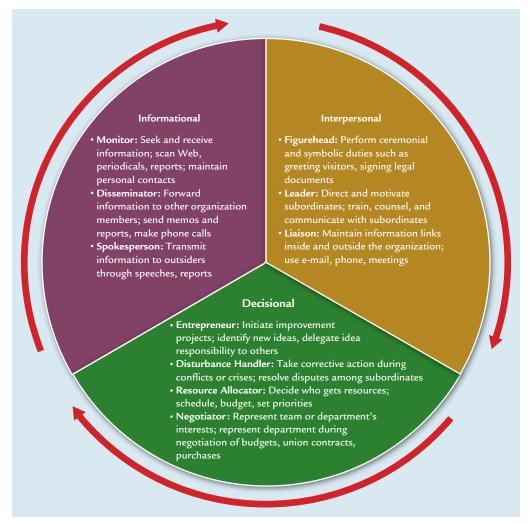


Exhibit 1.8 Ten Manager Roles

SOURCE: Adapted from Henry Mintzberg, The Nature of Managerial Work (New York: Harper & Row, 1973), pp. 92–93; and Henry Mintzberg, "Managerial Work: Analysis from Observation," Management Science 18 (1971), B97–B110.

Half-Baked Management Equifax

Equifax is one of the three main credit bureaus in the United States. Anyone who has a credit rating is in the database of usually two or three of these Bureaus.

So when Equifax disclosed in September 2017 that the personal data of 143 million consumers' (roughly 44 percent of the U.S. population) had been hacked from its servers, people were shocked. Breached were social security numbers, birth dates, drivers' license numbers, credit card numbers, and addresses. Not only were individuals at risk, but alo theft of resources from retirement accounts was highly possible. If that weren't bad enough, it was reported that Equifax knew of the breach in May and had told no one, preventing the 143 million people from taking precautions against losing their assets. So much for credit bureaus making a positive contribution to the economy.

SOURCE: E.B. MARK and A. Hahn, Cybersecurity for Retirement Plans. Employee Relations Law Journal, New York 43, no. 4 (Spring 2018): 67–71.

Recipe for Success Second Harvest Food Bank of Middle Tennessee

It's a good problem to have, but it's still a problem that needed to be solved. People like to donate during the holidays, and food donations to Second Harvest Food Bank of Middle Tennessee swell to nearly double what the nonprofit organization receives during the rest of the year. It was a huge logistical challenge for the operation, which depends largely on volunteers. Second Harvest, like other food banks, needs to deliver perishable items before they expire and save as many canned and dried foods as it can to distribute in the months when donations tend to decline.

Second Harvest managers didn't have the millions of dollars Amazon.com or Walmart stores have poured into specialized inventory management systems, but with the cost of technology declining, they were able to buy logistics software from Exact Macola. Exact Macola has donated upgrades to the software since that initial purchase and has begun donating its software to other food banks nationwide. The software records when food products are received and their "use-by" dates. Volunteers and employees rely on automated alerts to let them know when goods are expiring and where they are located in the warehouse. The ability to know in an instant what needs to be used immediately and what can be stored for later use helps Second Harvest get the most out of its limited space, says Dennis Easter, the agency's information systems director. Managers have also been able to use data on food distribution to decide on where to build two new facilities, which are projected to save \$500,000 in transportation costs.⁴⁸

Remember This

- Becoming a new manager requires a shift in thinking from being an individual performer to playing an interdependent role of coordinating and developing others.
- Because of the interdependent nature of management, new managers often have less freedom and control than they expect to have.
- The job of a manager is highly diverse and fast paced, so managers need good time management skills.
- A role is a set of expectations for one's behavior.
- Managers at every level perform 10 roles, which are grouped into informational roles, interpersonal roles, and decisional roles.

Chapter 1 The World of Innovative Management

1-6 Managing in Small Businesses and Nonprofit Organizations

Small businesses are growing in importance. Hundreds of small businesses open every month, but the environment for small business today is highly complicated. Chapter 6 provides detailed information about managing in small businesses and entrepreneurial start-ups.

One interesting finding is that managers in small businesses tend to emphasize roles different from those of managers in large corporations. Managers in small companies often see their most important role as that of spokesperson because they must promote the small, growing company to the outside world. The entrepreneur role is also critical in small businesses because managers must be innovative and help their organizations develop new ideas to remain competitive. For example, Zach Schau, his younger brother Jordan, and two of their childhood friends founded Pure Fix Cycles. After finding a way to build fixed-gear bikes, or "fixies," that could be sold for less than half what they were selling for at the time, the founders hired a top manager so they could focus on further innovations. Pure Fix then became a pioneer in the business of glow-in-the-dark bikes.⁴⁹ Small-



Concept Connection

Despite having launched and sold several successful start-ups already, San Francisco-based **small business** owner Loïc Le Meur is still a hands-on kind of manager. His daily blog about the blogosphere and the Web in general is read by hundreds of thousands of people worldwide, and he is the chief organizer behind Europe's largest annual tech conference, LeWeb.

business managers tend to rate lower on the leader role and on information-processing roles compared with their counterparts in large corporations.

Nonprofit organizations also represent a major application of management talent.⁵⁰ Organizations such as the Salvation Army, Nature Conservancy, Greater Chicago Food Depository, Girl Scouts, and Cleveland Orchestra all require excellent management. The functions of planning, organizing, leading, and controlling apply to nonprofits just as they do to business organizations, and managers in nonprofit organizations use similar skills and perform similar activities. The primary difference is that managers in businesses direct their activities toward earning money for the company and its owners, whereas managers in nonprofits direct their efforts toward generating some kind of social impact. The characteristics and needs of nonprofit organizations created by this distinction present unique challenges for managers.⁵¹

Financial resources for government and charity nonprofit organizations typically come from taxes, appropriations, grants, and donations rather than from the sale of products or services to customers. In businesses, managers focus on improving the organization's products and services to increase sales revenues. In nonprofits, however, services are typically provided to nonpaying clients, and a major problem for many organizations is securing a steady stream of funds to continue operating. Nonprofit managers, committed to serving clients with limited resources, must focus on keeping organizational costs as low as possible.⁵² Donors generally want their money to go directly to helping clients rather than for overhead costs. If nonprofit managers can't demonstrate a highly efficient use of resources, they might have a hard time securing additional donations or government appropriations.

The roles defined by Mintzberg also apply to nonprofit managers, but they may differ somewhat. We might expect managers in nonprofit organizations to place more emphasis on the roles of spokesperson (to "sell" the organization to donors and the public), leader (to build a missiondriven community of employees and volunteers), and resource allocator (to distribute government resources or grant funds that are often assigned top-down).

Managers in all organizations—large corporations, small businesses, and nonprofit organizations—carefully integrate and adjust the management functions and roles to meet challenges within their own circumstances and keep their organizations healthy.

Remember This

- Good management is just as important for small businesses and nonprofit organizations as it is for large corporations.
- Managers in these organizations adjust and integrate the various management functions, activities, and roles to meet the unique challenges they face.
- Managers in small businesses often see their most important roles as being a spokesperson for the business and acting as an entrepreneur.
- Managers in nonprofit organizations direct their efforts toward generating some kind of social impact rather than toward making money for the organization.
- Managers in nonprofit organizations often struggle with what constitutes effectiveness.

1-7 The Evolution of Management Thinking

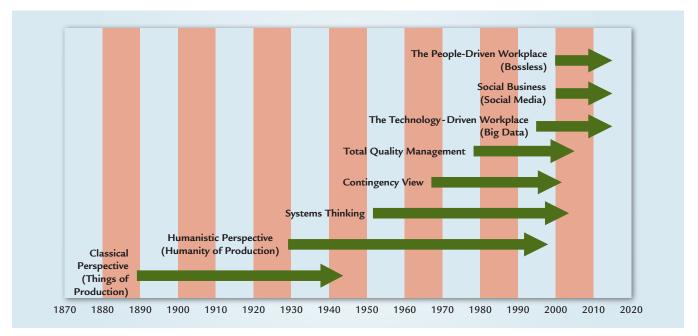
John Bunch used to be a technical adviser at online retailer Zappos. Today, Bunch doesn't have a title. No one at Zappos does. In the spring of 2015, Zappos did away with all job titles and abolished the organizational hierarchy in favor of a radical system of self-management called holocracy. No one has a supervisor, and employees voluntarily join various impermanent groups called *circles*, where they come up with their own job descriptions and decide what projects they will undertake.53 Managers are watching to see how this extreme Theory Y approach will work at Zappos (Theory Y will be explained in detail later in the chapter). Managers at a number of companies are embracing the trend toward less hierarchical, even bossless, organizations. At least 18 organizations around the world, including French automotive components manufacturer FAVI; tomato processor Morning Star, based in Woodland, California; and Spain's diversified Mondragon Corporation, are operated as primarily bossless workplaces.⁵⁴ Although some management and HR professionals and scholars question whether the bossless trend will last for long,55 it is interesting to note that some of these companies have been operating without traditional bosses for decades. When Jean-François Zobrist took over as CEO of FAVI in 1983, he eliminated two things: the personnel department and the bosses. "I have no idea what people are doing," Zobrist told Fast *Company* magazine. He believes that since the people on the front lines are the ones with the expertise to do the work, they are capable of working without someone looking over their shoulders.⁵⁶

Some organizations will continue to operate with little or no hierarchy, and others will move toward a more hierarchical structure. Managers are always on the lookout for fresh ideas, innovative management approaches, and new tools and techniques. Management philosophies and organizational forms change over time to meet new needs and respond to current challenges. The workplace of today is different from what it was 50 years ago—indeed, from what it was even 10 years ago—yet historical concepts form the backbone of management education.⁵⁷ In addition, some management practices that seem modern have actually been around for a long time. Techniques can gain and lose popularity because of shifting historical forces and the persistent need to balance human needs with the needs of production activities.⁵⁸

1-8 The Historical Struggle: The Things of Production versus the Humanity of Production

Studying history doesn't mean merely arranging events in chronological order; it means developing an understanding of the impact of societal forces on organizations. Studying history is a way to achieve strategic thinking, see the big picture, and improve conceptual skills.





Management practices and perspectives vary in response to social, political, and economic changes in the larger society.⁵⁹ Exhibit 1.9 illustrates the evolution of significant management perspectives over time. The timeline reflects the dominant time period for each approach, but elements of each are still used in organizations today.⁶⁰

One observation from looking at the timeline in Exhibit 1.9 is that the earliest focus of management (the classical perspective), well over a century ago, was on the things of production. In other words, the needs of people were often ignored in the interest of higher production efficiency and profit. By the 1920s and 1930s, the needs of and positive treatment of employees were discovered as another path to efficiency and profit. Since then, there has been a struggle of sorts within management to balance a management preference toward "the things of production" versus a preference toward "the humanity of production and the desire to meet human needs for greater motivation. When forces either outside or within the organization suggest a need for change to improve efficiency or effectiveness, managers have often responded with a technology- or numbers-oriented solution that makes people little more than cogs in a big machine. For instance, as the United States shifted from a world of small towns and small businesses to an industrialized network of cities and factories in the late nineteenth century, people



Exhibit 1.10 The Tension between Historical Forces in Management Thinking

Drop Back and Punt Glenn Rink's innovative product popcorn-like sponges for absorbing oil spills—received a cool reception in the 1990s. Corporate skeptics said that traditional skimming of oil off water remained the preferred choice for disaster cleanup. Blocked by resistance to his product, Rink, founder of

Abtech Industries, followed the historic and time-honored tradition of football teams, which sometimes need to drop back and punt before they can go on offense again.

Rink decided to focus on smaller-scale disasters instead. For more than a decade, Abtech

Green Power

Industries built a reputation for offering low-cost alternatives to address the cleanup needs of cities struggling with a variety of water pollution problems. The strategy paid off. In 2011, a revitalized Abtech, maker of the Smart Sponge Plus, partnered with the huge company Waste Management Inc. as its exclusive North American distributor to cities, and oil cleanup orders began pouring in. To date, Smart Sponge Plus has been used in more than 15,000 spill locations worldwide.

SOURCE: "Innovation #71: Glenn Rink, Founder of Abtech Industries," *Fast Company* (June 2012): 136 (part of "The 100 Most Creative People in Business 2012," pp. 78–156).

began looking at management as a set of scientific practices that could be measured, studied, and improved with machinelike precision (the classical perspective). Frederick Taylor wrote that the best management is a true science, resting upon clearly defined laws, rules, and principles. By the 1920s, there was a minor rebellion against this emphasis on the quantifiable with a call for more attention to human and social needs (the humanistic perspective). In the first issue of the *Harvard Business Review* (1922), Dean Wallace B. Donham wrote that "the development, strengthening, and multiplication of socially-minded business men is the central problem of business."⁶² This dilemma—the scientific numbers-driven push for greater productivity and profitability and the call for more humanistic, people-oriented management—has continued to the present day.

Remember This

- Managers are always on the lookout for new techniques and approaches to meet shifting organizational needs.
- Looking at history gives managers a broader perspective for interpreting and responding to current opportunities and problems.
- Management and organizations are shaped by forces in the larger society.
- The struggle to balance "the things of production" with the "humanity of production" has continued from the nineteenth century to today.

1-9 Classical Perspective

The practice of management can be traced to 3000 B.C., to the first government organizations developed by the Sumerians and Egyptians, but the formal study of management is relatively recent.⁶³ The early study of management as we know it today began with what is now called the **classical perspective**.

The classical perspective on management (primary focus on the things of production) emerged during the nineteenth and early twentieth centuries. The factory system that began to appear in the 1800s posed challenges that earlier organizations had not encountered. Problems arose in tooling the plants, organizing managerial structure, training employees (many of them non-English-speaking immigrants), scheduling complex manufacturing operations, and dealing with increased labor dissatisfaction and resulting strikes.

These myriad new problems and the development of large, complex organizations demanded a new approach to coordination and control, and a "new sub-species of economic man-the

Chapter 1 The World of Innovative Management

salaried manager"⁶⁴—was born. Between 1880 and 1920, the number of professional managers in the United States increased from 161,000 to more than 1 million.⁶⁵ These professional managers began developing and testing solutions to the mounting challenges of organizing, coordinating, and controlling large numbers of people and increasing worker productivity. Thus began the evolution of modern management with the classical perspective.

This perspective contains four subfields, each with a slightly different emphasis: scientific management, bureaucratic organizations, administrative principles, and management science.⁶⁶

1-9a Scientific Management

Scientific management emphasizes scientifically determined jobs and management practices as the way to improve efficiency and labor productivity. In the late 1800s, a young engineer, Frederick Winslow Taylor (1856–1915), proposed that workers "could be retooled like machines, their physical and mental gears recalibrated for better productivity."⁶⁷ Taylor insisted that improving productivity meant that management itself would have to change and, further, that the manner of change could be determined only by scientific study; hence, the label *scientific management* emerged. Taylor suggested that decisions based on rules of thumb and tradition be replaced with precise procedures developed after careful study of individual situations.⁶⁸

The scientific management approach is illustrated by the unloading of iron from rail cars and reloading finished steel for

Concept Connection

Automaker Henry Ford made extensive use of Frederick Taylor's **scientific management** techniques, as illustrated by this automobile assembly line at a Ford plant circa 1930. Ford replaced workers with machines for heavy lifting and moving autos from one worker to the next. This reduced worker hours and improved efficiency and productivity. Under this system, a Ford car rolled off the assembly line every 10 seconds.

the Bethlehem Steel plant in 1898. Taylor calculated that with the correct movements, tools, and sequencing, each man was capable of loading 47.5 tons per day instead of the typical 12.5 tons. He also worked out an incentive system that paid each man \$1.85 a day for meeting the new standard, an increase from the previous rate of \$1.15. Productivity at Bethlehem Steel shot up overnight.

Although known as the *father of scientific management*, Taylor was not alone in this area. Henry Gantt, an associate of Taylor's, developed the *Gantt chart*, a bar graph that measures planned and completed work along each stage of production by time elapsed. Two other important pioneers in this area were the husband-and-wife team of Frank B. and Lillian M. Gilbreth. Frank B. Gilbreth (1868–1924) pioneered *time and motion study* and arrived at many of his management techniques independently of Taylor. Gilbreth stressed efficiency and was known for his quest for the one best way to do work. Although he is known for his early work with bricklayers, his work had great impact on medical surgery by drastically reducing the time that patients spent on the operating table. Surgeons were able to save countless lives through the application of time and motion study. Lillian M. Gilbreth (1878–1972) was more interested in the human aspect of work. When her husband died at the age of 56, she had 12 children ages 2 to 19. The undaunted "first lady of management" went right on with her work. She presented a paper in place of her late husband, continued their seminars and consulting, lectured, and eventually became a professor at Purdue University.⁶⁹ She pioneered in the field of industrial psychology and made substantial contributions to human resource management.

Exhibit 1.11 shows the basic ideas of scientific management. To use this approach, managers should develop standard methods for doing each job, select workers with the appropriate abilities, train workers in the standard methods, support workers and eliminate interruptions, and provide wage incentives.

The ideas of scientific management that began with Taylor dramatically increased productivity across all industries, and they are still important today. Indeed, the idea of engineering work for greater productivity has enjoyed a renaissance in the retail industry. Supermarket chains such as Meijer Inc. and Hannaford, for example, use computerized labor waste elimination systems based on scientific management principles. The system breaks down tasks such as greeting a customer,

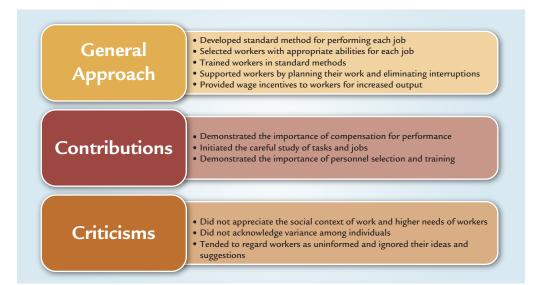


Exhibit 1.11 Characteristics of Scientific Management

working the register, scanning items, and so forth into quantifiable units and devises standard times for completing each task. Executives say the computerized system has allowed supermarket managers to staff stores more efficiently because people are routinely monitored by computer and are expected to meet strict standards.⁷⁰

A *Harvard Business Review* article discussing innovations that shaped modern management puts scientific management at the top of its list of 12 influential innovations. Indeed, the ideas of creating a system for maximum efficiency and organizing work for maximum productivity are deeply embedded in our organizations.⁷¹ However, because scientific management ignores the social context and workers' needs, it can lead to increased conflict and clashes between managers and employees. The United Food and Commercial Workers Union, for instance, filed a grievance against Meijer in connection with its cashier-performance system. Under such performance management systems, workers often feel exploited—a sharp contrast from the harmony and cooperation that Taylor and his followers had envisioned.

1-9b Bureaucratic Organizations

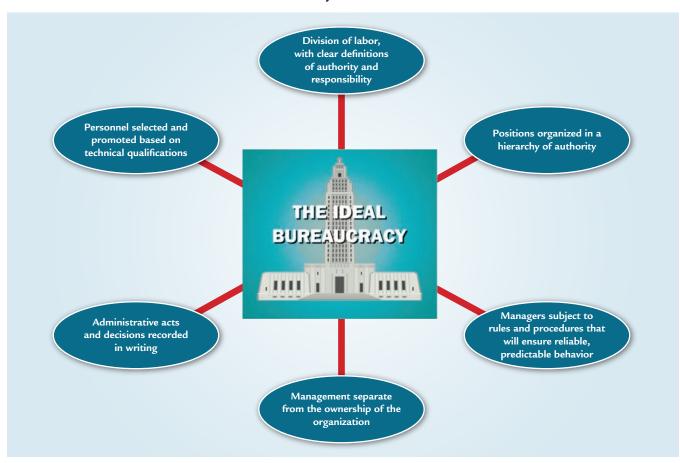
A systematic approach developed in Europe that looks at the organization as a whole is the **bureaucratic organizations approach**, a subfield within the classical perspective. Max Weber (1864–1920), a German theorist, introduced most of the concepts on bureaucratic organizations.⁷²

During the late 1800s, many European organizations were managed on a personal, family-like basis. Employees were loyal to a single individual rather than to the organization or its mission. The dysfunctional consequence of this management practice was that resources were used to realize individual desires rather than organizational goals. Employees in effect owned the organization and used resources for their own gain rather than to serve customers. Weber envisioned organizations that would be managed on an impersonal, rational basis. This form of organization was called a *bureaucracy*. Exhibit 1.12 summarizes the six characteristics of bureaucracy as specified by Weber.

Weber believed that an organization based on rational authority would be more efficient and adaptable to change because continuity is related to formal structure and positions rather than to a particular person, who may leave or die. To Weber, rationality in organizations meant employee selection and advancement based not on whom you know, but rather on competence and technical qualifications, which are assessed by examination or according to specific training and experience. The organization relies on rules and written records for continuity. In addition,

"Students would be more likely to have a positive impact on the future of management if they were more engaged with the history and traditions of management particularly that of a German sociologist [Weber] who died nearly 100 years ago."

-STEPHEN CUMMINGS AND TODD BRIDGMAN, VICTORIA UNIVERSITY OF WELLINGTON, NEW ZEALAND





SOURCE: Adapted from Max Weber, The Theory of Social and Economic Organizations, ed. and trans. A. M. Henderson and Talcott Parsons (New York: Free Press, 1947), pp. 328–337.

rules and procedures are impersonal and applied uniformly to all employees. Distinct definitions of authority and responsibility and clearly defined duties create a clear division of labor. Positions are organized in a hierarchy, with each position under the authority of a higher one. The manager gives orders successfully not on the basis of his or her personality, but on the legal power invested in the managerial position.

The term *bureaucracy* has taken on a negative meaning in today's organizations and is associated with endless rules and red tape. We have all been frustrated by waiting in long lines or following seemingly silly procedures. However, the value of bureaucratic principles is still evident in many organizations, such as United Parcel Service (UPS), sometimes nicknamed *Big Brown*.

UPS UPS is the largest package delivery company in the world and a leading global provider of specialized transportation and logistics services. The company operates in more than 200 countries and territories worldwide.

Why has UPS been so successful? One important factor is the concept of bureaucracy. UPS operates according to strict rules and regulations. New drivers attend intensive training courses and have to memorize the company's more than 600 mandatory "methods," which include guidelines such as checking the mirrors every five to eight seconds and leaving one full car length in front when stopping. These employees learn precise steps for how to deliver a package correctly, such as how to load the truck, how to fasten their seat belts, how to walk, and how to carry their keys. Specific safety rules apply to drivers, loaders, clerks, and managers. Strict dress codes are enforced—clean uniforms (called *browns*), every day, black or brown polished shoes with nonslip soles, no beards, no hair below the collar, no tattoos visible during deliveries, and so on. Managers

are given copies of policy books with the expectation that they will use them regularly, and memos on various policies and rules circulate by the hundreds every day.

UPS has a well-defined division of labor. Each plant consists of specialized drivers, loaders, clerks, washers, sorters, and maintenance personnel. UPS thrives on written records, and it has been a leader in using new technology to enhance reliability and efficiency. Drivers use delivery-information acquisition devices that record the time and location of all deliveries, and more than 200 sensors on each delivery truck track everything from backup speeds to seat-belt use. Technical qualification is the criterion for hiring and promotion. Current CEO David Abney began his career as a part-time package loader while in college and worked his way up the hierarchy. The bureaucratic model works just fine at UPS, "the tightest ship in the shipping business."⁷³

As this example shows, there are positive as well as negative aspects associated with bureaucratic principles. Weber also struggled with the good and bad sides of bureaucracy.⁷⁴ Although he perceived bureaucracy as a threat to basic personal liberties, he recognized it as the most efficient and rational form of organizing. Rules and other bureaucratic procedures provide a standard way of dealing with employees. Everyone gets equal treatment, and everyone knows what the rules are. Almost every organization needs to have some rules, and rules multiply as organizations grow larger and more complex. Some examples of rules governing employee behavior in a furniture manufacturing company, for example, might include:⁷⁵

- Employees must wear protective eye and ear equipment when using machines.
- Employees must carry out any reasonable duty assigned to them, including shop maintenance.
- Employees must maintain an accurate time sheet, which shows job and activity.
- The following will be considered causes for dismissal: excessive tardiness or absenteeism; willful damage to equipment; continual careless or unsafe behavior; theft; being under the influence of alcohol or illegal drugs while at work.

1-9c Administrative Principles

Another major subfield within the classical perspective is known as the *administrative principles* approach. Whereas scientific management focuses on the productivity of the individual worker, the **administrative principles approach** focuses on the total organization. A major contributor to this approach was Henri Fayol (1841–1925), a French mining engineer who worked his way up to become head of a large mining group known as Comambault. Pieces of Comambault survive today as part of ArcelorMittal, the world's largest steel and mining company. In his later years, Fayol wrote about his concepts on administration, based largely on his own management experiences.⁷⁶

In his most significant work, *General and Industrial Management*, Fayol discussed 14 general principles of management, several of which are part of management philosophy today. For example:

- Unity of command. Each subordinate receives orders from one-and only one-superior.
- *Division of work.* Managerial work and technical work are amenable to specialization to produce more and better work with the same amount of effort.
- *Unity of direction*. Similar activities in an organization should be grouped together under one manager.
- *Scalar chain.* A chain of authority extends from the top to the bottom of the organization and should include every employee.

Fayol felt that these principles could be applied in any organizational setting. He also identified five basic functions or elements of management: *planning, organizing, commanding, coordinating*, and *controlling*. These functions underlie much of the general approach to today's management theory.