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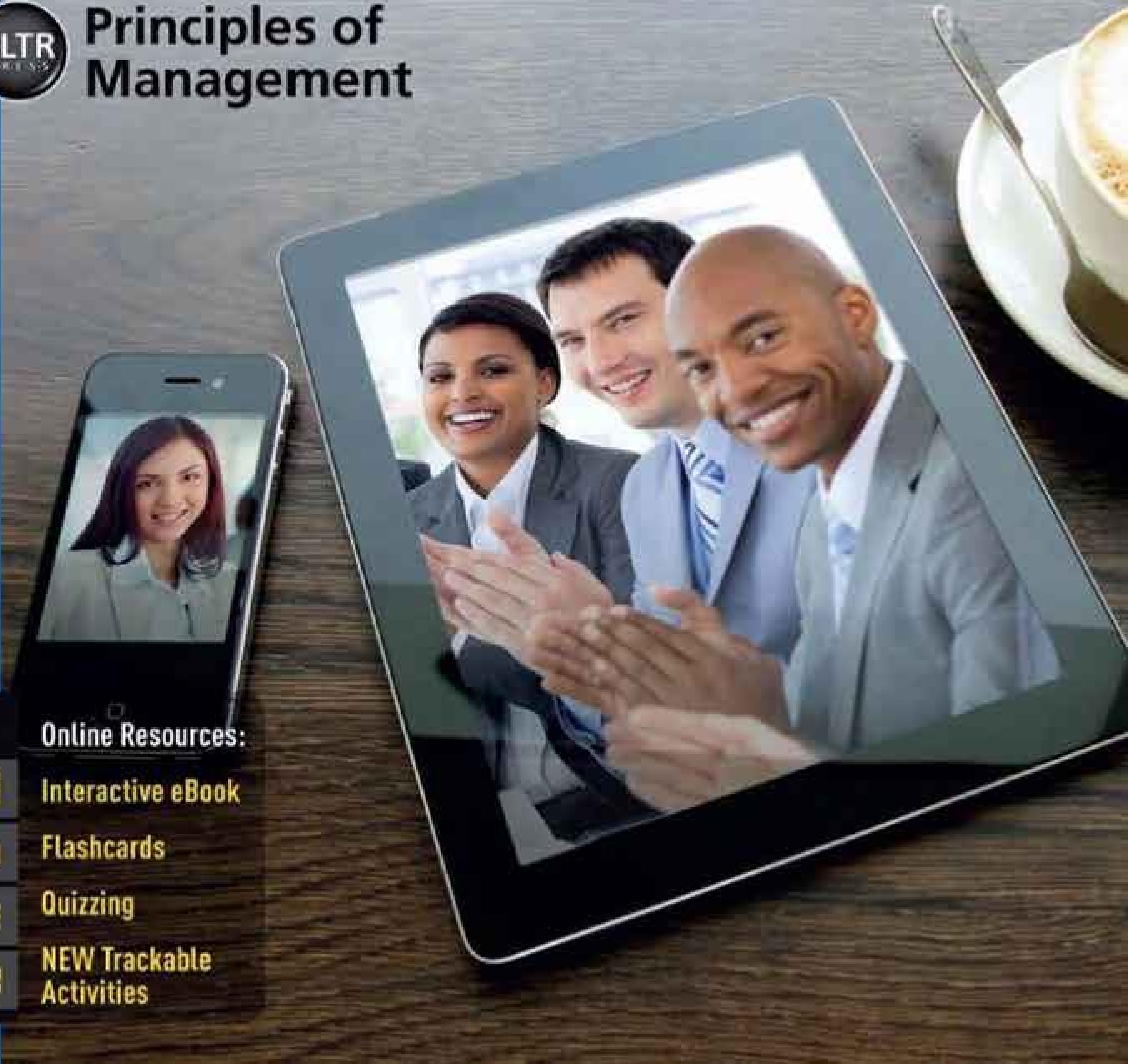

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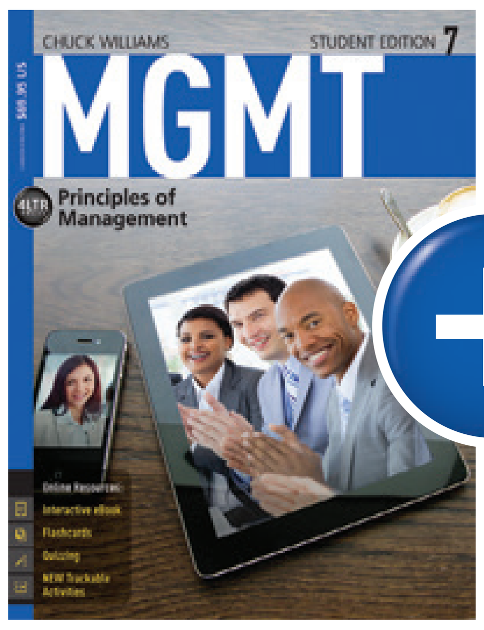

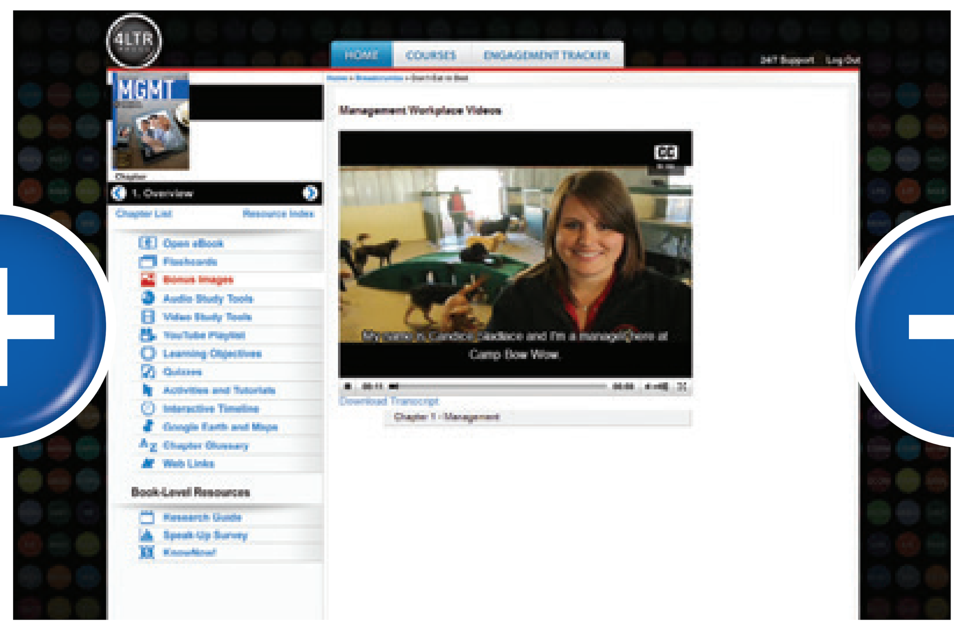

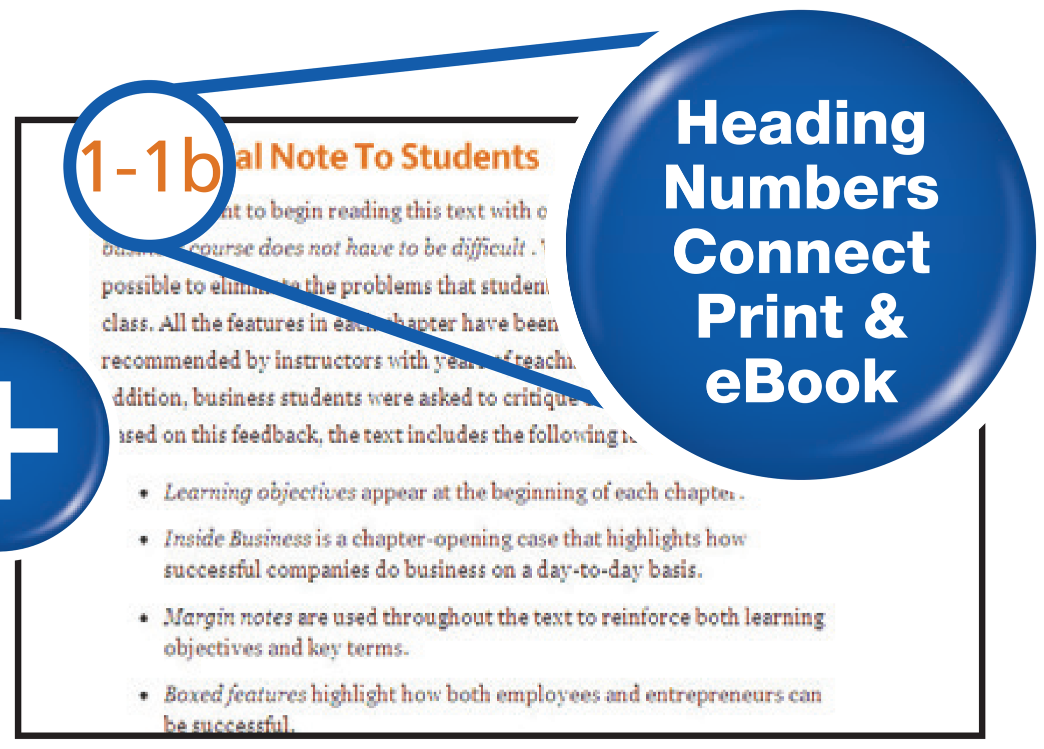

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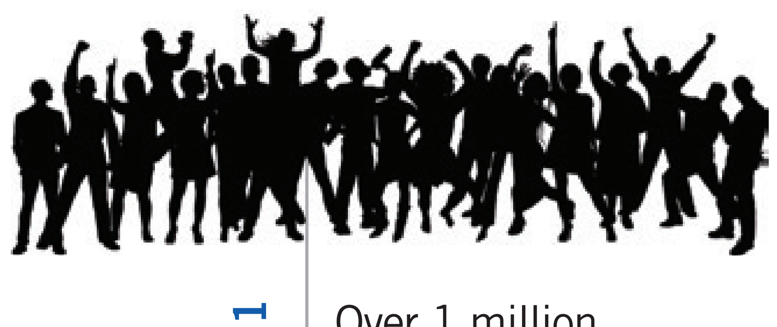

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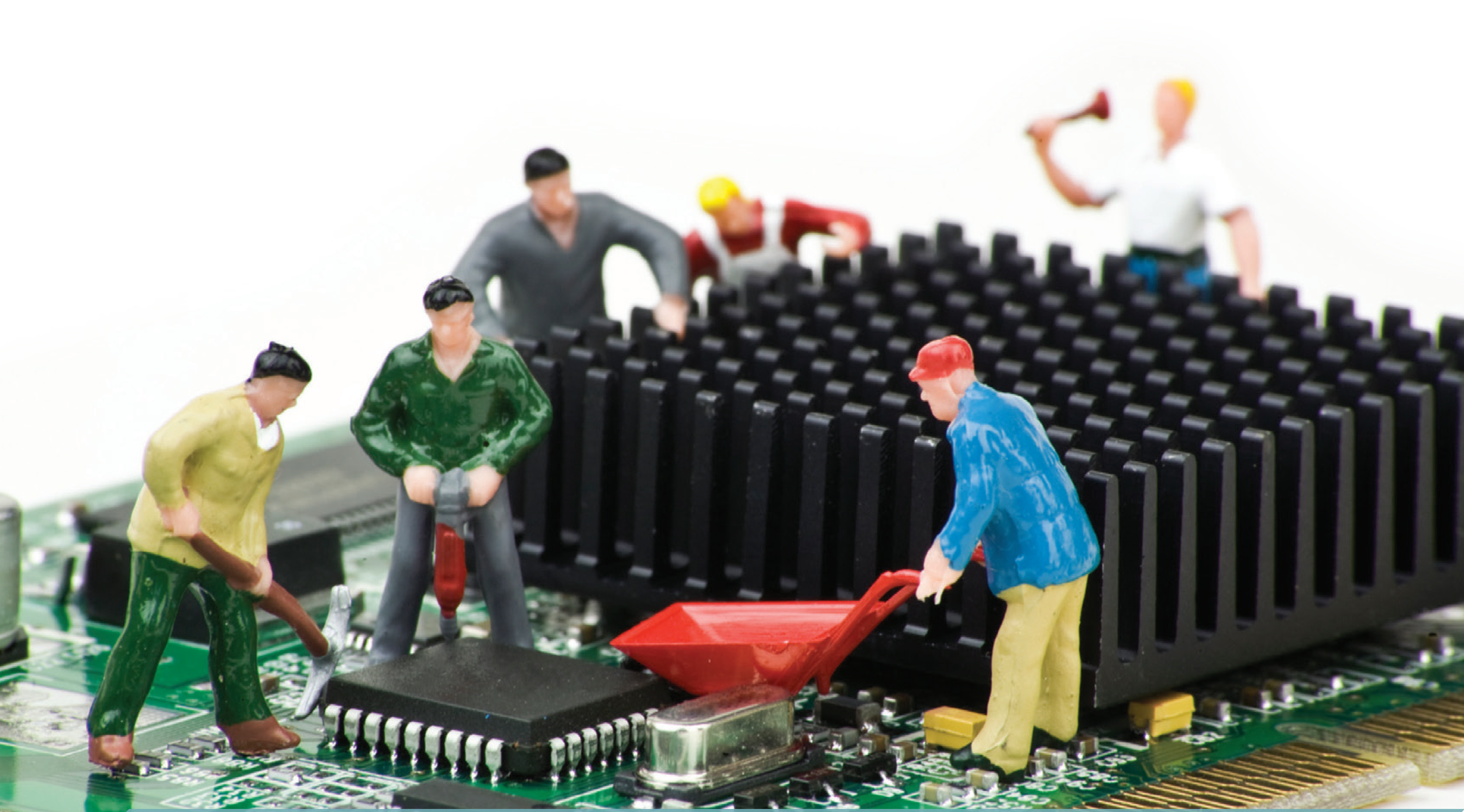

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1 Management

LEARNING OUTCOMES

1-1 Describe what management is.

1-2 Explain the four functions of management.

1-3 Describe different kinds of managers.

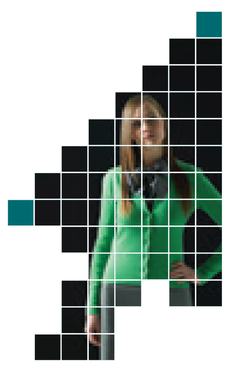
1-4 Explain the major roles and subroles that managers perform in their jobs.

1-5 Explain what companies look for in managers.

1-6 Discuss the top mistakes that managers make in their jobs.

1-7 Describe the transition that employees go through when they are promoted to management.

1-8 Explain how and why companies can create competitive advantage through people.



CHECK OUT **STUDY TOOLS** AT THE END OF THIS CHAPTER.

PART 1
INTRODUCTION TO MANAGEMENT

CHAPTER 1

1-1 Management Is . . .

Management issues are fundamental to any organization: How do we plan to get things done, organize the company to be efficient and effective, lead and motivate employees, and put controls in place to make sure our plans are followed and our goals met? Good management is basic to starting a business, growing a business, and maintaining a business once it has achieved some measure of success.

To understand how important *good* management is, think about this mistake. Instead of recruiting better authors, improving marketing, and reducing costs (and therefore prices), Apple and five e-book publishers—Macmillan, Penguin, Hachette, HarperCollins, and Simon & Schuster—agreed to fix prices to neutralize Amazon.com's low-price leadership in the e-books marketplace. The agreement specified that the publishers, and not retailers like Amazon, would set prices, thus preventing Amazon from discounting book prices. The plan was dropped after Apple and the publishers were sued by the European Union and the US Department of Justice. In turn, Amazon again began discounting the prices of these publishers' e-books.[1]

Ah, bad managers and bad management. Is it any wonder that companies pay management consultants nearly $250 billion a year for advice on basic management issues such as how to outperform competitors to earn customers' business, lead people effectively, organize the company efficiently, and manage large-scale projects and processes?[2] This textbook will help you understand some of the basic issues that management consultants help companies resolve. (And it won't cost you billions of dollars.)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Many of today's managers got their start welding on the factory floor, clearing dishes off tables, helping customers fit a suit, or wiping up a spill in aisle 3. Similarly, lots of you will start at the bottom and work your way up. There's no better way to get to know your competition, your customers, and your business. But whether you begin your career at the entry level or as a supervisor, your job as a manager is not to do the work but to help others do theirs. **Management** is getting work done through others.

Vineet Nayar, CEO of IT services company HCL Technologies, doesn't see himself as the guy who has to do everything or have all the answers. Instead, he sees himself as "the guy who is obsessed with enabling employees to create value." Rather than

Management getting work done through others

Efficiency getting work done with a minimum of effort, expense, or waste

Effectiveness accomplishing tasks that help fulfill organizational objectives

coming up with solutions himself, Nayar creates opportunities for collaboration, for peer review, and for employees to give feedback on ideas and work processes. Says Nayar, "My job is to make sure everybody is enabled to do what they do well."[3]

Nayar's description of managerial responsibilities suggests that managers also have to be concerned with efficiency and effectiveness in the work process. **Efficiency** is getting work done with a minimum of effort, expense, or waste. UPS saves time (and makes money) by finding faster, more efficient ways to deliver packages, such as having its drivers walk at a quick 2.5 strides per second or using computers to design delivery routes with fewer left turns—it takes more time to cross traffic when turning left than it does when turning right. Likewise, UPS drivers have been trained to carry their truck keys on key rings that are always kept on their fingers. Why? To minimize time fumbling for the keys in their pocket before inserting them into the truck's ignition or door locks. Now, however, UPS is switching to keyless systems in which electronic key fobs are attached to drivers' belts. This allows drivers to start the engine and open the cargo hold with the quick touch of a button, saving each driver about 2 seconds per stop or about 6.5 minutes per day. David Abney, UPS's chief operating officer, concedes, "We're obsessive about efficiency."[4]

Efficiency alone, however, is not enough to ensure success. Managers must also strive for **effectiveness**, which is accomplishing tasks that help fulfill organizational objectives such as customer service and satisfaction. Home Depot is improving customer service and satisfaction, and therefore effectiveness, by reducing checkout lane waiting time by offering customers four different ways to pay for their goods. All employees have "First phone" communication devices that function as price scanners, credit card readers and receipt printers. With these devices, employees can check out customers anywhere in the store. Likewise, when checkout lines are long, employees can scan the contents of customers' shopping carts and then give them a card to give to the cashier to settle payment. Home Depot also allows customers to pay using their PayPal accounts, which means they can leave their credit cards or cash at home. Finally, outfitted with new equipment and software, Home Depot's self-checkout lanes, introduced in 2003, are 30 percent faster than before.[5]

1-2 Management Functions

Henri Fayol, who was a managing director (CEO) of a large steel company in the early 1900s, was one of the founders of the field of management. You'll learn more about Fayol and management's other key contributors when you read about the history of management in Chapter 2. Based on his twenty years of experience as a CEO, Fayol argued that "the success of an enterprise generally depends much more on the administrative ability of its leaders than on their technical ability."[6] A century later, Fayol's arguments still hold true. During a two-year study code-named Project Oxygen, Google analyzed performance reviews and feedback surveys to identify the traits of its best managers. According to Laszlo Bock, Google's vice president for people operations, "We'd always believed that to be a manager, particularly on the engineering side, you need to be as deep or deeper a technical expert than the people who work for you. It turns out that that's absolutely the least important thing." What was most important? "Have a clear vision and strategy for the team." "Help your employees with career development." "Be productive and results-oriented." In short, Google found what Fayol observed, administrative ability, or management, is key to an organization's success.[7]

Managers need to perform five managerial functions in order to be successful, according to Fayol: planning, organizing, coordinating, commanding, and controlling.[8] Most management textbooks today have updated this list by dropping the coordinating function and referring to Fayol's commanding function as "leading." Fayol's management functions are thus known today in this updated form as planning, organizing, leading, and controlling. Studies indicate that managers who perform these management functions well are more successful, gaining promotions for themselves and profits for their companies. For example, the more time CEOs spend planning, the more profitable their companies are.[9] A twenty-five-year study at AT&T found that employees with better planning and decision-making skills were more likely to be promoted into management jobs, to be successful as managers, and to be promoted into upper levels of management.[10]

The evidence is clear. Managers serve their companies well when they plan, organize, lead, and control.

Planning determining organizational goals and a means for achieving them

Organizing deciding where decisions will be made, who will do what jobs and tasks, and who will work for whom

EXHIBIT 1.1

The Four Functions of Management

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So we've organized this textbook based on these functions of management, as shown in Exhibit 1.1.

Now let's take a closer look at each of the management functions: ***1-2a planning, 1-2b organizing, 1-2c leading,*** *and* ***1-2d controlling****.*

1-2a PLANNING

Planning involves determining organizational goals and a means for achieving them. As you'll learn in Chapter 5, planning is one of the best ways to improve performance. It encourages people to work harder, to work hard for extended periods, to engage in behaviors directly related to goal accomplishment, and to think of better ways to do their jobs. But most importantly, companies that plan have larger profits and faster growth than companies that don't plan.

For example, the question "What business are we in?" is at the heart of strategic planning. You'll learn about this in Chapter 6. If you can answer the question "What business are you in?" in two sentences or fewer, chances are you have a very clear plan for your business. But getting a clear plan is not so easy. Sometimes even very successful companies stray from their core business.

This happened when Cisco Systems, maker of the critical computer routers and switches that run the Internet and create high-speed networks in offices and homes, strayed from its core networking business by spending $34 billion acquiring or developing consumer products, such as Pure Digital, which made the once-popular Flip camera; Kiss Technology, which made networked DVD players; and Umi, a $600 videoconference service for homes that came with a $25 monthly charge for video access. Longtime CEO John Chambers has admitted that Cisco lost its focus and that going forward its priorities will be on its core business: "leadership in core routing, switching, and services; collaboration; data center virtualization and cloud; architectures; and video."[11] Accordingly, Cisco has now shut down its Flip, Kiss, and Umi divisions.

You'll learn more about planning in Chapter 5 on planning and decision making, Chapter 6 on organizational strategy, Chapter 7 on innovation and change, and Chapter 8 on global management.

1-2b ORGANIZING

Organizing is deciding where decisions will be made, who will do what jobs and tasks, and who will work for whom in the company. With 1,400 different computer systems; different labor unions representing pilots, flight attendants, and maintenance workers; and different ways of washing planes and boarding and feeding passengers; as well as different classes in the cabins (no first class on Continental), Continental Airlines and United Airlines faced an enormous organizing task to merge their two companies into the world's second-largest airline. Lori Gobillot, vice president of integration management at the time of the reorganization, oversaw thirty-three teams that decided the fastest way to board passengers and which computer systems to use, United's or Continental's, for scheduling crews, routing planes, handling bags and cargo, or just basic accounting. Said Gobillot, "I tell them to be fact-based, and direct and objective, and keep the emotions out of it—and don't keep score. It's not important how many things come from United and how many come from Continental." The goal was to reduce annual expenses by $1.2 billion. Each decision mattered, as reducing costs by as little a half-cent per mile could result in a $1 billion increase in annual profits for an industry that historically loses billions each year.[12]

You'll learn more about organizing in Chapter 9 on designing adaptive organizations, Chapter 10 on managing teams, Chapter 11 on managing human resources, and Chapter 12 on managing individuals and a diverse work force.

Leading inspiring and motivating workers to work hard to achieve organizational goals

Controlling monitoring progress toward goal achievement and taking corrective action when needed

1-2c LEADING

Our third management function, **leading**, involves inspiring and motivating workers to work hard to achieve organizational goals. For Alan Mulally, CEO of Ford Motor Company, a critical part of keeping his employees motivated is to "communicate, communicate, communicate. Everyone has to know the plan, its status, and areas that need special attention." Accordingly, Mulally distributed a set of cards with Ford's mission on one side and the company's four most important goals on the other. He also hosts a Business Plan Review each week with his top executives to check on performance company-wide, which is tracked via 280 charts, each with the name and picture of the manager responsible. Mulally's leadership brought Ford back from the brink of bankruptcy. In a series of timely maneuvers and shrewd business deals, Mulally secured a $23.6 billion loan and then sold off several noncore brands to raise capital prior to the recession, which kept Ford sufficiently capitalized as the world economy slowed. And while General Motors and Chrysler were forced to seek government loans and eventually file for bankruptcy, Ford stayed afloat on its own and by 2012 not only recovered the $30.1 billion it had lost from 2006 to 2008 but also posted three straight years of profits totaling $29.5 billion.[13]

You'll learn more about leading in Chapter 13 on motivation, Chapter 14 on leadership, and Chapter 15 on managing communication.

1-2d CONTROLLING

The last function of management, **controlling**, is monitoring progress toward goal achievement and taking corrective action when progress isn't being made. The basic control process involves setting standards to achieve goals, comparing actual performance to those standards, and then making changes to return performance to those standards. According to Michael Corbat, CEO of financial services company Citigroup, managerial and company success are contingent on setting goals, measuring performance, and making adjustments and corrections as needed. He recently stated during a meeting of executives, "You are what you measure." Therefore, a central part of his plan to restore Citigroup's financial performance is to measure how well executives perform against the plans they created. The basic idea, said one Citigroup executive, is "You said you would do this. Did you?" Corbat created a scorecard to measure the company's fifty top executives in four categories: capital, clients, culture, and controls. Scores ranging from 100 (the highest) to −40 (the lowest) will show how well each executive is performing. Corbat expects that the control process inherent in the scorecards will help Citigroup develop more accountability and discipline as it tries to recover from years of losses.[14]

You'll learn more about the control function in Chapter 16 on control, Chapter 17 on managing information, and Chapter 18 on managing service and manufacturing operations.

1-3 Kinds of Managers

Not all managerial jobs are the same. The demands and requirements placed on the CEO of Sony are significantly different from those placed on the manager of your local Wendy's restaurant.

As shown in Exhibit 1.2, there are four kinds of managers, each with different jobs and responsibilities: ***1-3a top***

Business during Breakfast

Four billion dollars. That was the price that Disney paid to acquire Lucasfilm, the iconic production company behind the four Indiana Jones movies and six Star Wars movies. The total gross of those two franchises was more than $6 billion. So how did such a massive deal between two iconic studios come about? Over breakfast, actually. Disney CEO Robert Iger was having breakfast with George Lucas and casually asked him if he ever thought about selling the company. Lucas, who had recently turned sixty-seven, replied that he was thinking about retirement and that although he did not have any specific plans yet, he would probably end up selling Lucasfilm at some point. This short conversation would eventually lead to five months of negotiations, concluding with the $4 billion sale.

Source: D. Leonard, "How Disney Bought Lucasfilm—and Its Plans for 'Star Wars,'" *Bloomberg Businessweek*, March 7, 2013, accessed May 23, 2013, http://www.businessweek.com/articles/2013-03-07/how-disney-bought-lucasfilm-and-its-plans-for-star-wars.

EXHIBIT 1.2

What the Four Kinds of Managers Do

Jobs	Responsibilities
Top Managers	
CEO, COO, CFO, CIO, Vice president, Corporate heads	Change, Commitment, Culture, Environment
Middle Managers	
General manager, Plant manager, Regional manager, Divisional manager	Resources, Objectives, Coordination, Subunit performance, Strategy implementation
First-Line Managers	
Office manager, Shift supervisor, Department manager	Nonmanagerial worker supervision, Teaching and training, Scheduling, Facilitation
Team Leaders	
Team leader, Team contact, Group facilitator	Facilitation, External relationships, Internal relationships

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managers, 1-3b middle managers, 1-3c first-line managers,** and **1-3d team leaders.

1-3a TOP MANAGERS

Top managers hold positions like chief executive officer (CEO), chief operating officer (COO), chief financial officer (CFO), and chief information officer (CIO) and are responsible for the overall direction of the organization. Top managers have the following responsibilities.[15] First, they are responsible for creating a context for change. In fact, Andrew Mason, **Groupon's** founder and CEO, was fired because he had not moved fast enough to bring about significant changes needed to reverse a 77 percent decline in the stock price, an $81 million loss in the last quarter of his tenure, and an investigation from the Securities and Exchange Commission for some questionable accounting practices that may have overstated the company's value. On the day he was fired, Mason wrote to employees, "I was fired today. If you're wondering why…You haven't been paying attention. The events of the last year and a half speak for themselves. As CEO, I am accountable."[16]

Indeed, in both Europe and the United States, 35 percent of all CEOs are eventually fired because of their inability to successfully change their companies.[17]

Top managers executives responsible for the overall direction of the organization

Middle managers responsible for setting objectives consistent with top management's goals and for planning and implementing subunit strategies for achieving these objectives

Creating a context for change includes forming a long-range vision or mission for the company. As one CEO said, "The CEO has to think about the future more than anyone."[18] Once that vision or mission is set, the second responsibility of top managers is to develop employees' commitment to and ownership of the company's performance. That is, top managers are responsible for creating employee buy-in. Third, top managers must create a positive organizational culture through language and action. Top managers impart company values, strategies, and lessons through what they do and say to others both inside and outside the company. Indeed, no matter what they communicate, it's critical for them to send and reinforce clear, consistent messages.[19] A former *Fortune* 500 CEO said, "I tried to [use] exactly the same words every time so that I didn't produce a lot of, 'Last time you said this, this time you said that.' You've got to say the same thing over and over and over."[20] Likewise, it's important to actively manage internal organizational communication. Kimberly Till, CEO of Harris Interactive, a New York–based market research company, emphasizes the importance of frequent communication, saying, "I keep all the employees in the loop through weekly emails, town hall meetings and forums, video clips of big decisions and visits to the offices."[21]

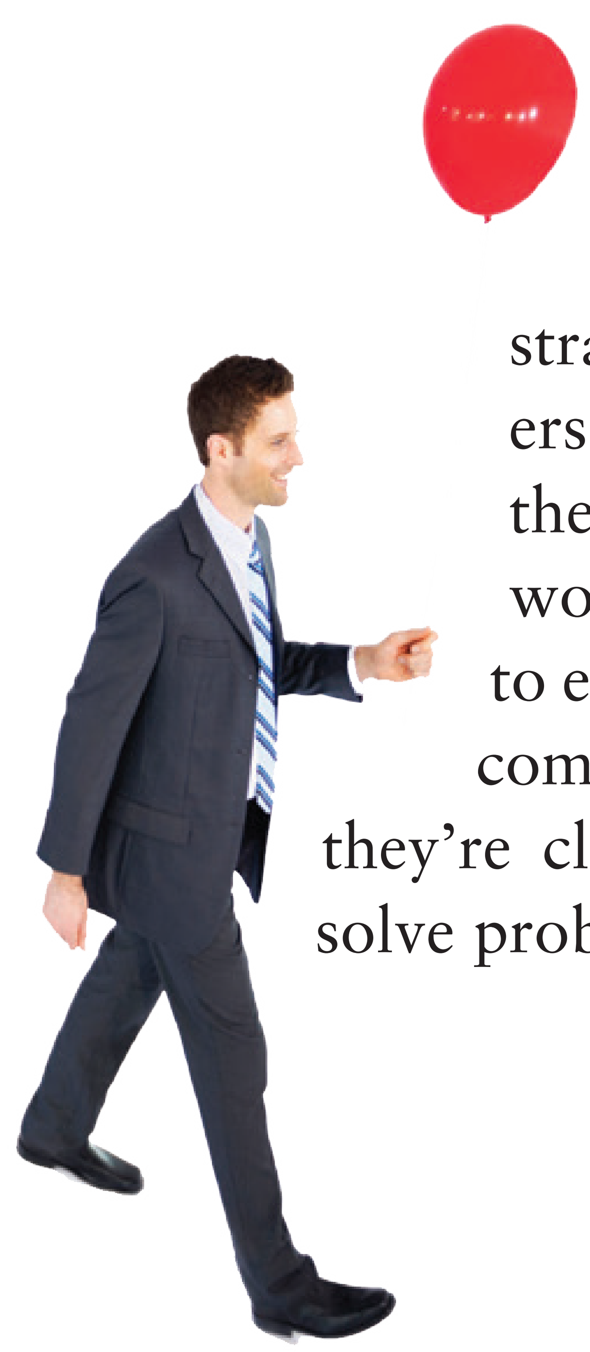
Finally, top managers are responsible for monitoring their business environments. A. G. Lafley, former CEO of Procter & Gamble, believes that most people do not understand the CEO's responsibilities. Says Lafley, "Conventional wisdom suggests that the CEO was primarily a coach and a utility infielder, dropping in to solve [internal] problems where they crop up. In fact, however, the CEO has a very specific job that only he or she can do: Link the external world with the internal organization."[22] This means that top managers must closely monitor customer needs, competitors' moves, and long-term business, economic, and social trends.

1-3b MIDDLE MANAGERS

Middle managers hold positions like plant manager, regional manager, or divisional manager. They are responsible for setting objectives consistent with top management's goals and for planning and implementing subunit strategies for achieving those objectives.[23] One specific middle management responsibility is to plan and allocate resources to meet objectives.

A second major responsibility is to coordinate and link groups, departments, and divisions within a company. Earlier you read about the thirty-three integration teams responsible for merging United and Continental Airlines. Those teams were headed by middle managers like Sherri Kawell, who ran the integration team in charge of airport operations and cargo. Kawell's team found twenty-one manuals, each 800 to 1,200 pages long, in use across both airlines. Furthermore, there were more than 700 differences in procedures, such as dealing with unaccompanied minors who are received from one family member on departure and handed to another family member on arrival. United pinned a button on minors' shirts to identify them to terminal and plane crews, while Continental used plastic wristbands. Kawell's team coordinated this part of the merger by deciding on wristbands because they are harder for children to remove. Said Kawell, "There's no right answer. We're not taking everything from one airline."[24]

A third responsibility of middle management is to monitor and manage the performance of the subunits and individual managers who report to them. Finally, middle managers are also responsible for implementing the changes or strategies generated by top managers. Why? Because they're closer to the managers and employees who work on a daily basis with suppliers to effectively and efficiently deliver the company's product or service. In short, they're closer to the people who can best solve problems and implement solutions.



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First-line managers train and supervise the performance of nonmanagerial employees who are directly responsible for producing the company's products or services

Team leaders managers responsible for facilitating team activities toward goal accomplishment

1-3c FIRST-LINE MANAGERS

First-line managers hold positions like office manager, shift supervisor, or department manager. The primary responsibility of first-line managers is to manage the performance of entry-level employees who are directly responsible for producing a company's goods and services. Thus, first-line managers are the only managers who don't supervise other managers. The responsibilities of first-line managers include monitoring, teaching, and short-term planning.

First-line managers encourage, monitor, and reward the performance of their workers. Jennifer Lepird is the human resources staffer on a team at Intuit that manages the acquisitions of companies that Intuit buys. When Intuit bought Paycycle, one of its competitors, Lepird stayed up all night putting together a spreadsheet that showed how the salary structure for Paycycle's managers and employees should be integrated with Intuit's. Her acquisition team manager, a first-line manager, sent her a thank you email and a gift certificate for several hundred dollars. Lepird was thrilled by her boss's reward, saying, "The fact that somebody took the time to recognize the effort made the long hours just melt away."[25]

First-line managers are also responsible for teaching entry-level employees how to do their jobs. They also make detailed schedules and operating plans based on middle management's intermediate-range plans. By contrast to the long-term plans of top managers (three to five years out) and the intermediate plans of middle managers (six to eighteen months out), first-line managers engage in plans and actions that typically produce results within two weeks.[26] Consider the typical convenience store manager (e.g., 7-Eleven) who starts the day by driving past competitors' stores to inspect their gasoline prices and then checks the outside of his or her store for anything that might need maintenance, such as burned-out lights or signs, or restocking, such as windshield washer fluid and paper towels. Then comes an inside check, where the manager determines what needs to be done for that day. (Are there enough donuts and coffee for breakfast or enough sandwiches for lunch?) Once the day is planned, the manager turns to weekend orders. After accounting for the weather (hot or cold) and the sales trends at the same time last year, the manager makes sure the store will have enough beer, soft drinks, and newspapers on hand. Finally, the manager looks seven to ten days ahead for hiring needs. Because of strict hiring procedures (basic math tests, drug tests, and background checks), it can take that long to hire new employees. Said one convenience store manager, "I have to continually interview, even if I am fully staffed."[27]

1-3d TEAM LEADERS

The fourth kind of manager is a team leader. This relatively new kind of management job developed as companies shifted to self-managing teams, which, by definition, have no formal supervisor. In traditional management hierarchies, first-line managers are responsible for the performance of nonmanagerial employees and have the authority to hire and fire workers, make job assignments, and control resources. In this new structure, the teams themselves perform nearly all of the functions performed by first-line managers under traditional hierarchies.[28]

Team leaders have a different set of responsibilities than traditional first-line managers.[29] **Team leaders** are primarily responsible for facilitating team activities toward accomplishing a goal. This doesn't mean team leaders are responsible for team performance. They aren't. The team is. Team leaders help their team members plan and schedule work, learn to solve problems, and work effectively with each other. Management consultant Franklin Jonath says, "The idea is for the team leader to be at the service of the group." It should be clear that the team members own the outcome. The leader is there to bring intellectual, emotional, and spiritual resources to the team. Through his or her actions, the leader should be able to show the others how to think about the work that they're doing in the context of their lives. It's a tall order, but the best teams have such leaders.[30]

Relationships among team members and between different teams are crucial to good team performance and must be well managed by team leaders, who are responsible for fostering good relationships and addressing problematic ones within their teams. Getting along with others is much more important in team structures because team members can't get work done without the help of teammates. Tim Clem emerged as a team leader at **GitHub**, a San Francisco–based software company that provides collaborative tools and online work spaces for people who code software. GitHub, itself, also uses team structures and team leaders to decide the software projects on which its 170 employees will work. After only a few months at the company,