CHRISTOPHER P. NECK
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EMMA L. MURRAY

THIRD EDITION

MANAGEMENT

SAGE

MANAGEMENT

Third Edition

Chris Neck dedicates this book to his wife, Jennifer, and his children, Bryton and GiGe, for helping him realize what is truly important in life.

Jeff Houghton dedicates this book to his wife, Loree, and sons, Pierce and Sloan, and thanks them for all their support, encouragement, and love.

Emma Murray dedicates this book to her husband, Sam, and her children, Ava and Anya, for their unending love and support.

MANAGEMENT
Third Edition

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This book is printed on acid-free paper.

/// BRIEF CONTENTS

/// DETAILED CONTENTS

Alexandra K. Trenfor once wrote:

> "The best teachers are those who show you where to look but don't tell you what to see."

WELCOME TO *MANAGEMENT,* THIRD EDITION

Management, third edition, represents our continued effort to enrich the student learning experience. As educators, we rely on valuable feedback from students, who advise us that they learn best when they can personally relate to the material in their courses and assignments.

With this in mind, we have added more meaningful media "trending topics," more visual highlights, new features, and learning exercises to engage students on the essentials of management.

The text also contains a larger focus on the entrepreneurial mindset to put students on the right path toward career goals. Our hope is that with this fresh approach and pedagogy our text will help educators to inspire in their students a life-long learning of management that stretches far beyond the duration of the management course.

In our 21st-century business world, management has taken on a new significance. In a fast-paced environment in which the only constant is change, good managers are needed more than ever. This is why it is so important to understand management and the essential role it plays in the workplace.

OUR VISION

Management, third edition, is a continued effort to enrich the learning experience for college-level undergraduate students seeking insight into the realities of being a manager in the 21st century. Through this textbook, they will learn how to get into the right mindset of discovery, thinking, reasoning, and implementation skills necessary to thrive in highly uncertain environments.

Management courses are defined by the following trends: larger course sizes, the need for continually changing content to stay relevant, and instructors working to make vast online resources meaningful to the student experience. The cumulative effect of these trends on instructors is a much more demanding environment for teaching and learning. In a quickly changing business environment, many books need a complete rewrite to be fully up to date. Even better, though, this is a new book—written from today's perspective, with an eye to the near future. Our goal in writing this book is to bring to the classroom a fresh view of management inside and outside traditional organizations.

What Makes Our Book Unique

- *Mindset approach*. A focus on the entrepreneurial mindset helps students overcome challenges, accept responsibility for outcomes, and learn how to make decisions in fast-paced, unpredictable environments.

- Supporting students in building and developing the skills and abilities that will allow them to make decisions and take actions that result in desirable outcomes is the primary objective of our textbook.
- *Practical applications, self-assessments (online only), experiential exercises*, and additional pedagogical features make *Management*, third edition, come to life and encourage students to engage with management concepts in meaningful ways.

A Mindset Approach

We believe that in today's business world, good management skills are more important than ever. Companies are looking for employees and managers who have strong management skills and an entrepreneurial mindset that supports leadership, teamwork, motivational capabilities, decision-making, communication, ethics, and creativity.

Our text provides a comprehensive overview of management theories and processes to equip students with the information and skills they need to thrive in their working lives today.

Why Mindset Matters in Management

The world of business today is full of uncertainty, volatility, and complexity. Managers need to have a certain type of mindset to become truly effective. Our mindset is a prism through which we view the world, something that helps to guide our reactions and decisions. An entrepreneurial mindset is not just reserved for entrepreneurs but can be used by managers to capture and create opportunities by adapting capabilities to compete effectively, motivating others to work toward a common goal to reduce uncertainty, and taking ownership of unknown outcomes for a new project. Managers can learn some powerful lessons from entrepreneurs and enhance the value of all types of organizations by creating opportunities, generating ideas, and devising strategies toward positive change.

The text also focuses on the work by pioneering Stanford University psychologist Carol Dweck and her theory of two types of mindsets: a fixed mindset and a growth mindset. In a fixed mindset, people believe their talents, intelligence, and abilities are set traits. In other words, "You either have it or you don't." While a fixed mindset might prevent failure in the short term, it impedes our ability to grow, learn, and develop new skills in the long term.

On the other hand, in a growth mindset, people believe their talent, intelligence, and abilities can be developed through dedication, effort, and persistence. People with a growth mindset believe that anyone can get smarter if they work hard at it, which is why they engage in lifelong learning, training, and practice to enhance their qualities. Unlike people with fixed mindsets, they see failure and setbacks as an opportunity to learn from their mistakes and continue to develop their skills rather than giving up.

In more recent studies, Dweck has reported evidence of growth mindsets in successful athletes, writers, and musicians. This has led her to conclude that people with growth mindsets tend to be happier and more successful than people with fixed mindsets. Although most of us tend to have one mindset or another, it is important to realize that fixed mindsets can be changed and growth mindsets can be learned. Managers are more likely to build a growth mindset if they get into a habit of practicing it through self-leadership, creativity, and improvisation.

In *Management*, we use the components and core skills of the entrepreneurial mindset to teach the many facets of management to students. By seeking first to understand how mindset is a gateway to action, and then sharing the knowledge learned, students will be able to learn skills they can apply in their personal and professional lives. Our book incorporates elements of the entrepreneurial mindset throughout each chapter. Instead of

passively reading through each chapter, the student is asked to pause, reflect, and engage with the content.

FEATURES

- *Entrepreneurial Manager Mindset* activities in each chapter encourage students to take part in practical activities that can be performed inside or outside the classroom.

- *Short case studies* at the opening and end of each chapter tell the stories of real companies from various sectors and markets to illustrate chapter concepts and encourage further exploration of these topics.

- *Examining the Evidence* boxes highlight a recent seminal management study from a high-quality management journal and discuss its practical applications in the business world. Critical thinking questions at the end of each box allow students to see how research in academe applies to real-life settings.

- *Voices of Management* boxes feature real-world anecdotes, quotes, and examples from seasoned business professionals, many of whom are entrepreneurs, who share their knowledge and experience with students by describing how they used management to positively influence outcomes and achieve organizational success. Critical thinking questions help students see how management concepts impact real people and organizations.

NEW TO THIS EDITION

In addition to updating 80% of the chapter references, we have added one new end-of-chapter exercise to each chapter. New cases on real-world companies, including Patagonia, New Belgium Brewery, and Trader Joe's, kick off each chapter. We have also updated all end-of-chapter cases and added new profiles for the Voices of Management features. Additionally, we have added a new chapter called "The Entrepreneurial Manager" (see Chapter 5) and combined some chapters to streamline the flow of information. Please read on to see the chapter-specific changes made.

END-OF-CHAPTER FEATURES

In each chapter, we include traditional review materials to help students check their comprehension and prepare for quizzes and exams.

- *In Review*, organized by learning objective, summarizes key chapter information.

- *Up for Debate* challenges students to think critically and develop and discuss their own viewpoints across a wide range of issues, including diversity, emotional well-being, and ethics.

- *Chapter exercises* are designed to help students build valuable experience and increase their skills through decision-oriented and hands-on activities.

- *Self-assessments* allow students to apply chapter content to their own lives and better understand their own behaviors, skills, and strengths. This feature is only provided online.

- *Case Snapshots* profile real-world companies and people and illustrate how management concepts function in the real world, providing students with engaging case examples and opportunities to apply management concepts to the case studies.

CONTENT AND ORGANIZATION

Chapter 1, "Management: An Entrepreneurial Mindset," explains the significance of an entrepreneurial mindset for today's managers and how it can be used to capture and create opportunities in uncertain conditions.

Chapter 1S, "The Evolution of Management," describes the historical foundations of management and the impact of management theorists on organizations through the ages.

Chapter 2, "Ethics and Social Responsibility," describes the importance of ethics in organizations, discusses ethical dilemmas, explores different approaches to social responsibility, and illustrates the role of social entrepreneurship in society.

Chapter 3, "Organizational Environment and Culture," explores internal and external influences and forces in relation to organizational environment, explores the facets of organizational culture, and identifies the various types of organizational cultures in organizations.

Chapter 4, "Diversity in a Global Economy," discusses the importance of diversity and inclusion in the workplace, explores different levels of diversity, describes positive ways for managers to promote diversity and inclusivity, and explains how cross-cultural diversity can be managed within the organization.

Chapter 5, "The Entrepreneurial Manager," explains the role of managers as entrepreneurs, illustrates the various types of entrepreneurship, outlines the components of the entrepreneurship method, and explains the different ways in which entrepreneurs can learn from failure.

Chapter 6, "Making Effective Decisions," addresses the main types of decision-making in organizations, identifies the factors that influence decision-making, explores how managers can overcome barriers to decision-making, and focuses on different group decision-making methods.

Chapter 7, "Setting Goals," discusses the goal-setting process in organizations, outlines different types of goals and goal plans, and explains how managers can practically apply goal-setting theory in the workplace.

Chapter 8, "Designing Strategies," outlines how managers apply organizational strategy in their organizations, discusses strategic planning at different levels of the organization, and describes how managers use strategic methods for performance and growth.

Chapter 9, "Managing Change and Innovation," describes the forces for change in organizations, outlines resistance to change and how to reduce it, and discusses the innovation process and the various types of innovation.

Chapter 10, "Structuring Organizations," explores the impact on organizational structure on organizations, describes the different types of traditional and contemporary organizational structures, and discusses the factors that influence the type of structures.

Chapter 11, "The Human Side of Management," discusses the importance of human resource management to organizations, describes how managers select talent, explores the onboarding process, and identifies the training strategies used by organizations.

Chapter 12, "Managing Team Performance," emphasizes the critical role of teams and teamwork, explains the components that make up an effective team, and demonstrates how managers can build effective teams in the workplace.

Chapter 13, "Managers as Leaders," discusses different types of leaders and leadership theories, explores the progression of leadership thought and practice, and appraises contemporary and emerging leadership perspectives.

Chapter 14, "Understanding Individual Behavior," describes individual differences and their effect on organizational performance, discusses the different personality types, and interprets how stress influences behavior in the workplace.

Chapter 15, "Motivating Others," discusses the process of motivation, explores the theories of motivation and how they influence behavior in the workforce, outlines the components of job design, and illustrates how positive reinforcement enables managers to motivate and empower employees.

Chapter 16, "Communicating," describes the types of communication channels, outlines the key barriers to effective communication, and discusses the importance of effective cross-cultural communication.

Chapter 17, "Controlling Information and Operations," explores how managers use controls to operate organizational performance, illustrates how managers use information and technology systems to create efficiencies and make more effective decisions, and identifies the types of controls and the processes used by managers to measure and adapt organizational performance.

/// ACKNOWLEDGMENTS

Christopher P. Neck, PhD

Dr. Christopher P. Neck is an associate professor of management at Arizona State University, where he held the title "University Master Teacher." From 1994 to 2009, he was part of the Pamplin College of Business faculty at Virginia Tech. He received his PhD in management from Arizona State University and his MBA from Louisiana State University. Neck is author or coauthor of 22 books, including *Self-Leadership: The Definitive Guide to Personal Excellence* (2017, Sage; 2nd ed., 2019); *Get a Kick Out of Life: Expect the Best of Your Body, Mind, and Soul at Any Age* (2017, Clovercroft); *Fit to Lead: The Proven 8-Week Solution for Shaping Up Your Body, Your Mind, and Your Career* (2004, St. Martin's Press; 2012, Carpenter's Sons); *Mastering Self-Leadership: Empowering Yourself for Personal Excellence* (6th ed., 2013, Pearson); *The Wisdom of Solomon at Work* (2001, Berrett-Koehler); *For Team Members Only: Making Your Workplace Team Productive and Hassle-Free* (1997, Amacom Books); and *Medicine for the Mind: Healing Words to Help You Soar* (4th ed., Wiley, 2012). Dr. Neck is also the coauthor of an introductory entrepreneurship textbook, *Entrepreneurship* (Sage, 2017; 2nd ed., 2020), and an introductory organizational behavior textbook, *Organizational Behavior* (Sage, 2017; 2nd ed., 2019).

Dr. Neck's research specialties include employee/executive fitness, self-leadership, leadership, group decision-making processes, and self-managing teams. He has submitted over 100 publications in the form of books, chapters, and articles in various journals. Some of the outlets in which his work has appeared include *Organizational Behavior and Human Decision Processes*, *Journal of Organizational Behavior*, *Academy of Management Executive*, *Journal of Applied Behavioral Science*, *Journal of Managerial Psychology*, *Executive Excellence*, *Human Relations*, *Human Resource Development Quarterly*, *Journal of Leadership Studies, Educational Leadership*, and *The Commercial Law Journal*.

Dr. Neck is the deputy editor of the *Journal of Leadership and Management*. Due to his expertise in management, he has been cited in numerous national publications, including the *Washington Post*, the *Wall Street Journal*, the *Los Angeles Times*, the *Houston Chronicle*, and the *Chicago Tribune*.

Dr. Neck was recently voted a semifinalist (out of 140 nominations) for the prestigious international 2020 Baylor University Cherry Award for Great Teaching. He was also the recipient of the 2007 *Business Week* Favorite Professor Award.

Dr. Neck has taught over 60,000 students during his career in higher education. He currently teaches a mega section of Management Principles to approximately 900 students at Arizona State University.

Dr. Neck was the recipient of the 2020 John W. Teets Outstanding Undergraduate Teaching Award (voted by W. P. Carey students). Neck also received the Order of Omega Outstanding Teaching Award for 2012 awarded to one professor at Arizona State University by the Alpha Lambda chapter of this leadership fraternity. His class sizes at Virginia Tech reached 2,500 students. He received numerous teaching awards during his tenure at Virginia Tech, including the 2002 Wine Award for Teaching Excellence. He was also the 10-time winner (1996, 1998, 2000, 2002, 2004, 2005, 2006, 2007, 2008, and 2009) of the "Students' Choice Teacher of the Year Award" (voted by the students for the best teacher of the year within the entire university). Some of the organizations who have participated in his management development training include GE/Toshiba, Busch Gardens, Clark Construction, the United States Army, Crestar, American Family Insurance, Sales and Marketing Executives

International, American Airlines, American Electric Power, W. L. Gore & Associates, Dillard's Department Stores, and Prudential Life Insurance. Dr. Neck is also an avid runner. He has completed 12 marathons, including the Boston Marathon, New York City Marathon, and the San Diego Marathon. In fact, his personal record for a single long-distance run is 48 miles.

Jeffery D. Houghton, PhD

Dr. Jeffery D. Houghton completed his PhD in management at Virginia Polytechnic Institute and State University (Virginia Tech) and is currently a professor of management at West Virginia University. Dr. Houghton has taught college-level business courses at Virginia Tech, Abilene Christian University (TX), Lipscomb University (TN), The International University (Vienna, Austria), and the U.S. Justice Department Federal Bureau of Prisons. Prior to pursuing a full-time career in academics, he worked in the banking industry as a loan officer and branch manager.

A member of the Honor Society of Phi Kappa Phi, Dr. Houghton's research specialties include human behavior, motivation, personality, leadership, and self-leadership. Dr. Houghton has published more than 50 peer-reviewed journal articles and book chapters, and his work has been cited approximately 5,000 times in academic journals. He currently teaches undergraduate, masters, and doctoral level courses in management, OB, and leadership. Dr. Houghton was named the 2013 Beta Gamma Sigma Professor of the Year for the John Chambers College of Business and Economics, awarded annually to one faculty member within the college as selected by a vote of the student members of Beta Gamma Sigma, and he received the 2008 Outstanding Teaching Award for the John Chambers College of Business and Economics, awarded annually to one faculty member for outstanding teaching.

In addition to his research and teaching activities, Dr. Houghton has done consulting and conducted training seminars for companies, including the Federal Bureau of Investigation, Pfizer Pharmaceuticals, and the Bruce hardwood flooring company. In his spare time, Dr. Houghton enjoys traveling, classic mystery novels, racquetball, and snow skiing. Finally, Dr. Houghton has completed two marathons, the Marine Corps Marathon in Washington, DC, and the Dallas White Rock Marathon.

Emma L. Murray, BA, Hdip, DBS IT

Emma L. Murray completed a bachelor of arts degree in English and Spanish at University College Dublin (UCD) in County Dublin, Ireland. This was followed by a higher diploma (Hdip) in business studies and information technology at the Michael Smurfit Graduate School of Business in County Dublin, Ireland. Following her studies, she spent nearly a decade in investment banking before becoming a full-time writer and author.

As a writer, she has worked on numerous texts, including business and economics, self-help, and psychology. Within the field of higher education, she worked with Dr. Christopher P. Neck and Dr. Jeffery D. Houghton on *Management* (Wiley, 2013); an introductory entrepreneurship textbook, *Entrepreneurship* (Sage, 2017; 2nd ed., 2020); and an introductory organizational behavior textbook, *Organizational Behavior* (2017; 2nd ed., Sage, 2019). She is the author of *The Unauthorized Guide to Doing Business the Alan Sugar Way* (2010, Wiley-Capstone) and the lead author of *How to Succeed as a Freelancer in Publishing* (2010, How To Books). She lives in London.

INTRODUCTION

■ PART 1

MANAGEMENT
An Entrepreneurial Mindset

LEARNING OBJECTIVES

By the end of the chapter, you should be able to

1.1 Define management.

1.2 Describe a manager's four major tasks—planning, organizing, leading, and controlling.

1.3 Identify the key aspects of an entrepreneurial mindset.

1.4 Explore how managers make a difference to the triple bottom line.

1.5 Compare different types of organizations and managers and the decisions both make.

1.6 Explain the purpose of organizational mission, vision, and values.

1.7 Demonstrate how focusing on skills and strengths leads to success as a manager.

CASE STUDY: IN-N-OUT BURGER

In-N-Out Burger is one of the most recognizable brands in the United States, and to many worldwide, it stands as a symbol for the American West Coast. It does all this with only 347 locations, all between Texas and California. Compared to Subway's 27,000 locations, it has an incredibly potent brand behind each location. Founded in October 1948 in California, In-N-Out's menu has changed very little in order to simplify what they do and what their customers expect. Founded by Harry and Esther Snyder, their initial formula has remained the same since then, with everything run under a family mentality toward their customers. Their idea for the company was to focus on quality and freshness with the motto still used today: "Give customers the freshest, highest-quality foods you can buy and provide them with friendly service in a sparkling clean environment." The formula has worked, and since then, In-N-Out has transformed into a $3 billion behemoth that is constantly proving it to be more than just a fast-food brand.

While In-N-Out Burger is a brand comparable in fame to the likes of McDonald's and Burger King, it operates on a much different scale and with differing goals. McDonald's and In-N-Out were founded around the same time, in the same area of California, but they approached growth in very different ways. For instance, McDonald's went with a franchise model that allowed for tremendous growth opportunities, but In-N-Out shied away, knowing it would have less control of the procedures and quality. This meant that while McDonald's would go on to dominate the globe and become a publicly traded behemoth worth over $135 billion with over 37,000 restaurants, In-N-Out would stay local to California until the 90s when it ventured out into nearby Nevada, Arizona, Utah, New Mexico, and Texas, never more than 500 miles from its fresh goods distribution centers. This commitment to quality has forced it to grow slowly and never compromise. It has also allowed the company to become the juggernaut it is today, with few instances of failure and consistent rankings as both America's favorite restaurant to frequent and to work at. It is allowed to do things without worrying primarily about the bottom line to appease board members. Being a privately held, nonfranchising company has allowed it to stay true to the original model of delivering fresh, high-quality foods in a clean, friendly environment.

One of the benefits of remaining a privately held company is that In-N-Out can be private with its finances and operations. For that reason, the family-run business has been able to do things its way since its founding. The current president and owner is Lynsi Snyder, the only granddaughter of Harry and Esther Snyder, the founders. She and the Snyder family are known for being reclusive about their personal lives and the internal operations of In-N-Out. This means it is difficult to put an exact number on any of its financial figures. Valuation estimates for In-N-Out range from $5 to $6 billion with revenue estimates of around $700 million per year. These are only estimates, but they reveal a company whose brand is worth far more than its actual operation. This is intentional due to a slow growth method that ensures there will always be more

demand than supply when it comes to customers versus locations. This method is the privilege of a private company, to grow at its own pace without having to worry about quarterly growth and a board of directors.

A great sign of how a company treats its employees is to evaluate how long the employees stay, and in that regard, In-N-Out leads the way. Most people look toward the food-service industry for their first job, but they rarely look at it as a potential career. For that reason, employee turnover in the fast-food industry is frequent. This is not the case at In-N-Out, where employee wages all start above minimum wage and average well above the going rate in the industry. On top of this, it offers health care benefits to every employee, not just full-time employees. If this wasn't enough, it offers some of the most flexible hours in the industry to enable all employees to balance the job with their schoolwork.

In-N-Out offers many great perks, but something more than just a perk is the purpose it offers its employees. It provides them with the ability to work for a well-loved brand with simple yet difficult goals of friendliness, cleanliness, and excellence, and it treats employees as partners and valuable pieces of the experience at In-N-Out. To prove how much emphasis it puts on the customer experience, it often pays location managers six figures and above, far higher than is expected in comparable positions at competing chains. These managers are only hired from within, giving entry-level workers a clear path toward a fruitful career if they choose to work their way up through the ranks at In-N-Out. Also, corporate employees are largely promoted from the location managers. This means the majority of In-N-Out corporate employees did their time in the entry-level environment. This is a true commitment to the people that interact with customers in a way few other companies do it.

While In-N-Out has proven its commitment to its employees in seemingly endless ways, what makes it different than most food brands is its commitment to its customers. It does this the same way it has always done it, with the highest-quality food in the friendliest, cleanest environment. This can be seen in every decision it makes. Where most fast-food brands precut their raw ingredients, In-N-Out does all of this fresh. The same goes for the way it makes any of its food; it does it in the best way it can or doesn't do it at all. In-N-Out does all of this while maintaining a friendly staff and a spotless environment. Thanks to the privately owned nature of the company, each location is set to the exact same standards. This is what makes In-N-Out different than most, a commitment to quality that governs every decision it makes.

Discussion Questions

1. What makes In-N-Out different from its competitors?

2. What are the benefits of In-N-Out being a private company?

3. List some of the traits exemplified by the management of In-N-Out Burger.

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WHAT IS MANAGEMENT?

LO 1.1 Define management.

Management

The process of working with people and distributing an organization's resources to achieve goals efficiently and effectively.

Management is the process of working with people and distributing an organization's resources to achieve goals efficiently and effectively. Today's managers face more complex challenges than ever before. The accelerating pace of technology and innovation means that managers need to embrace the disruption or risk being left behind. Some of the main challenges facing managers today are dealing with a fluctuating and uncertain economic climate, keeping up with the latest technological developments, identifying and hiring

talent, keeping up with (and staying ahead of) the competition, managing diversity, dealing with the skills shortage caused by the ever-changing knowledge economy, coping with high staff turnover due to the "job-hopping" mentality, figuring out ways to meet increasing customer demand, breaking down closely knit groups and departments to encourage a free flow of ideas, finding new ways to boost employee engagement, and nurturing innovation and creativity within their teams to inspire new ways of thinking—to name just a few.

Burger chain In-N-Out, featured in our case study, is a good example of an organization that realizes the importance of good managers for organizational success. Because of its commitment to its employees, In-N-Out has already tackled some of the challenges faced by many organizations described above, including high turnover, customer demand, and employee engagement.

As the In-N-Out case shows, it is essential that organizations encourage managers to work hard to create positive change for people both inside and outside their organizations. For example, a recent study conducted by a team of researchers from Stanford, Berkeley, the London School of Economics, the Institute for Employment Research, and Deutsche Bundesbank explores the correlation between management practices (such as fair pay, reward systems) and employee monitoring and financial performance.[1] By analyzing data from 365 midsized German manufacturing plants, the researchers discovered that the better-managed organizations not only were more high-performing, but they tended to have higher-quality, long-standing employees with higher levels of ability than the less well-managed organizations.

Managers and the Entrepreneurial Mindset

Because of all the uncertainty, volatility, and complexity in the world, managers need to have a certain type of mindset to become truly effective. Mindset is difficult to define; the traditional definition is "the established set of attitudes held by someone,"[2] yet research has shown that mindset is far from being "set." In fact, it isn't static at all. Rather, our mindset is a prism through which we view the world, something that helps to guide our reactions and decisions. Managers can truly benefit from an **entrepreneurial mindset**, which is the ability to quickly sense opportunities, take action, and get organized under uncertain conditions.[3] An entrepreneurial mindset is not just reserved for **entrepreneurs**, individuals who plan, organize, and lead high-risk business opportunities,[4] but can be used by managers to capture and create opportunities by adapting capabilities to compete effectively, motivate others to work toward a common goal to reduce uncertainty, and take ownership of unknown outcomes for a new project. Managers can learn some powerful lessons from entrepreneurs and enhance the value of all types of organizations by creating opportunities, generating ideas, and devising strategies toward positive change. This is what being a manager with an entrepreneurial mindset is all about.

Entrepreneurial mindset
The ability to quickly sense opportunities, take action, and get organized under uncertain conditions.

Entrepreneur
Individuals who plan, organize, and lead high-risk business opportunities.

© istockphoto.com/marekuliasz
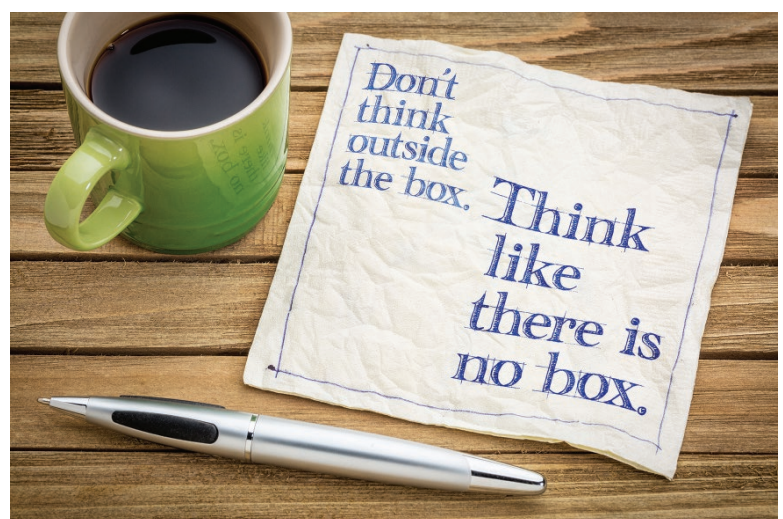
Look for opportunities to create a new product or design a more efficient work process.

This research reinforces the importance of effective and efficient managers in the workplace. Christine Jones, business executive at domain registrar organization GoDaddy, is an effective manager in the area of technology and an example of how having an entrepreneurial mindset can result in managerial success.

Christine Jones (GoDaddy)

TIM SLOAN/AFP via Getty Images

Christine Jones has had an undeniably accomplished career in whatever space she has operated, whether it be law, technology, politics, or venture capital. She played a major role in one of Arizona's most notable startups ever, making her one of the most recognizable businesspeople in the state. She has recently made herself a major player in the political sphere, running both for governor and for Congress. In her career, she's clearly shown an entrepreneurial mindset in that she has distinguished herself as a risk-taking opportunist willing to rise to any occasion.

Christine didn't start with a clear path toward where she is now. Coming from a humble background in Denver, Colorado, she was told, "The only way for you to make something of yourself is through education." She took that advice to heart and went to Auburn University before graduating with a JD from Whittier Law School in California. From there she had a successful career as a corporate lawyer in Phoenix, Arizona. At this point in her career she went as a representative from her law firm to visit what was at the time a small domain registrar company called GoDaddy. She decided to get onboard with GoDaddy and went on to oversee its growth from 12 employees to around 4,000 on its way to becoming the premier domain registrar. Once she left GoDaddy, many thought she would take a step back and enjoy the fruits of her career. Instead, she dove into the public sphere in Arizona, making herself a prominent voice in the space. More recently, she has devoted herself to helping people see their ideas come to life with a venture capital firm she started after meeting people across Arizona with great ideas and no easy means of seeing them through.

Source: Interview with Christine Jones, February 6, 2019.

Risk Sensitivity

Christine's entrepreneurial mindset was clearly evident with her move to GoDaddy. This move was seen at the time as a huge risk, and her peers saw her as "insane" for jumping from a well-respected law firm to a small, unproven tech company. At the time, GoDaddy was the 35th largest domain registrar out of a total of 50 and had only 12 employees. It was small with no clear idea of how it would make money, nothing like the company it is today serving more than 10 million small businesses. While this was her first foray into an unproven startup, Christine has always considered herself risk tolerant: "That was by no means the first time I made an entrepreneurial move, it's something I've always tended toward." Even so, she went all in when there were plenty of reasons to play it safe, and the result was an opportunity to be at the center of a company that would go on to dominate its industry and make itself into a major brand.

Despite the initial risk, Christine took the position head-on, devoting much of her time to developing policies to make the Internet a better and safer place. One thing often not mentioned about her background is that she spent a decade focused on developing policy in Washington. While there she was able to make major strides toward creating a safe Internet, especially for children. She made this impact on behalf of GoDaddy and what it stood for in its portion of the market.

What's Next

After her exit from GoDaddy she could look back and see a full career behind her, and yet Christine decided that her work was just beginning. She has since founded many more businesses of her own. With the same entrepreneurial mindset that led her to jump to GoDaddy, she sees opportunity everywhere for technology to make life better and more efficient. She sees it in day-to-day living and in the way our government operates. Many of these ideas are her own, and many are from regular people she meets on a daily basis. Christine has had multiple careers in the span of one and is just getting started in many ways.

Critical Thinking Questions

1. Did having an entrepreneurial mindset help Christine become successful?

2. What philosophy was Christine given when she was young, and how has it impacted her?

THE FOUR FUNCTIONS OF MANAGEMENT

> **LO 1.2** Describe a manager's four major tasks—planning, organizing, leading, and controlling.

To be both effective and efficient, managers must follow four management functions to tackle business challenges: planning, organizing, leading, and controlling, popularly known as the POLC framework.[5]

Planning

Working toward a specific destination is imperative to being successful in business. Defining what the organization wants to achieve and how it will get there is called *planning*. **Planning** is the process of setting goals for the future, designing appropriate strategies, and deciding on the actions and resources needed to achieve success.

Organizational planning has evolved over time from a centralized activity performed only by a handful of top managers in the company to a process that starts with management's clear sense of the company's purpose, which it communicates directly to its customers, employees, and communities. Some of the biggest organizational failures have been a result of poor organizational planning; for instance, retailer JC Penney is still struggling with slow sales growth due to a decision by its former CEO Ron Johnson to eliminate coupons in favor of traditional sales promotions.[6] Johnson's biggest mistake was not to test customer reactions before he implemented his planning strategy, and the retailor has been paying for it ever since.

Organizing

Once the plan is in place, as a manager you might be asked to assemble a team of people to implement it. This is **organizing**, the process of orchestrating people, actions, resources, and decisions to achieve goals. Organizing is a big part of the daily duties performed by Alexis Roumeliotis, events manager at online careers company the Muse. Table 1.1 illustrates a day in the life of Roumeliotis when preparing and running an event.

Leading

Planning and organizing are essential functions of management. A manager's greatest opportunity to ensure that activities go as planned is through **leading**: the process of effectively motivating and communicating with people to achieve goals. When it comes to large projects, it can be difficult for employees and team members to realize the importance of their individual roles within the process. Understanding what motivates employee behavior and communicating effectively with a diverse team are even more critical for a manager when the team experiences a setback or disappointment. *Wall Street Journal* editor Sam Walker spent over a decade researching the commonalities of 1,200 of the greatest professional sports teams from the last 200 years to determine what made them so successful.[7] But to his surprise, it wasn't the world-class athletes, the coaches, or even the sports organizations that made a winning—it was the team captains. Walker argues that excellent team captains play for their teams, not their egos, and bring out the best in their team players through passion, authentic communication, and commitment; in other words, by leading. Table 1.2 outlines seven traits of elite sports captains according to Walker.

Controlling

Finally, **controlling** is the process of monitoring activities, measuring results, comparing results with goals, and correcting performance when necessary. The main aim of controlling is to ensure that performance meets the objectives of goals and plans. For example,

Planning
The process of setting goals for the future, designing strategies, and deciding on the actions and resources needed to achieve success.

Organizing
The process of orchestrating people, actions, resources, and decisions to achieve goals.

Leading
The process of effectively motivating and communicating with people to achieve goals.

Controlling
The process of monitoring activities, measuring results and comparing them with goals, and correcting performance when necessary.

Table 1.1 /// A Day in the Life of a Muse Events Manager
6:00 AM: I'm up and ready to start my day.
7:00 AM: Assuming there's an event, I make sure to get there about an hour before it starts.
7:15–8:00 AM: This is when setup happens. I assemble gift bags, arrange the chairs, do the flower arrangements, and prep the food and tech. I'm always checking my e-mail for add-on guests (or people who RSVP at the last minute).
8:00–9:00 AM: The event starts, and I'm running around introducing people, making sure everyone has their name tags, getting them things like water, food, tea, and coffee. I also speak with the people overseeing IT to make sure sound is OK. And I touch base with the sales team about who's arrived.
10:30 AM: The event ends. I help with cleanup, but not before thanking the guests for their attendance, chatting with clients who attended about how we can partner up to do other events, and starting to plan what the takeaway or message to our guests should be once they leave.
12:30 PM: Back at the office, I catch up on e-mails, and I set up or have meetings with whichever sales team member will be joining me at the next event so that we can go over the run of show.
1:30 PM: This is the time I usually try to get lunch and take a break. Do a quick walk around the block. Or if I have errands to do, like go to FedEx to ship boxes or get things printed, this is the time I do it.
2:30 PM: I'm back at my desk again, checking in with various teams on things I need. I often touch base with the design team regarding ads or one-pagers. I may meet with the B2B team to discuss workflows on e-mails and plan follow-up e-mails for leads for the next event.
3:30 PM: This is when I'm usually in meetings with the marketing team to discuss goals and upcoming events in the next 2 weeks. I like to walk them through the plan and schedule.
4:30 PM: I write up and schedule social posts for our upcoming event. This is when I get to flex some creative muscles.
5:30–6:00 PM: I catch up on e-mails that I didn't get to, and I write my to-do list for the next day.
6:00 PM: I usually head out of the office and call it a day.

Source: Via career & job search platform TheMuse.com

Table 1.2 /// Seven Traits of Elite Sports Captains
• They are extremely resilient.
• They play to the limits of the rules.
• They do thankless jobs.
• They communicate clearly with all members of their team.
• They motivate through nonverbal displays.
• They have strong convictions and aren't afraid to be different.
• They have total control of their emotions.

Source: Feloni, Richard. "An analysis of the 16 best sports teams in history shows the most important person on a team isn't its coach or best athlete." Business Insider. August 5, 2017.

say you're the manager of a fast-food restaurant who has launched an online customer survey initiative to gather feedback on your restaurant's performance. When the results come back, you notice that several customers have complained about rudeness from your staff. As part of the controlling process, you take corrective action by addressing the issue

with your staff and possibly introduce further training to ensure this problem doesn't happen again. Sandwich chain Subway invites feedback, ideas, and suggestions from its customers through its TellSubway campaign (tellsubway .website).

Management Is Both an Art and a Science

There is clear evidence that management is both an art and a science. The art of managing requires the use of people-focused skills, such as collaborating with teams, building relationships, and dealing with conflict. Setting up and leading a monthly progress sales meeting, organizing and hosting a leaving party for a long-standing employee, or presenting the company's quarterly results to the media are good examples of the artistic side of management. The science of management involves the use of technical skills such as monitoring goals, planning budgets, and reviewing feedback.

Tasks in this category might include testing a new manufacturing process to reduce energy costs at a plant, using an online program to track employees' progress on developing a new product, or reviewing customer feedback to decide whether to continue providing a service that is losing money. As Figure 1.1 demonstrates, managers must balance both the people-focused and technical sides of their jobs.[8]

Reaching this balance requires **effectiveness**, which is the level to which people or organizations make the right decisions to achieve agreed-upon goals, and **efficiency**, which is the

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Correcting performance of staff is one of the controlling functions of a manager.

Effectiveness

The level to which people or organizations achieve agreed-upon goals.

Efficiency

The means of using the smallest amount of resources to achieve the greatest output.

Figure 1.1 /// The Art and Science of Management

Management can be both people focused (art) and technical (science).

Art	Science
• Collaborating	• Observing
• Communicating	• Gathering data
• Presenting	• Analyzing data
• Leading meetings	• Tracking goals
• Building relationships	• Modeling budgets
• Celebrating	• Refining processes
• Handling conflict	• Reviewing feedback
• Motivating	• Collecting figures
• Negotiating	• Processing
	• Documenting

means of using the smallest amount of resources (people, money, materials) to achieve the greatest output. Managers must work hard at being both effective and efficient. As management consultant and educator Peter Drucker once said, efficiency is "doing things right" while effectiveness is "doing the right things."[9]

Management Roles

Henry Mintzberg (b. 1939), management researcher, strategy theorist, and author of *The Nature of Managerial Work*, has been observing managers in their organizational environments since the late 1960s. Based on his observations outlined in Table 1.3, he suggests that we can describe a manager's work most accurately in terms of **managerial roles**, or organizational expectations that determine the actions of managers, including *interpersonal*, *informational*, and *decisional* roles.[10] In **interpersonal roles**, managers build relationships with the people they work with and act as a public symbol for the many people they represent. **Informational roles** require managers to gather, assess, and communicate information to individuals and teams in support of the organization's values, mission, vision, and goals. In **decisional roles**, managers are responsible for making judgments and decisions based on available information and analysis of the situation. Mintzberg observed that managers were required to act as figureheads, analyze and monitor data, and understand information so the organization can pursue goals and maximize resources effectively.[11] We focus on examples of management functions throughout this book, but it is also notable to recognize the importance of Mintzberg's role theory and explore how it applies to managers.

Table 1.3 /// Henry Mintzberg's Management Roles

Categories	Roles	Example Actions
Interpersonal *Manager's actions that include symbolic, public-facing activities*	Figurehead Leader Liaison	• Speaking or being present at ceremonial events, hosting guests (e.g., vendors, clients, or potential employees) • Motivating and influencing employees' behaviors, train, and mentor employees • Keeping up information links internally and externally to the organization
Informational *Manager's actions relating to gathering, assessing, and communicating information*	Monitor Disseminator Spokesperson	• Gathering data and information, studying industry papers, reading reports, maintaining interpersonal relationships • Sending messages (e-mail, text, and voice), writing memos, forwarding relevant information • Making speeches, citing the organization's position on a subject
Decisional *Manager's actions that include making judgments and decisions based on situations and information gathered*	Entrepreneur Disturbance handler Resource allocator Negotiator	• Identifying new business opportunities, nurturing new projects or initiatives, selling new business • Working through employee conflict, conducting efforts during a crisis, interpreting and responding to internal and external change • Approving and setting budgets, deciding the beneficiaries of internal resources, setting priorities • Mediating discussions with unions, protecting the organization's interests, bargaining and agreeing to supplier deals

Source: Adapted from H. Mintzberg, *The Nature of Managerial Work* (Englewood Cliffs, NJ: Prentice Hall, 1980).

KEY ASPECTS OF THE ENTREPRENEURIAL MINDSET

LO 1.3 Identify the key aspects of an entrepreneurial mindset.

Today's fast-paced business environment needs managers with the skills to work in unpredictable circumstances, adapt to rapid change, persevere in spite of setbacks, accept and learn from failure, and become comfortable working with the unknown. To achieve all this, managers need to have the right type of mindset.

Fixed Mindset and Growth Mindset

According to work by pioneering Stanford University psychologist Carol Dweck, there are two types of mindset: a fixed mindset and a growth mindset (see Figure 1.2).[12]

In a **fixed mindset**, people believe their talents, intelligence, and abilities are set traits. They think they only have a certain amount of that intelligence and don't believe there is any way of enhancing it. In other words, "You either have it or you don't." People with a fixed mindset go through life trying to look smart all the time and tend to take constructive criticism badly. They also attribute others' success to luck or some other unfair advantage. Finally, people with a fixed mindset are afraid to take risks or take on new challenges for fear of failure or looking dumb. For example, saying, "I'm not good at science," is a way of instilling the belief that you're no good at science, which gives you an excuse to avoid working hard at it. While a fixed mindset might prevent failure in the short term, it impedes our ability to grow, learn, and develop new skills in the long term.

Fixed mindset
The belief that talents, intelligence, and abilities are set traits.

On the other hand, in a **growth mindset**, people believe their talent, intelligence, and abilities can be developed through dedication, effort, and persistence. People with a growth mindset believe that anyone can get smarter if they work hard at it, which is why they engage in lifelong learning, training, and practice to enhance their qualities. Drawing from the science example earlier, people with a growth mindset will perceive poor results as an indication that they need to work harder to develop the skills and knowledge they need to get better at the subject. Unlike people with fixed mindsets, they see failure and setbacks as an opportunity to learn from their mistakes and continue to develop their skills rather than giving up.

Growth mindset
The belief that talent, intelligence, and abilities can be developed through dedication, effort, and persistence.

In more recent studies, Dweck has reported evidence of growth mindsets in successful athletes, writers, and musicians. This has led her to conclude that people with growth mindsets tend to be happier and more successful than people with fixed mindsets. Although most of us tend to have one mindset or another, it is important to realize that fixed mindsets can be changed and growth mindsets can be learned.

Figure 1.2 /// What Kind of Mindset Do You Have?

Fixed Mindset
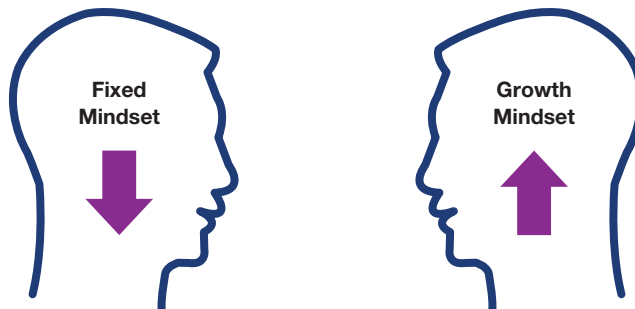
Growth Mindset

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How to Change Your Mindset

The key to change your mindset from fixed to growth is self-awareness. The following four steps will help you to identify the situations where you're in danger of falling into a fixed mindset.

- *Step 1: Recognize the fixed mindset "voice."* Every one of us has an inner critic that judges our actions. This is the fixed mindset "voice." For instance, when confronted with a new challenge, the voice might say, "Are you sure this is a good idea?" or "What if you fail?" Learning to recognize this voice is the first step to moving away from a fixed mindset.

- *Step 2: Understand that you have a choice.* Once you hear the voice, you have the opportunity to make a choice. For instance, you can either interpret it as a sign that you need to give up before the challenge has already begun, or you can use it as an indication that you need to learn and develop new skills. Once you have made that decision, you can progress into an area of growth rather than judgment.

- *Step 3: Respond to the voice.* The third step is to answer the voice. For instance, when facing constructive criticism after making a mistake, the voice might say something like, "It's not my fault. Someone else should be blamed for it." One way of responding to the voice might be, "I need to listen to feedback and take responsibility for the mistake, otherwise I can't fix it."

- *Step 4: Take action by using a growth mindset.* Once you have responded to the fixed mindset voice with a growth mindset, you will be able to take the action you need to lead to further development. This might include taking on new challenges, learning from mistakes, listening and learning from feedback, and persisting in spite of setbacks.

Entrepreneurial Manager Mindset

We discussed the four principles of management: planning, organizing, leading, and controlling. In the modern world, these functions work together and often all at once in a final effort to achieve goals. In fact, entrepreneurs starting small businesses are often implicitly responsible for all four of these managerial roles, but they neglect some duties for lack of awareness. For all aspiring managers, whether those starting a business or those managing a team at a Fortune 500 company, it is highly important to be aware of these management duties and to improve constantly.

For your mindset exercise you will perform a task that reinforces your managerial ability in one of these four functions of management—that is, leading. Though it seems simple, your task is to lead through your initiative a chore or an activity at home, in your apartment, or in your dorm. The task itself doesn't matter, but the goal is to lead a family member or friend to complete this task with or for you. For example, you may get out the broom and start sweeping in an attempt to get a roommate to help clean up a dorm. You could explicitly ask a spouse or child to help you get groceries or dump the garbage. When you have tried this, observe how the person reacts and discuss with your classmates some of the smoothest forms of leadership that led to positive action with minimal disagreement or friction.

Critical Thinking Questions

1. Which of the four managerial responsibilities do you think you are best at? Why?

2. During your mindset exercise, did you explicitly ask for a task to be completed, or did you lead by example? Which seems to work better and why?

The Entrepreneurial Mindset as a Habit

Managers are more likely to build an entrepreneurial mindset if they get into a habit of practicing it. A **habit** is something done often and regularly, sometimes unconsciously.[13] There are three helpful habits managers can adopt to develop an entrepreneurial mindset: self-leadership, creativity, and improvisation.

The Self-Leadership Habit

Self-leadership is the process through which people intentionally influence their thinking and behavior to achieve their objectives.[14] Self-leadership strategies are generally divided into three categories: behavior-focused strategies, natural reward strategies, and constructive thought strategies (you will learn more about self-leadership in Chapter 13). Entrepreneurial managers can use behavior-focused strategies to increase their self-awareness, set personal goals, reward themselves for the achievements of those goals, reshape behaviors in response to constructive feedback, and use cues to focus on desired goals. They can also use natural reward strategies to help them feel more positive about particularly boring or tedious tasks. Finally, entrepreneurial managers can adopt constructive thought patterns by visualizing their goals and using positive self-talk. As we explored earlier in the chapter, managers can engage with the fixed mindset voice to move toward a growth mindset.

The Creativity Habit

Creativity is defined as the generation of meaningful ideas by individuals or teams.[15] It is important for managers to nurture creativity in their teams (more on this in Chapter 12). Entrepreneurial managers embrace creativity by exhibiting openness to new experiences, persistence, adaptability, motivation, self-reliance, and risk tolerance. Lucas Miller, founder and CEO of PR and media company Echelon Copy LLC, believes creativity is key to successful businesses: "Creative minds and enterprises often start off by gathering information about a problem. Then, they take time to digest the issue in its entirety. Once they grasp the idea fully, they often have a breakthrough and come up with a solution. Finally, they test their potential solution to see if it's worth its salt."[16]

The Improvisation Habit

The final habit for developing an entrepreneurial mindset is improvisation. **Improvisation** is the art of spontaneously creating something without preparation.[17] Although most people associate improvisation with comedy acts (think Second City comedy club former performers Tina Fey and Stephen Colbert), the entrepreneurial manager, like successful entrepreneurs, uses improvisation to rapidly sense and respond to certain events or situations and change direction quickly. Many companies now offer improv training to corporate executives to increase responsiveness and improve communication. Studies have shown that people who practice regular improvisation have lower levels of anxiety and higher degrees of communication in a variety of work situations.

Habit
Something that is done often and regularly, sometimes on an unconscious level.

Self-leadership
The process through which people intentionally influence their thinking and behavior to achieve their objectives.

Creativity
The generation of meaningful ideas by individuals or teams.

Improvisation
The art of spontaneously creating something without preparation.

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The ability to think critically is a skill that will help you succeed no matter your career path.

Mindset as a Gateway to Action

A manager's mindset is a gateway to action. As we explored in the previous section, the entrepreneurial mindset requires the habits of self-leadership, creativity, and improvisation. But if your mindset does not have a predisposition toward action, nothing will ever happen. Successful entrepreneurs take action to get results—another lesson for managers to learn. But taking action in the workplace requires a great deal of self-efficacy, which is the belief and confidence in our own abilities to deal with certain situations.[18] For example, a person working in a marketing team who aspires to become a marketing manager may work hard to increase their chances of promotion, but if they lack the confidence and self-belief to reach the goal, the promotion is unlikely to happen.

Research shows that people with high levels of self-efficacy are more resilient in the face of setbacks, persistent with their ideas and goals, and persevere at complex tasks.[19] In contrast, people with lower levels of self-efficacy give up quickly when confronted with setbacks, display weak commitment to ideas and goals, and perceive difficult tasks as personal threats. Luxury fashion designer Misha Kaura attributes her high levels of self-efficacy with knowing her own worth. Kaura explained, "This means sitting up straight, looking people in the eye, giving a firm handshake, charging what you deserve, maintaining a positive attitude—and keeping a private victory log of things you've done well. These simple changes have done wonders for my confidence, productivity, and overall happiness levels, and have helped me get to the absolute top of my profession."[20]

By regularly practicing the creativity, self-leadership, and improvisation habits, managers will succeed in expanding their mindsets, which will enhance their own self-efficacy and encourage them to take the action they need to achieve their goals.

HOW DO MANAGERS MAKE A DIFFERENCE?

> **LO 1.4** Explore how managers make a difference to the triple bottom line.

In the past, business leaders focused on the profits their organizations made. Today's leaders put social and environmental impacts before profit to drive their decision-making, something called the triple bottom line, or the 3 Ps: people, planet, and profit.[21]

People

Every organization has a responsibility to its employees and to the wider community. Cloud-based software company Salesforce is a good example of an organization that takes care of its employees and gives back to the community. Salesforce employees are provided with additional time off for volunteering to support local causes. As one employee said, "Salesforce's dedication to Volunteer Time Off and other philanthropic initiatives is unlike anything I've experienced or even heard about at other companies. It is an important part of our culture from top to bottom."[22]

Planet

Over the last few years, scientists all over the world have warned against the growing threat of climate change. A 2019 climate report carried out by researchers at Yale University and George Mason University showed that almost 30% of those surveyed were "very worried" about global warming—the highest percentage since the surveys began in 2008.[23] Because of these concerns, more and more people are beginning to favor companies committed to sustainable, or green, environmental practices.

French software company Dassault Systemes topped the *Forbes*' "World's Most Sustainable Companies, 2018."[24] Dassault designs engineering software that supports organizations in

waste reduction through the use of virtual technology. Over 25 million people use this software to further sustainability in different areas, such as energy, cities, and life sciences.[25]

Profit

Organizations that practice the 3 Ps consider profit as part of their commitment to taking care of their people and the planet. Personal care products organization Seventh Generation is considered to be one of the most environmentally friendly organizations in the world, with a reputation for looking after its employees.[26] It also banks over $200 million every year. This example shows it is possible for companies to achieve success by adopting the 3 Ps into their organizational practices.

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Find dynamic ways to reach your employees and customers.

MANAGERS AT WORK

LO 1.5 Compare different types of organizations and managers and the decisions both make.

Management's primary functions are consistent across organizations, but the types of organizations where they work can differ dramatically based on employee and manager attitudes, beliefs, decision-making styles, availability of resources, purpose, and tolerance of risk, to name just a few factors. Let's look into the types of organizations and the internal and external forces their managers negotiate.

Types of Organizations

An **organization** is an entity formed and structured to achieve goals. In the United States, there are three business sizes: small, midsize, and large, defined by the number of people they employ. **Small organizations** have fewer than 100 employees, **midsize organizations** between 100 and 500, and **large organizations** more than 500 employees. Represented in all these size categories are start-ups, multinational corporations, growth companies, nonprofit organizations, and student organizations.

Start-up Organizations

A **start-up** is a newly formed organization with limited or no operational history.[27] Some of today's largest and well-known organizations began as start-ups, including Uber, Airbnb, Apple, and Facebook. We explore more about start-ups in Chapter 5.

Multinational Corporations

A **multinational corporation** is a business organization with operations in multiple countries.[28] Walmart, CVS Health, and Apple are among the biggest American multinational organizations in the world.[29]

Growth Companies

A **growth company** is an organization that increases its annual revenue faster than its competitors in the same industry or market.[30] Chartered-flight broker Aeronux Airways is

Organization
An entity formed and structured to achieve goals.

Small organizations
Organizations with fewer than 100 employees.

Midsize organizations
Organizations with between 100 and 500 employees.

Large organizations
Organizations with more than 500 employees.

Start-up
A newly formed organization with limited or no operational history.

Multinational corporation
An organization with operations in multiple countries and usually more than 10,000 employees that designs, develops, and sells products and services to customers all over the world.

Growth company
An organization that increases its annual revenue faster than its competitors in the same industry or market.

Dassault Systemes enables businesses to address issues of sustainability through use of virtual 3-D experiences.

Nonprofit organizations

Organizations that are required by the Internal Revenue Service (IRS) to reinvest all profits back into the organization, as opposed to distributing that money to investors or employees.

Student organization

An organization formed to engage students further in the college experience through academic, political, religious, sports, environmental, and social action.

Top managers

Managers who set the organization's direction and make decisions that affect everybody.

Middle managers

Managers who direct the work of first-line managers and are responsible for divisions or departments.

First-line managers

Managers who direct daily activities for producing goods and services.

one of the fastest-growing companies in the United States.[31] Operating from Cobb International Airport in Kennesaw, Georgia, the company provides private jet trips all over the world to elite travelers. Private plane operators list their services on the Aeronux website and pay the company 20% every time they are booked. Over the last 3 years, Aeronux has experienced growth of 20% and generated revenue of over $20 million in 2017.

Nonprofit Organizations

A **nonprofit organization** is a business that is exempt from paying tax, with the expectation that any generated profit will be reinvested in the business.[32] Religious groups, charities, environmental groups, and cooperatives are all examples of nonprofit organizations.

Crisis Text Line is a nonprofit that provides free crisis intervention by text message 24 hours a day throughout the United States.[33] Over 3,000 fully-trained volunteers scattered across the country offer counselling on a range of issues including child abuse, suicidal thoughts, antigay bias, eating disorders, and bullying. Crisis Text Line is expanding into Canada and Britain and is considering further expansion to 17 other countries.

Student Organizations

A **student organization** is a group formed to engage students further in the college experience through academic, political, religious, sports, environmental, and social action. The most effective student organizations provide great opportunities for college students who want to practice management, take on leadership responsibilities, and build their résumés. Collegiate Women in Business (CWIB) is a student organization at Iowa State University that is designed to empower women considering a career in business.[34]

Types of Managers

Both the functions and roles of managers provide a thoughtful framework for considering the craft of management, yet most organizations refer to managers by *type*, so people inside and outside the organization can better understand each manager's decision-making power and scope of authority. Traditional organizations are formed hierarchically (like a pyramid), with a few senior managers at the top and a proportionally greater number of lower-level managers below who are responsible for daily tasks and actions of staff. This structure is designed to ensure that lines of communication, authority, and reporting responsibilities are clear to everyone.

We can organize managers as *top managers*, *middle managers*, and *first-line managers*.[35] Each type makes decisions with different time horizons, from days to decades. **Top managers** set the organization's direction and make decisions that affect everybody. **Middle managers** report to upper management and direct the work of first-line managers; they are also responsible for divisions or departments. And **first-line managers** direct daily activities for producing goods and services. For example, a top manager might choose to partner with another company to launch a new software product, which could affect the organization for 5 to 7 years or longer. A first-line manager at a retail store might settle on how to schedule employee work hours most effectively over a holiday season, which could have an impact on the organization for 2 to 3 weeks.[36] Table 1.4 provides a breakdown of types of managers, their typical titles, the kinds of decisions they make, and the time frames of those decisions.

Table 1.4 /// Types of Managers			
Types	**Titles**	**Decisions**	**Time Frames**
Top managers *Set the organization's direction and make decisions that affect everyone*	CEO President Executive director Director General manager Executive vice president	Establish partnerships Approve significant purchases Approve strategic plans Commit resources for new opportunities	Daily, weekly, monthly, quarterly, annually
Middle managers *Direct the work of first-line managers and are responsible for divisions or departments*	Vice president Assistant vice president Manager	Assign financial and human resources Allocate budget resources Set production and service offerings	Daily, weekly, monthly, quarterly, annually, decades
First-line managers *Direct daily activities for producing goods and services*	Associate director Project manager Coordinator Assistant manager Team leader	Set employee schedules Hire and promote staff Change processes to improve daily tasks and actions	Daily, weekly, monthly

Source: Adapted from T. V. Bonoma and J. C. Lawler, "Chutes and Ladders: Growing the General Manager," *Sloan Management Review* (Spring 1989): 27–37.

MISSION, VISION, AND VALUES

1.6 Explain the purpose of organizational mission, vision, and values.

Up to this point, we've explored management's functions, roles, and types. Now let's put these components into context. Inside organizations, managers find and create forces that determine how people interact and what they are expected to do. These forces—mission, vision, and values—shape decision-making, products and services, beliefs, and relationships with people inside and outside the organization. They provide consistent and predictable environments in which employees and clients can work and do business.

No organization can survive without establishing a clear **mission**, which is an organization's central purpose, why it exists and what type of organization it is (for-profit or nonprofit).[37] British online fashion retailer ASOS has a mission "to become the world's number-one destination for fashion-loving 20-somethings."[38] Not only does its mission clearly outline the goals of the organization (to become number one), but it also describes its primary target market (20-somethings).

But mission alone is not enough to steer an organization; leaders must also have a **vision**, a description of what the organization hopes to achieve in the long term.[39] High-end outdoor clothing company Patagonia, headquartered in California, has a vision to "build the best product, cause no unnecessary harm, [and] use business to inspire and implement solutions to the environmental crisis."[40] While Patagonia describes its commitment to high-quality products, it also includes its goal to use its business to find resolutions to environmental harm.

Both mission and vision express the organization's **values**, the core ethics and principles of an organization through meaningful statements and beliefs.[41] Core values are critical to motivating employees and attracting customers.

Mission

An organization's central purpose, why it exists and what type of organization it is (for-profit or nonprofit).

Vision

A description of what the organization hopes to achieve in the long term.

Values

The core ethics and principles of an organization through meaningful statements and beliefs.

It is commonly believed that employees that agree with an organization's mission, vision, and values tend to be more committed, connected, and loyal to that organization. However, recent research carried out on over 162 small- to medium-sized enterprises (SMEs) has shown that employees who have an overly strong identification with an organization's mission and values may hinder productivity and organizational development.[42] For instance, postal workers who have been delivering mail for several decades may struggle to adapt to their organization's new vision to capitalize on the opportunities provided by e-commerce. This is why it is so important for managers to regularly review goals, mission, and values in the context of the business environment and to include their employees in the discussion to prepare them for changes ahead.

ESSENTIAL MANAGEMENT SKILLS

LO 1.7 Demonstrate how focusing on skills and strengths leads to success as a manager.

Skills

Talents or abilities that enable a person to complete a particular task, interaction, or process effectively and efficiently.

Conceptual skills

The ability to think through complex systems and problems.

Technical skills

The ability to perform job-specific tasks.

Skills are talents or abilities that enable a person to complete a particular task, interaction, or process effectively and efficiently. Social and organizational psychologists identified three types of skills essential for top managers, middle managers, and first-line managers: *conceptual*, *technical*, and *relational skills* (see Figure 1.3).

Conceptual or abstract **skills** are the ability of a manager to think through complex systems and problems. These skills allow managers to look beyond their own department to make decisions that positively impact organizational goals. Of the three levels of management, top managers are likely to use conceptual skills the most to find creative ways to resolve problems. Recent research shows that abstract thinking gives people a greater sense of power and control, which provides them with a better chance of visualizing desired outcomes; in other words, "You focus on the forest when you're in charge of the trees."[43]

Technical skills are the abilities and knowledge to perform job-specific tasks. These skills are more important for first-line managers or those in their first professional roles. According to professional networking site LinkedIn, cloud computing (the use of software development platforms, servers, and storage over the Internet) is the number-one most in-demand technical skill of 2019. However, not all technical skills are connected with technology; other skills on LinkedIn's list included journalism, audio production, translation, people management, and sales leadership.[44]

Figure 1.3 /// Skills Required by Types of Managers

Top managers need a higher level of conceptual skills than middle or first-line managers; middle managers require a greater degree of relational skills; and first-line managers need to possess more technical skills.
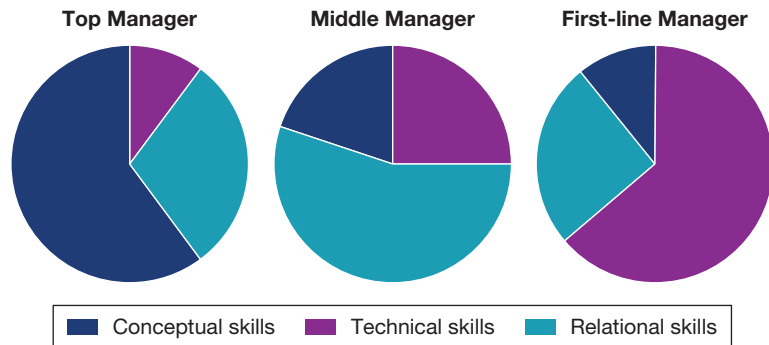
Source: Reprinted by permission of sweetgreen.

Relational skills are the ability to collaborate and communicate effectively with others. Managers across all three levels need to master relational skills if they have any chance of interacting well with others. General Motors CEO Mary Barra is well known for her relational skills. Barra believes in the importance of winning hearts and minds by paying attention to both the emotional and intellectual side of her team.[45]

While conceptual, technical, and relational skills are essential tools for managers, another type of skill is becoming increasingly important: critical thinking.

Critical Thinking Skills

Critical thinking is the ability to diagnose situations and predict patterns of behaviors, which result in better decision-making.[46] A critical thinker is able to put aside biases and view situations from different perspectives to ultimately improve their understanding of the world.[47]

Critical thinking involves using our intelligence, knowledge, and skills to produce solutions based on evidence and reason. Critical thinking goes beyond learning and memorizing information; it's about analyzing and assessing all sides of an issue or argument to form a judgment. It means asking questions like, "Is this true?" "How do I know that?" "How sure am I?" and "What assumptions am I making?" Critical thinking subscribes to the learning domains of Bloom's taxonomy, which involves creating, analyzing, applying, evaluating, understanding, and remembering.[48]

Critical thinking is fundamental to managers when it comes to making good quick decisions. Today's organizations need managers who can think carefully and independently without judgment or bias.

Critical thinking is fast becoming one of the most important skills employers look for in 21st-century managers. In 2017, the World Economic Forum (WEF) conducted a survey of 350 executives across nine industries to find out the type of employees organizations look for as technology becomes more advanced.[49] Critical thinking ranked second highest in the top 10 skills desired by employers, just after complex problem solving. There is good reason for this: As automation escalates, employers want their people to use good logic and reasoning to optimize the power of technology to benefit the organization.

Why is critical thinking important? A multitude of research shows that critical thinkers will enjoy more success in education, the workplace, and life in general because the more we can critically think, the more we can handle difficult situations and make the right decisions. Critical thinking also produces better learning outcomes particularly in professions that use a mixture of practical and academic learning. For example, researchers from the Wright State University in Ohio studied the effect of the use of critical thinking cards on students in the medical and nursing professions to connect their knowledge with actual patient situations.[50] The cards included questions on a particular topic, and the students

Netflix ranks fifth on *Fortune*'s list of fastest-growing companies.

John Phillips via Getty Images

Examining the Evidence

Thinking Critically About Evidence-Based Management

Evidence-based management (EBMgt) is defined as "the systematic, evidence-informed practice of management, incorporating scientific knowledge in the content and processes of making decisions." EBMgt involves using scientific research findings in the context of critical thinking, decision-making, and judgment to allow managers to apply the best and most reliable management principles available to increase managerial and organizational effectiveness. EBMgt involves four basic activities: (1) obtaining the best scientific information available, (2) systematically assessing organizational facts, (3) using critical thinking and reflective judgment to apply the research evidence, and (4) considering key ethical issues.

But why should managers think critically about and incorporate current research findings into their management practices and decision-making? The field of medicine provides an interesting parallel. You might think that medical doctors and health care practitioners consistently use the latest and best medical research evidence available to make their decisions. However, studies suggest only about 15% of doctors make evidence-based decisions, relying instead on outdated information learned in medical school, personal experiences, and information provided by medical product and services vendors. More recently, evidence-based medicine has begun to change the way medical practitioners make decisions and prescribe treatments.

Stanford professors Jeffrey Pfeffer and Robert I. Sutton suggest that managers likewise should take an evidence-based approach toward managing and curing the "ills" of their organizations: "Managers are actually much more ignorant than doctors about which prescriptions are reliable—and they're less eager to find out. If doctors practiced medicine like many companies practice management, there would be more unnecessarily sick or dead patients and many more doctors in jail or suffering other penalties for malpractice."

Managers and even students sometimes choose not to believe or to practice certain evidence-based concepts. This disbelief may stem from a growing distrust of academics, scientific research, and professional expertise, along with negative reactions to research findings that threaten one's cherished beliefs or self-interest. In this text, we include a full range of traditional and current management principles and practices. Some traditional management principles have received little additional supporting research evidence through the years. We note this lack of evidence where appropriate and challenge you as students to think critically about the validity of each concept. Finally, in each chapter throughout the text, we include an Examining the Evidence box that summarizes some current management research evidence and asks you to think critically about how you might apply these findings in your current or future career as a management practitioner.

Critical Thinking Questions

1. What are some of the primary advantages of evidence-based management practices? Are there any disadvantages?

2. Why do some managers and students resist evidence-based principles?

3. What makes it difficult for managers to be evidence-based in their actions and decision-making?

Sources: Jeffrey Pfeffer and Robert I. Sutton. "Evidence-Based Management." *Harvard Business Review* 84, no. 1 (January 2006): 62–74; Denise M. Rousseau, "Envisioning Evidence-Based Management." In *The Oxford Handbook of Evidence-Based Management*, 3–24 (New York: Oxford University Press, 2012); Sara L. Rynes, Amy E. Colbert, and Ernest H. O'Boyle. "When the 'Best Available Evidence' Doesn't Win: How Doubts about Science and Scientists Threaten the Future of Evidence-Based Management." *Journal of Management* 44, no. 8 (November 2018): 2995–3010; April L. Wright, Gemma Irving, Paul Hibbert, and Geoff Greenfield. "Student Understandings of Evidence-Based Management: Ways of Doing and Being." *Academy of Management Learning & Education* 17, no. 4 (December 2018): 453–73.

were encouraged to respond with their answers, with the help of their teacher. The researchers found the critical thinking cards improved the level of student engagement and accelerated their ability to learn basic concepts and apply that knowledge in practice situations.

/// IN CONCLUSION

By now, you should have a fundamental understanding of management, where managers work, the forces they contend with inside and outside the organization, and the entrepreneurial mindset managers need to embrace to become truly effective in an uncertain world. It's worth repeating that managers are expected to boost effectiveness and efficiency for their organizations. As they do, managers face opportunities and challenges each day that they need to overcome.

As you continue through this textbook and explore new management concepts, theories, and practices, remember to ask yourself, *Wherever I'm working, how might I as a manager* make a difference *for my organization, the local and global community, and the people I have an opportunity to work with?* That's where successful management begins.

/// CASE SNAPSHOT

Lululemon Athletica

Lululemon has what many people in retail deem to be the perfect brand. Founded in 1998 in Vancouver, BC, it has since proven itself to be the gold standard for high-quality, innovative clothing. Founded by Chip Wilson, Lululemon took off selling durable yoga clothing to women and creating an entirely new method of sales to do it. Since then, Chip Wilson and Lululemon have created a new trend in retail called "athleisure" while also expanding into areas outside of women's yoga clothing. Lululemon has proven itself to be a brand capable of selling to any area of retail with the same promise of high-performance materials that are made for athletes by athletes with the best fabrics around. For that reason, the company has launched from a valuation of $1.2 billion at its initial public offering to its current valuation of $20 billion in just over 10 years.

Lululemon sees itself as being in the middle of "the biggest change in how people dress in the history of the world" in a market it invented. With words like those, it has set expectations very high. Lululemon is not like most in the apparel industry, having no endorsements or serious advertising campaigns to speak of. It does not have celebrity collaborations and is not a paid sponsor for any sports franchise. What it has is a loyal base of customers preaching a fantastic product. It is this strength in word-of-mouth advertising that has allowed it to grow so rapidly and consistently. Lululemon started by serving a small niche in women's yoga before yoga was mainstream in the United States or Canada. It was in the right place at the right time as yoga quickly took off, and its product was perfectly positioned to serve a much larger market than existed initially. It is forward thinking like this that has allowed the company to continually stay ahead of an industry that has since grown crowded and ultracompetitive.

Lululemon may have been founded long before yoga had taken off, but founder Chip Wilson said he could "feel it coming based on the rule of threes, I saw yoga presented three times in one drive home, and I knew it would be the next movement." At the time, gym clothing was something you would never wear out in public, typically some of the worst items in someone's wardrobe. Lululemon and Chip Wilson thought this could change. They thought they could "be more than a place where people could get gear to sweat in." It wanted to become more than an apparel company but rather "a community hub where people could learn and discuss the physical aspects of healthy living, mindfulness, and living a life of possibility." These are some of the high-level ideas that separate it from other brands like Nike and Under Armour—a commitment to a specific lifestyle. These same ideas also provide the glue for its loyal "cultlike" following and for its enthusiastic supporters.

As an employee or "associate" at Lululemon, you can immediately tell the culture is different from anywhere else. Lululemon is intentional about that, taking all sorts of steps to strengthen bonds between employees and to strengthen its corporate culture for all. This includes things like unlimited fitness classes for employees paid for by Lululemon or books sent to all associates to teach how to be successful or how to stay healthy. Employee benefits like these and more prove to employees that Lululemon is committed to the lifestyle it has created its business around. There is a specific philosophy behind the brand that contributes to both its successes and failures. The result is that employees love working at Lululemon. They are generally paid higher wages than at other retailers and stay longer too. Much of that is due to the fact that 70% of promotions at Lululemon are done internally. This means there is a serious opportunity for advancement for each and every Lululemon employee, starting at the bottom. This figure is the hallmark of any well-managed business, and it contributes to how Lululemon is seen by customers in the most direct way.

The result of a workforce sometimes referred to as cultlike paired with a strong lifestyle-focused brand is a fiercely loyal customer base. So loyal that when polled, most Lululemon customers say there are few, if any, alternatives to the brand. Customers say this as Lululemon sits in one of the most competitive categories in the apparel space. Customers' mindset that Lululemon is the only brand they will buy extends to price sensitivity too, being one of the least sensitive of any customer

in any other retail market segment. They are willing to pay any price to get the high-quality, innovative product that Lululemon provides. One of the major points made by founder Chip Wilson is that the going mantra early on in the business was, "If can get someone in our pants once, they'll be a customer for life." This has been the case since the beginning of Lululemon, confidence in the ability of the product to sell itself and keep customers for life.

One of the original reasons for founding Lululemon as an apparel brand that sold only to women was that Chip Wilson saw that 70% of college graduates in Canada were women. This is a similar trend worldwide, dominant portions of college populations being women for the first time ever. He saw Lululemon as a bet on affluent women in the 21st century, and it has paid off immensely. Since then, it has begun expanding into men's retail and is seeing the same results and tremendous growth as it did with women. The lifestyle it sells paired with its high-quality products is what will keep its products well sought after for years to come for both men and women.

Discussion Questions

1. Which of the 3 Ps (people, planet, profit) does Lululemon address as part of their organizational focus?

2. In terms of the four functions of management, discuss Lululemon and the planning function.

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/// UP FOR DEBATE

One of the more experienced employees at a medium-sized real estate firm comes into his manager's office to talk. He informs his manager that he has been offered a 30% raise to his current salary to work for a close competitor. The employee has worked for the firm for a while now and hasn't had a raise in a few years. He is well liked and adds twice the value of his salary. The manager decides to let the employee take the other position and lets him walk away. Do you agree or disagree that the manager was justified in his actions? Choose a side and prepare your case for debate.

Agree

If an employee is even catering to the idea of a pay raise, it is time to let them go. For a company to work well there needs to be a better reason to give raises than a competitor attempting to lure away employees. If this employee really wanted to work for the company, they would have asked for a raise when they felt they deserved one.

Disagree

Often employers only want to give raises to employees who ask for them. With this in mind, the manager should have told the employee that they were worth keeping onboard. The new raise would encourage the employee to work harder and make it worth the company's extra money. This also keeps some of the company's best-trained talent from leaving to a competitor.

/// KEY TERMS

Conceptual skills 18

Controlling 7

Creativity 13

Critical thinking 19

Decisional roles 10

Effectiveness 9

Efficiency 9

Entrepreneur 5

Entrepreneurial mindset 5

First-line managers 16

Fixed mindset 11

Growth company 15

Growth mindset 11

Habit 13

Improvisation 13

Informational roles 10

Interpersonal roles 10

Large organizations 15

Leading 7

Management 4

Managerial roles 10

Middle managers 16

Midsize organizations 15

Mission 17

Multinational corporation 15

Nonprofit organizations 16

Organization 15

Organizing 7

Planning 7

Relational skills 19

Self-efficacy 14

Self-leadership 13

Skills 18

/// IN REVIEW

LO 1.1 Define management.

Management is the process of working with people and distributing resources to achieve goals efficiently and effectively. *Effectiveness* is the level to which people or organizations achieve agreed-upon goals, and *efficiency* is using the smallest amount of resources to achieve the greatest output.

LO 1.2 Describe a manager's four major tasks—planning, organizing, leading, and controlling.

The four major tasks of managers are the following:

1. Planning is the process of setting goals for the future, designing strategies, and deciding on the actions and resources needed to achieve success.
2. Organizing is the process of orchestrating people, actions, resources, and decisions to achieve goals.
3. Leading is the process of effectively motivating and communicating with people to achieve goals.
4. Controlling is the process of monitoring activities, measuring results and comparing them with goals, and correcting performance when necessary.

The primary roles managers play in an organization are the following:

1. Interpersonal roles in which managers build relationships with the people they work with and act as a public symbol for the many people they represent
2. Informational roles in which managers gather, assess, and communicate information to individuals and teams in support of the organization's values, mission, vision, and goals
3. Decisional roles in which managers are responsible for making judgments and decisions based on available information and analysis of the situation

LO 1.3 Identify the key aspects of an entrepreneurial mindset.

Managers need to have the right type of mindset to work in unpredictable circumstances, adapt to rapid change, persevere in spite of setbacks, accept and learn from failure, and become comfortable working with the unknown. There are two types of mindset: a fixed mindset and a growth mindset. In a fixed mindset, people believe their talents, intelligence, and abilities are set traits. In a growth mindset, people believe their talents, intelligence, and abilities can be developed through dedication, effort, and persistence.

LO 1.4 Explore how managers make a difference to the triple bottom line.

Today's leaders put social and environmental impacts before profit to drive their decision-making, something that is called the triple bottom line, or the 3 Ps: people, planet, and profit. Organizations are moving more and more toward the philosophy that by taking care of their people and the wider community and implementing sustainable or green initiatives with an eye toward improving the planet, they can also improve their profit-making ability as a result.

LO 1.5 Compare different types of organizations and managers and the decisions both make.

The organizations managers work for generally fall into one of these categories:

*   Small organizations with fewer than 100 employees
*   Midsize organizations with between 100 and 500 employees
*   Large organizations with more than 500 employees
*   Start-up company, which is a newly formed organization with limited or no operational history
*   Multinational corporation with operations in multiple countries and usually more than 10,000 employees that designs, develops, and sells products and services to customers all over the world
*   Growth company focused on increases in annual revenue faster than its competitors
*   Nonprofit organizations that reinvest all profits back into the organization, as opposed to distributing that money to investors or employees

Managers are generally categorized as top, middle, and line. Each is responsible for a different level of decision-making: top managers set the direction and make decisions that affect everyone in the organization; middle managers direct the work of first-line managers and make decisions affecting divisions or departments; and first-line managers make decisions affecting the daily operations for producing goods or services.

LO 1.6 Explain the purpose of organizational mission, vision, and values.

An organization's mission, vision, and values shape decision-making, products and services, beliefs, and relationships with

people inside and outside the organization. They provide consistent and predictable environments in which employees and clients can work and do business. The mission is the organization's central purpose that sets forth the vision. The vision describes what the organization will be now and in the future. Values state the belief systems upheld by the organization and its employees.

LO 1.7 Demonstrate how focusing on skills and strengths leads to success as a manager.

Skills are talents or abilities that enable a person to complete a particular task, interaction, or process effectively and efficiently. Three types of management skills are these:

- Conceptual skills: the ability to think through complex systems and problems

- Technical skills: the ability to perform job-specific tasks

- Relational skills: the ability to collaborate and communicate effectively with others

An additional key skill for today's manager is the ability to think critically. Critical thinking is fundamental to managers when it comes to making good quick decisions. Today's organizations need managers who can think carefully and independently without judgment or bias.

/// CHAPTER EXERCISES

Management in Action: Putting the Four Functions to Work (Group Exercise)

Objective

Apply the four functions of management critically and creatively to solve a problem.

Description of Exercise (30 minutes to 1 hour)

1. Students choose a specific problem from a list provided.

2. As a team, determine possible answers under all of the management functions using a provided worksheet.

   a. Students are encouraged to brainstorm to determine the "answers" while sufficiently listening to group members.

   b. Students are reminded to research possible answers using various resources.

3. Generate as many ideas as you can and record your best answers on the provided worksheet.

   a. Students are encouraged to build on their teammates' ideas.

4. Optionally, each team will have the opportunity to present their team's solution.

5. At the end of the presentations, students will vote on the team with the most creative answers and with the most cohesion between each of the management functions.

Your instructor will pace you through each of the functions. Remember that this is a timed activity, and it is important to work as a team while also speaking up individually.

Exercise contributed by Julia LaRosa, Arizona State University.

Experiential Exercise: Purposefulness and the Triple Bottom Line Business

Objectives

Research businesses and evaluate aspects of the triple bottom line.

Recognize the purposefulness provided within triple bottom line businesses and personally evaluate how purpose plays a role in employee happiness, business productivity, and community engagement.

Description of Exercise (30 minutes in class or done as a reflective assignment/discussion post)

Research a triple bottom line company and determine answers to the following questions.

The following article provides several good choices of triple bottom line companies to be researched: https://earth911.com/business-policy/triple-bottom-line-7-companies/.

This activity may be done individually or in groups.

1. Reflect on how triple bottom line businesses change how business is being done. For companies? For employees? For communities?

2. How is the company you researched supporting all aspects of the triple bottom line? People? Profit? Planet?

3. For the company you researched, do you think the purpose of the company impacts employee happiness? Company productivity? How?

4. Some research suggests that "87% of millennials say they base their purchasing decisions on whether or not a company

makes positive social efforts." As you consider which companies you'd like to work for in the future, how important is the company's purpose to you?

Exercise contributed by Julia LaRosa, Arizona State University.

Online Exercise: Leadership in Motion: Recognizing Motivation and Communication

Objective

Evaluate personally previous leaders and examine how they motivated and communicated to achieve their goals.

Description of Exercise

The textbook states that "a manager's greatest opportunity to ensure that activities go as planned is through leading. Leading: the process of effectively motivating and communicating with people to achieve goals."

Reflect on a leader who has made an impact on your life. This person may be a coach, teacher, boss, or family member. The closer your association with the person, the better able you are to evaluate how they motivated you forward and communicated goals.

Post your responses to the following questions to the discussion board. Compare your experience with fellow classmates and comment on two other posts.

Discussion Questions

1. Who is the leader you selected, and what is their relationship to you? Why did you select them?

2. How did this leader communicate and motivate? Be specific, and when possible add a story or two.

3. What goals were you or your team, family, or company able to achieve?

Exercise contributed by Julia LaRosa, Arizona State University.
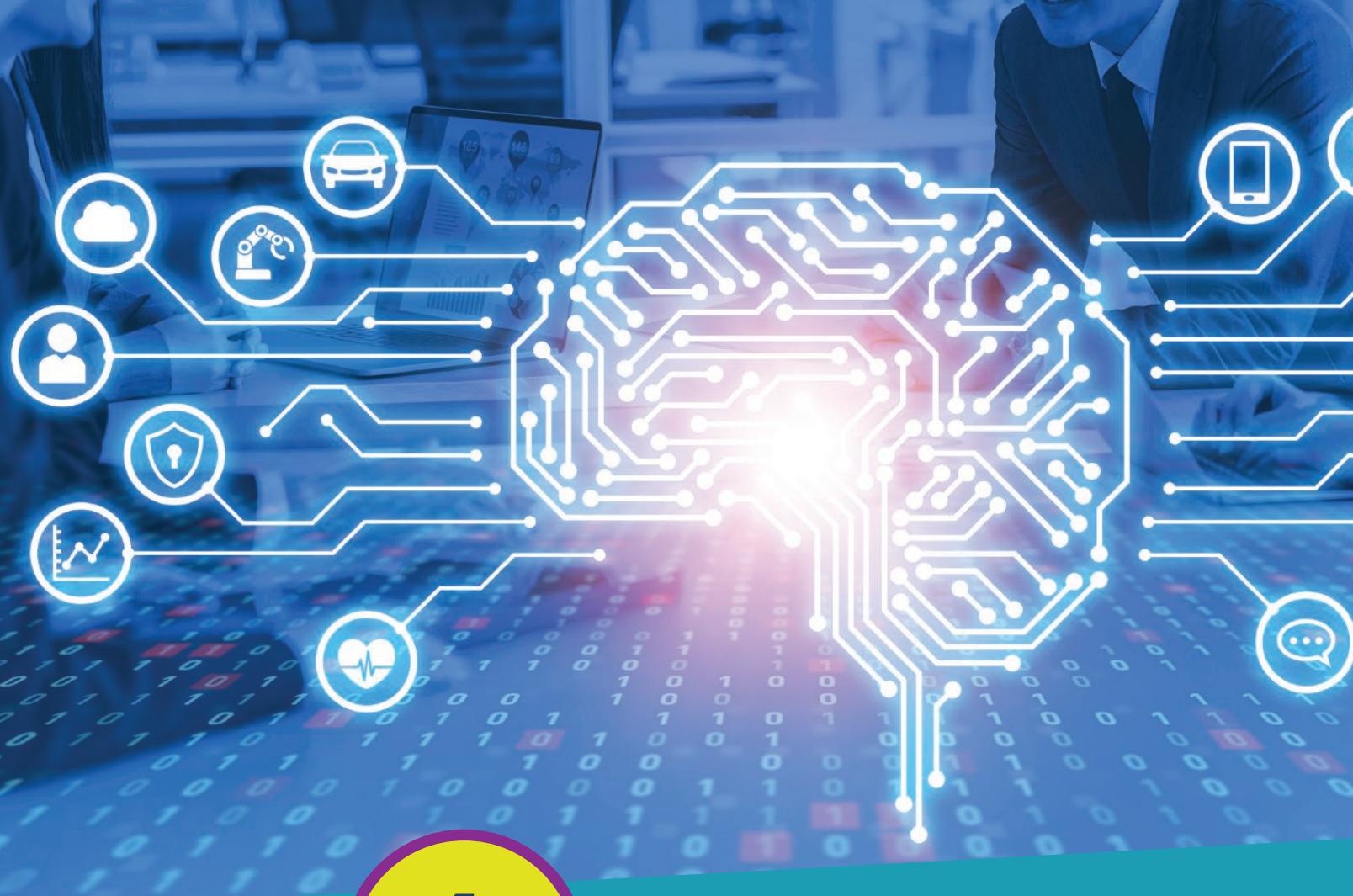
CHAPTER 1

SUPPLEMENT
The Evolution of Management

LEARNING OBJECTIVES

By the end of this chapter, you should be able to

1S.1 Describe the historical foundations of management.

1S.2 Explain the quantitative approach to management theory.

1S.3 Outline the progression of the behavioral perspective.

1S.4 Discuss the contemporary perspective of management.

THE HISTORICAL FOUNDATIONS OF MANAGEMENT

LO 1S.1 Describe the historical foundations of management.

History is important. Numerous studies highlight the benefit of studying management history. It helps us to understand human nature and why people in the past behaved as they did, it increases our knowledge of business strategies and how they have evolved over years, and it helps us learn about the mistakes of the past so we can avoid repeating them.[1]

The first management theories can be traced all the way back to ancient Greek philosophers Socrates, Aristotle, and Plutarch, each of whom had a considerable influence on Western thought. Socrates explored our right to think for ourselves rather than blindly following others, Aristotle encouraged self-fulfillment, and Plutarch first introduced the idea of role models.

In this chapter, we explore three main management perspectives: the quantitative perspective, behavioral perspective, and contemporary perspective. Figure 1S.1 outlines the management theorists in each category.

Figure 1S.1 /// Three Management Perspectives: Quantitative Approach, Behavioral Perspective, and Contemporary Perspective

The Quantitative Approach (1911–1947)	Behavioral Perspective (1913–1950s)	Contemporary Perspective (1940s to 1970s)
Charles Babbage Frederick Taylor Frank and Lillian Gilbreth Henry Gantt Henri Fayol Max Weber	Mary Parker Follett Elton Mayo Douglas McGregor	Chester I.Barnard Jay W Forrester
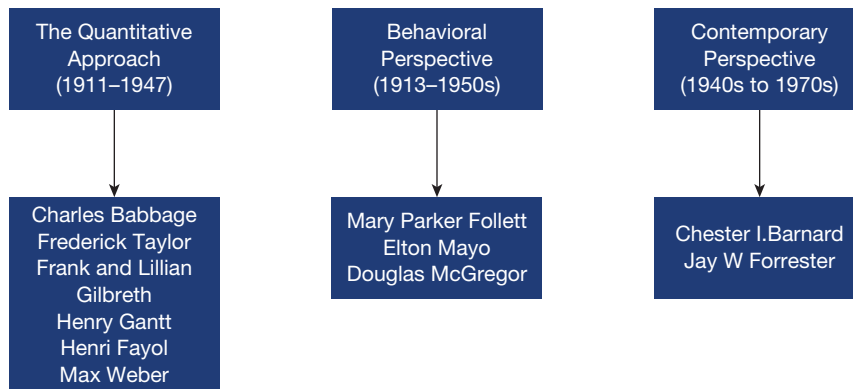
Let's take a look at the evolution of management and the impact of some of these management theorists on organizations throughout the ages.

THE QUANTITATIVE APPROACH

LO 1S.2 Explain the quantitative approach to management theory.

The **quantitative approach** to management involves the application of objective methods to enhance decision-making.

Quantitative approach
Applying objective methods to enhance decision-making.

Contributions of Charles Babbage

Charles Babbage (1792–1871), inventor of the first mechanical computer, was interested in questions of management, particularly the inefficiencies he observed in the modern factory.[2] He found that specialization led to bored workers, and bored workers decreased productivity. Workers being subjected to the same monotonous tasks, day after day, led to unprofitable behaviors for companies and demotivating conditions for employees.

Workers began to test management by performing as slowly as possible while giving their supervisors the impression they were working fast. This is known as **soldiering**. Two types of soldiering were observed: workers were said to be doing *natural soldiering* when they were simply "taking it easy," as opposed to *systemic soldiering*, when workers consciously and deliberately underworked. Natural soldiering could be easily addressed by inspiring and motivating the team, but systemic soldiering was emerging as a negative phenomenon in the 19th century.[3]

So what was Babbage's solution? He conducted *time studies*, documenting the amount of time it took workers to complete tasks, so he could better understand the amount of performance that was reasonable to expect from workers. Luddites (workers who opposed the threat of technology and machines to their jobs) rebelled against the emergence of manufacturing and Babbage timing their efforts. In response, Babbage suggested that managers implement profit sharing, so employees could benefit directly from maximizing production. This approach became practice through **management science**, using statistics, mathematics, and other quantitative methods to improve efficiencies.[4]

Contributions of Frederick W. Taylor

Babbage's findings had a significant influence on Frederick W. Taylor (1856–1915), a manager at the Midvale Steel Company. Like Babbage, Taylor noticed that some of his employees were also soldiering or not working to full capacity.[5] By observing his team and analyzing the information he had gathered, he suspected the team was underperforming at about a third less than their potential, and he felt that both managers and workers bore responsibility. Heated debates between managers and workers regarding "a fair day's work for a fair day's pay" were common. From this atmosphere of unproductive conflict, Taylor sought to create a reliable system to solve these problems, which became a science for management.[6]

Taylor's time studies searched for new ways to improve performance through a scientific, quantitative approach.[7] Armed with a stopwatch, scale, and tape, he meticulously weighed materials, measured distances workers walked to conduct a task, and noted the exact time it took to complete each step of an activity. This was revolutionary at the time; suddenly, managers could break down a job into basic movements, understand what performance standards were possible, and set expectations for each employee. This focus on analyzing and synthesizing the flow of work to maximize productivity is called **scientific management**. Taylor sought "the ultimate standardization of all elements surrounding and accompanying a job,"[8] including methods, materials, and machines.

However, there was much resistance against Taylor's theory mainly because workers were concerned that only the productive would be kept on at the company. Applied in the wrong way, this approach often had the unintended implication of diminishing Taylor's concern for the worker; therefore he focused his concern for workers by advocating improving incentives through a new management methodology he called the **task-management system**, a combination of setting performance standards, selecting the best worker for the job, and building good relations between managers and employees. First, he separated "planning" work from "performing" tasks, and created four principles of scientific management that defined the task-management system (see Table 1S.1).[9]

Table 1S.1 /// Four Basic Principles	
	Frederick Taylor's Principles
PRINCIPLE #1	Develop a quantifiable, scientific way to measure performance.
PRINCIPLE #2	Select workers based on scientific methods.
PRINCIPLE #3	Train employees based on measurable standards.
PRINCIPLE #4	Work closely, side by side, with employees.

Today, we could argue that scientific management is still in use for modern-day white-collar workers—those sitting at computers rather than on an assembly line. In competitive business environments, employees are measured based on the number of keystrokes per hour or the number of customer service calls they take every day.[10]

Contributions of Frank B. Gilbreth

Industrial engineer Frank B. Gilbreth (1868–1924) sought a much more detailed approach to efficiency than observed in Taylor's time studies, by measuring motion in units as small as 1/1,000 of a minute. As an apprentice bricklayer and the slowest one on the job, he began to break down and understand each and every movement needed to lay *one* brick. Gilbreth determined that exactly 18 motions of the hand were used to lay one brick. By designing new working methods, such as building a shelf at the right height to save the bricklayer bending down and creating innovative types of scaffolding, he was able to reduce that number to 6.[11] At the time, an apprentice was expected to lay 175 bricks in a day; after reducing the number of motions to lay one brick to 6, Gilbreth could lay 350.[12]

Gilbreth started his own construction business, eventually employing more than 10,000 workers all over the world. As his business and reputation grew, Gilbreth decided he wanted to evolve scientific management. Management challenges in factories were much more complex than the task of laying a brick, so Gilbreth set forth to apply *motion studies*, where he used a motion-picture camera to capture the step-by-step movements taken to complete a task.[13] This method was employed wherever possible and applicable—in such widely varying areas as surgery, nursing, golf, and baseball.

By applying scientific management methods, Gilbreth's motion studies sought efficiencies by orchestrating the maximum results for the least worker effort.

Contributions of Lillian M. Gilbreth

Gilbreth's wife, Lillian M. Gilbreth (1878–1972), was a first-rate scholar and management consultant. Her ability to connect scientific management to "the psychology of manage-ment" secured her place in the annals as a great management thinker. In her 1912 doc-toral thesis, *The Psychology of Management*, she studied the perceptions, emotions, and thoughts of managers, and how these affected work and employees. Consistent with the motion studies of her husband and the efforts of Taylor's scientific management, Lillian Gilbreth centered her attention on understanding the precise workings of the manager's mind so behaviors could be taught and orchestrated. This work made Lillian Gilbreth a pioneer in the field of *human resource management*, as it bridged theorists' dual focus on profit and people and made the seemingly intangible visible.

Contributions of Henry Gantt

Babbage, Taylor, and Frank and Lillian Gilbreth specialized in observing and document-ing the visible, making it possible to eventually set ideals, or goals, for performance. Many other invisible forces affected the day-to-day management of production as well. What might managers gain from observing, documenting, and making these dynamics visible, with the intent to create new performance standards?

This was the managerial quest of Henry L. Gantt (1861–1919). A mechanical engineer, Gantt joined the Midvale Steel Company in 1872, where he met and worked with Taylor. Using the philosophies he learned from Taylor, Gantt became a management consul-tant in 1901. His methods and advice were not always embraced by his clients. At Sayles Bleacheries, a textile plant in Rhode Island, both management and employees refused to go along with Gantt's recommendation, and the employees went on *strike*, which is when employees stop work in pursuit of a concession from management. In an attempt to

restore order, Gantt hired new employees and quickly taught them their tasks and "habits of industry," which we now refer to as *training*. These "habits" of *industriousness* and *cooperation* were behaviors that could be observed, documented, standardized, and idealized.[14] Yet the internal forces that determined these habits were invisible; training sought to make them visible.

Another dynamic that managers must contend with every day is *time*. Before he could solve the challenge of visualizing time, for many years Gantt had refined methods for visualizing performance standards.[15] For example, if a worker was expected to lay 175 bricks a day, Gantt introduced color so managers could quickly assess performance, with black indicating the employee was meeting or exceeding performance standards, and red indicating failure to meet expectations. If you were Gilbreth, managing 10,000 employees on hundreds of job sites, this would have been a marvelous breakthrough in terms of efficiency, as you would now have the necessary data to analyze performance (see Table 1S.2).

Let's put this in context. A bricklaying job has three primary operational tasks: material delivery, bricklaying, and cleanup. Managers had previously measured tasks independently: the quantity of materials sent, the number of bricks laid in a day, and the amount of waste removed from the job site. Though this method was probably sufficient for simple projects, it led to chaos in the complex environment of the growing corporation because these tasks depend on each other in time. For instance, if the bricks and mortar were supposed to be on the job site on Monday but did not arrive until Thursday, the bricklayers could not work until Friday, although they had originally planned on starting Tuesday.

Gantt introduced the progress chart, which would be later known as the *Gantt Progress Chart*. Gantt's chart broke down tasks by planned time to perform and actual time to perform (see Figure 1S.2). This provided managers with immediate visual feedback about when a project was behind schedule and required corrective attention.[16]

Contributions of Henri Fayol and Max Weber

While scientific management focused on improving worker efficiency, administrative management leaned toward the management of the whole organization. Henri Fayol and Max Weber were among the first pioneers of **administrative theory**, a management theory that identifies the functions of management in an organization and the principles needed to make sense of a complex set of organizational tasks.

Henri Fayol

In the 1860s, Fayol, a mining engineer, observed the need for managers to gain both *responsibility* and *authority* through a greater set of skills than those that simply increased production output and quality.[17] He also saw a need for management theory, which for him was "a collection of principles, rules, methods, and procedures tried and checked by

Administrative theory
A management theory that identifies the functions of management in an organization and the principles needed to make sense of a complex set of organizational tasks.

Table 1S.2 /// Gantt's Management Color Performance								
Performance Standard of 175 Bricks Laid per Day								
Workers	Mon	Tues	Wed	Thur	Fri	Mon	Tues	Wed	Thur
John	142	201	187	133	192	125	152	200	220
Alan	199	190	150	124	220	180	192	168	173
Neville	178	180	190	198	129	127	112	125	135
Loren	171	175	173	176	178	177	181	177	170