Contemporary Management

Ninth Edition

Gareth R. Jones | Jennifer M. George

McGraw Hill Education

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CONTEMPORARY MANAGEMENT, NINTH EDITION

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PREFACE

Since the eighth edition of *Contemporary Management* was published, our book has strengthened its position as a leader in the management market. This tells us that we continue to meet the expectations of our existing users and attract many new users to our book. It is clear that most management instructors share with us a concern for the need to continuously introduce new and emerging issues into the text and its examples to ensure that cutting-edge issues and new developments in the field of contemporary management are addressed.

In the new ninth edition of *Contemporary Management,* we continue with our mission to provide students the most current and up-to-date account of the changes taking place in the world of business management. The fast-changing domestic and global environment continues to pressure organizations and their managers to find new and improved ways to respond to changing events in order to maintain and increase their performance. More than ever, events around the globe, rapid changes in technology, and economic pressures and challenges show how fast the success and even survival of companies can change. For example, the increasing complexity of the exchanges between global companies has profoundly affected the management of both large and small organizations. Today there is increased pressure on managers to find new management practices that can increase their companies' efficiency and effectiveness and ability to survive and prosper in an increasingly competitive global environment.

In revising our book, we continue our focus on making our text relevant and interesting to today's students—something that we know from instructor and student feedback engages them and encourages them to make the effort necessary to assimilate the text material. We continue to mirror the changes taking place in management practices by incorporating recent developments in management theory and research into our text and by providing vivid, current examples of how managers of companies large and small have responded to the changes taking place. Indeed, we have incorporated many new and contemporary examples in the new edition illustrating how founders, managers, and employees in a variety of types of organizations respond to the opportunities and challenges they face. These examples drive home to students how essential it is for them to develop a rich understanding of management theory and research and the ability to apply what they have learned in organizational settings.

The number and complexity of the strategic, organizational, and human resource challenges facing managers and all employees have continued to increase throughout the 2010s. In most companies, managers at all levels are playing catch-up as they work toward meeting these challenges by implementing new and improved management techniques and practices. Today relatively small differences in performance between companies, such as in the speed at which they can bring new products or services to market or in how they motivate their employees to find ways to improve performance or reduce costs, can combine to give one company a significant competitive advantage over another. Managers and companies that use proven management techniques and practices in their decision making and actions increase their effectiveness over time. Companies and managers that are slower to implement new management techniques and practices find themselves at a growing competitive disadvantage that makes it even more difficult to catch up. Thus many industries have widening gaps between weaker competitors and the most successful companies, whose performance reaches new heights because their managers have made better decisions about how to use a company's resources in the most efficient and effective ways. In the rapidly changing and dynamic environment facing organizations today, effective managers recognize the vital role that creativity and innovation play in successfully anticipating and responding to these changes as well as seizing the potential opportunities that they bring while mitigating the threats.

The challenges facing managers continue to mount as changes in the global environment, such as increasing global outsourcing and rising commodity prices, impact organizations large and small. In the ninth edition, we discuss recent developments in global outsourcing and examine the many managerial issues that must be addressed when millions of functional jobs in information technology, customer service, and manufacturing are sent to countries overseas. Similarly, increasing globalization means managers must respond to major differences in the legal rules and regulations and ethical values and norms that prevail in countries around the globe. Many companies and their managers, for example, have been accused of ignoring "sweatshop" working conditions under which the products they sell are manufactured abroad.

Moreover, the revolution in information technology (IT) has transformed how managers make decisions across all levels of a company's hierarchy and across all its functions and global divisions. The ninth edition of our book continues to address these ongoing challenges as IT continues to evolve rapidly, especially in the area of mobile digital devices such as smartphones and tablet computers that can access ever more sophisticated software applications that increase their functionality. Other major challenges we continue to expand on in the new edition include the impact of the steadily increasing diversity of the workforce on companies, and how this increasing diversity makes it imperative for managers to understand how and why people differ so they can effectively manage and reap the many benefits of diversity. Similarly, across all functions and levels, managers and employees must continuously search out ways to "work smarter" and increase performance. Using new IT to improve all aspects of an organization's operations to boost efficiency and customer responsiveness is a vital part of this process. So too is the continuing need to innovate and improve the quality of goods and services, and the ways they are produced, to allow an organization to compete effectively. We have significantly revised the ninth edition of *Contemporary Management* to address these challenges to managers and their organizations.

Major Content Changes

Once again, encouraged by the increasing number of instructors and students who use each new edition of our book, and based on the reactions and suggestions of both users and reviewers, we have revised and updated our book in the following ways. First, just as we have included pertinent new research concepts in each chapter, so too have we been careful to eliminate outdated or marginal management concepts. As usual, our goal has been to streamline our presentation and keep the focus on the changes that have been taking place that have the most impact on managers and organizations. Our goal is to avoid presenting students with excessive content in too many and too long chapters just for the sake of including outmoded management theory. In today's world of instant sound bites, video uploading, text messaging, and tweets, providing the best content is much more important than providing excessive content—especially when some of our students are burdened by time pressures stemming from the need to work long hours at paying jobs and fulfilling personal commitments and obligations.

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

Chapter 1, for example, contains new and updated material on the way changes in IT and the products and services that result from it are affecting competition among companies. The chapter includes a new opening case about the way Scott Parish, Alcon's CFO and COO, is helping Alcon successfully overcome challenges brought on by constantly changing technology and difficult economic times. It also contains an updated discussion of insourcing, as opposed to outsourcing, and why some companies are bringing jobs back to the United States from abroad to increase performance. Additionally, the coverage of ethics and social responsibility has been updated. New examples of global crisis management have been added that examine the Haiyan Typhoon disaster as well as the consequences surrounding the Upper Big Branch South Mine explosion in West Virginia. Chapter 2 has updated coverage of changing manufacturing practices across industries and of the way traditional management theories, such as Theory X and Theory Y, have been modified to suit changing work conditions today.

Chapter 3 updates material about the manager as a person and the way personal characteristics of managers (and all members of an organization) influence organizational culture and effectiveness. There is also new in-text discussion of recent trends in job satisfaction in the United States. Also included is a discussion of how emotions can be triggers for change in organizations and a new "Manager as a Person" feature on Kevin Plank, founder and CEO of Under Armour.

Chapter 4, "Ethics and Social Responsibility," provides updated material about the unethical and illegal behaviors of managers from various industries. We have updated our coverage of the many issues involved in acting and managing ethically throughout the book. We also discuss new issues in ethics and ethical dilemmas and provide conceptual tools to help students understand better how to make ethical decisions. We highlight issues related to worker safety, environmental responsibility, and regulations to protect consumer safety. Finally, we have updated coverage of the ethics of nonprofits and their managers as well as how formerly ethical companies, such as General Motors, began to behave in unethical ways in order to boost their returns to shareholders and benefit their managers. The ethical exercise at the end of every chapter continues to be a popular feature of our book.

Chapter 5, "Managing Diverse Employees in a Multicultural Environment," focuses on the effective management of the many faces of diversity in organizations for the good of all stakeholders. We have updated and expanded the text material and examples for such issues as age, gender, race and ethnicity, socioeconomic background, disabilities, and sexual orientation. We also discuss ways to effectively manage diversity and include an updated discussion of women's earnings in comparison to men's earnings. Methods to prevent discrimination and sexual harassment in an era when many companies face discrimination lawsuits involving hundreds of millions of dollars are also considered. The chapter provides expanded coverage of the way managers can take advantage of the increasing diversity of the population and workforce to reap the performance benefits that stem from diversity while ensuring that all employees are treated fairly and are not discriminated against.

Chapter 6 contains an integrated account of forces in both the domestic and global environments. It has also been revised and updated to reflect the way increasing global competition and free trade have changed the global value creation process. The chapter uses updated examples from the fashion industry, electronics industry, and automotive industry to illustrate these issues. It also has an updated discussion of issues related to global outsourcing and of the movement to insource production back to the United States as well as to find ways for companies to become powerful suppliers to emerging leading global companies in China and other countries. Finally, it continues to update the treatment of the changing dynamics of global competition—particularly in relation to how newly dominant global companies have developed successful new strategies to customize products to the tastes of customers in countries abroad.

Chapter 7, "Decision Making, Learning, Creativity, and Entrepreneurship," discusses these vital processes in organizations and their implications for managers and all employees. The chapter opens with a new "A Manager's Challenge" discussion of Jim McCann of 1-800-Flowers.com, highlighting his entrepreneurial path and the many decisions and learning opportunities he experienced along the way. We include a discussion of the position of chief sustainability officer and examine how managers can make decisions to help ensure decisions contribute to sustainability. Also, we continue our discussion of social entrepreneurs who seek creative ways to address social problems to improve well-being by, for example, reducing poverty, increasing literacy, and protecting the natural environment. More generally, we discuss how managers in organizations large and small can improve decision making, learning, and creativity in their organizations. For example, we discuss ways of curbing overconfidence in decision making and how to use contests and rewards to encourage creativity and give examples of companies that use them.

As in the last edition, Chapter 8 focuses on corporate-, global-, and business-level strategies, and Chapter 9 discusses functional strategies for managing value chain activities. These two chapters make clear the links between the different levels of strategy while maintaining a strong focus on managing operations and processes. Chapter 8 continues the discussion of planning and levels of strategy, which focuses on how companies can use vertical integration and related diversification to increase long-term profitability. It also includes updated examples of business-level strategy that focuses on the importance of low-cost strategies in a world in which the prices of many products are falling or under pressure because of recession and increased global competition, or because companies like Toys"R"Us and Redbox are finding new strategies to reach customers more cost-effectively. In Chapter 9 we continue to explore how companies can develop new functional-level strategies to improve efficiency, quality, innovation, and responsiveness to customers. For example, in addition to coverage of TQM, including the Six Sigma approach, we include a discussion of the importance of customer relationship management and the need to retain customers during hard economic times. We focus on the ways various airlines have developed new functional strategies.

Chapters 10 and 11 offer updated coverage of organizational structure and control and discuss how companies have confronted the need to reorganize their hierarchies and ways of doing business as the environment changes and competition increases. In Chapter 10, for example, we discuss how companies such as Pixar Animation Studios and the Walt Disney Company have reorganized to improve their domestic performance. We also discuss how the Meritage Hospitality Group has changed its approach to hiring and training employees. Because of hard economic times, we continue to give updated examples that show how companies are designing global organizational structure and culture to improve performance. In Chapter 11 we continue this theme by looking at how companies are changing their control systems to increase efficiency and quality, for example. More generally, how to use control systems to increase quality is a theme throughout the chapter.

We have updated and expanded our treatment of the many ways in which managers can effectively manage and lead employees in their companies. For example, Chapter 12 includes an updated discussion of how treating employees well can lead to exceptional customer service. The chapter also discusses best practices to recruit and attract outstanding employees, the importance of training and development, pay differentials, and family-friendly benefit programs. In addition, there is treatment of the use of background checks by employers, the use of forced ranking systems in organizations, and issues concerning excessive CEO pay and pay comparisons between CEOs and average workers and statistics on U.S. union membership. Chapter 13 continues coverage of prosocially motivated behavior, including examples of people who are motivated to benefit others. It also discusses the many steps managers can take to create a highly motivated workforce and the importance of equity and justice in organizations.

Chapter 14 highlights the critical importance of effective leadership in organizations and factors that contribute to managers being effective leaders, including a discussion of servant leadership. There is a discussion of how managers with expert power need to recognize that they are not always right. The chapter also addresses how emotional intelligence may help leaders respond appropriately when they realize they have made a mistake, and it gives updated examples of leadership in a variety of organizations. Expanded and updated coverage of the effective management of teams, including virtual teams, is provided in Chapter 15, which opens with a new "A Manager's Challenge" on teams at W. L. Gore. The chapter also covers the problems that arise because of a lack of leadership in teams.

Chapter 16 includes coverage of effective communication and how, given the multitude of advances in IT, it is important to create opportunities for face-to-face communication. There is also information on the ethics of monitoring email and Internet use, including statistics on increased Internet use in the United States. Finally, there is also a discussion of social networking sites and why some managers attempt to limit employees' access to them while at work. Chapter 17 includes an updated discussion of the vital task of effectively managing conflict and politics in organizations and how to negotiate effectively on a global level. There are many new examples of how managers can create a collaborative work context and avoid competition between individuals and groups.

Chapter 18 has been updated to discuss the changing nature of companywide total computing solutions—including a new opening case that discusses how managers are using the latest technology like wearables to measure employee performance. There is also an updated discussion of the nature of bricks and mortar and mobile server computers and how "server farms" can be used to connect to mobile digital devices such as tablet computers and smartphones to enhance competitive advantage. Recent developments in mobile and tablet computing and their many uses in global communication and coordination are also a focus of discussion—as is the growing competition between global IT suppliers.

We feel confident that the major changes we have made to the ninth edition of *Contemporary Management* reflect the changes that are occurring in management and the workplace; we also believe they offer an account of management that will stimulate and challenge students to think about their future as they look for opportunities in the world of organizations.

Unique Emphasis on Contemporary, Applied Management

In revising our book, we have kept at the forefront the fact that our users and reviewers are supportive of our attempts to integrate contemporary management theories and issues into the analysis of management and organizations. As in previous editions, our goal has been to distill new and classic theorizing and research into a contemporary framework that is compatible with the traditional focus on management as planning, leading, organizing, and controlling but that transcends this traditional approach.

Users and reviewers report that students appreciate and enjoy our presentation of management—a presentation that makes its relevance obvious even to those who lack exposure to a real-life management context. Students like the book's content and the way we relate management theory to real-life examples to drive home the message that management matters both because it determines how well organizations perform and because managers and organizations affect the lives of people inside and outside the organization, such as employees, customers, and shareholders.

Our contemporary approach has led us to discuss many concepts and issues that are not addressed in other management textbooks, and it is illustrated by the way we organize and discuss these management issues. We have gone to great lengths to bring the manager back into the subject matter of management. That is, we have written our chapters from the perspective of current or future managers to illustrate, in a hands-on way, the problems and opportunities they face and how they can effectively meet them. For example, in Chapter 3 we provide an integrated treatment of personality, attitudes, emotions, and culture; in Chapter 4, a focus on ethics from a student's and a manager's perspective; and in Chapter 5, an in-depth treatment of effectively managing diversity and eradicating sexual harassment. In Chapters 8 and 9, our integrated treatment of strategy highlights the multitude of decisions managers must make as they perform their most important role—increasing organizational efficiency, effectiveness, and performance.

Our applied approach can also be clearly seen in the last three chapters of the book, which cover the topics of promoting effective communication; managing organizational conflict, politics, and negotiation; and using information technology in ways that increase organizational performance. These chapters provide a student-friendly, behavioral approach to understanding the management issues entailed in persuasive communication, negotiation, and implementation of advanced information systems to build competitive advantage.

Flexible Organization

Another factor of interest to instructors is how we have designed the grouping of chapters to allow instructors to teach the chapter material in the order that best suits their needs. For example, the more micro-oriented instructor can follow Chapters 1 through 5 with Chapters 12 through 16 and then use the more macro chapters. The more macro-oriented professor can follow Chapters 1 and 2 with Chapters 6 through 11, jump to 16 through 18, and then use the micro chapters, 3 through 5 and 12 through 15.

Our sequencing of parts and chapters gives instructors considerable freedom to design the course that best suits their needs. Instructors are not tied to the planning, organizing, leading, and controlling framework, even though our presentation remains consistent with this approach.

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

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

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GUIDED TOUR

Rich and Relevant Examples An important feature of our book is the way we use real-world examples and stories about managers and companies to drive home the applied lessons to students. Our reviewers praised the sheer range and depth of the rich, interesting examples we use to illustrate the chapter material and make it come alive. Moreover, unlike boxed material in other books, our boxes are seamlessly integrated into the text; they are an integral part of the learning experience and are not tacked on or isolated from the text itself. This is central to our pedagogical approach.

A Manager's Challenge opens each chapter, posing a chapter-related challenge and then discussing how managers in one or more organizations responded to that challenge. These vignettes help demonstrate the uncertainty and excitement surrounding the management process.

Our box features are not traditional boxes; that is, they are not disembodied from the chapter narrative. These thematic applications are fully integrated into the reading. Students will no longer be forced to decide whether or not to read boxed material. These features are interesting and engaging for students while bringing the chapter contents to life.


A MANAGER'S CHALLENGE

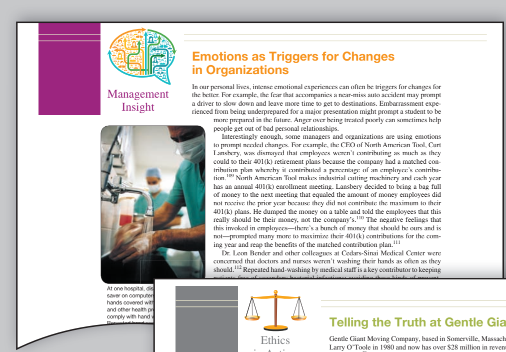
Jess Lee's Determination and Broad Interests Lead to the Top at Polyvore

What does it take to rise to the top in Silicon Valley? In her early thirties, Jess Lee's rise to the top at Polyvore, a fashion and style social commerce site and company, is a testament to her determination, hard work, persistence, broad interests, originality, and willingness to take risks. When she was growing up in Hong Kong, Lee loved to draw and thought she'd like to write and draw Japanese *manga* comics when she grew up (her "fun fact" on the Polyvore website notes that she likes to draw and has more than 1,000 comic books). Her parents had other ideas, and as an entrepreneur who operated a translation organization from their house, her mother instilled in her a sense of the value of being in charge of what you do.[1]

Lee attended Stanford University, where she received a degree in computer science. She had planned on becoming an engineer and had a job lined up when she received a phone call from a Google recruiter inviting her to interview for their associate product manager program. While interviewing at Google, Lee spoke with Marisa Mayer (who was an executive at Google prior to becoming president and CEO of Yahoo). Lee told Mayer she wasn't sure if she wanted to work at Google because she already had another offer and had planned to be an engineer. Mayer advised Lee to choose what she thought would be the most challenging position. Always up for a challenge, Lee decided to join Google and has not looked back since.[2]

As a product manager working on Google Maps, Lee realized that it was important for the engineers she worked with to hold her in high regard.[3] While her computer science background certainly helped, so did her

Jess Lee of Polyvore, a fashion and style social commerce website and company. Her ambition, hard work, and persistence, combined with dedication to users and employees, have helped make Polyvore one of the five best websites for one-stop online shopping.



Management Insight

Emotions as Triggers for Changes in Organizations

In our personal lives, intense emotional experiences can often be triggers for changes for the better. For example, the fear that accompanies a near-miss auto accident may prompt a driver to slow down and leave more time to get to destinations. Embarrassment experienced from being underprepared for a major presentation might prompt a student to be more prepared in the future. Anger over being treated poorly can sometimes help people get out of bad personal relationships.

Interestingly enough, some managers and organizations are using emotions to prompt needed changes. For example, the CEO of North American Tool, Curt Lansbery, was dismayed that employees weren't contributing as much as they could to their 401(k) retirement plans because the company had a matched contribution plan whereby it contributed a percentage of an employee's contribution.[109] North American Tool makes industrial cutting machinery and each year has an annual 401(k) enrollment meeting. Lansbery decided to bring a bag full of money to the next meeting that equaled the amount of money employees did not receive the prior year because they did not contribute the maximum to their 401(k) plans. He dumped the money on a table and told the employees that this really should be their money, not the company's.[110] The negative feelings that this invoked in employees—there's a bunch of money that should be ours and is not—prompted many more to maximize their 401(k) contributions for the coming year and reap the benefits of the matched contribution plan.[111]

Dr. Leon Bender and other colleagues at Cedars-Sinai Medical Center were concerned that doctors and nurses weren't washing their hands as often as they should.[112] Repeated hand-washing by medical staff is a key contributor to keeping

At one hospital, dis
saver on computer
hands covered with
and other health pr
comply with hand w

Ethics in Action

Telling the Truth at Gentle Giant Moving

Gentle Giant Moving Company, based in Somerville, Massachusetts, was founded by Larry O'Toole in 1980 and now has over $28 million in revenues and offices in multiple states.[49] Gentle Giant opened its newest office, Chicago Movers–Gentle Giant Moving & Storage, in 2013 in Chicago, Illinois.[50] Although moving is undoubtedly hard work and many people would never think about having a career in this industry, Gentle Giant's unique culture and approach to managing people have not only contributed to the company's success but also give its employees satisfying careers. For example, when Ryan Libby was in college, he worked for Gentle Giant during one of his summer vacations to make some extra money. After graduating from college, he was the assistant manager for the Providence, Rhode Island, Gentle Giant Office. Now Libby is branch manager for Providence.[51] As he puts it, "First it was just a paycheck, and it kind of turned into a long-term career."[52]

Libby is just the kind of employee O'Toole seeks to hire—employees who start out driving moving trucks and eventually move into management positions running offices. Whereas some moving companies hire a lot of temporary help in the summer to meet seasonal demand, 60 percent of Gentle Giant employees are employed full-time.[53] Because the demand for moving services is lower in the winter, Gentle Giant uses this time to train and develop employees. Of course new employees receive training in the basics of moving: packing, lifting, and carrying household goods safely. However, employees looking to advance in the company receive training in a host of other areas ranging

At Gentle Giant Moving Company, employees are given leadership training, access to company outings, and the opportunity to advance to management positions.

Additional in-depth examples appear in boxes throughout each chapter. **Management Insight** boxes illustrate the topics of the chapter, while the **Ethics in Action, Managing Globally, Focus on Diversity, and Information Technology Byte** boxes examine the chapter topics from each of these perspectives.

Values, Attitudes, Emotions, and Culture: The Manager as a Person 69

Some successful entrepreneurs who start their own businesses are high on openness to experience and conscientiousness, which has contributed to their accomplishments as entrepreneurs and managers, as is true of Kevin Plank, founder, CEO, and chairman of the board of Under Armour.[26]

Manager as a Person

Kevin Plank's Openness to Experience and Conscientiousness Pay Off at Under Armour

When Kevin Plank was a walk-on fullback football player at the University of Maryland in the 1990s, he often became annoyed that his T-shirt was soaked and weighted down with sweat. Always an original thinker, he wondered why athletic apparel couldn't be make out of some kind of polyester blend that would help athletes' and sports aficionados' muscles stay cool while wicking away, and not holding, moisture from sweat.[27] As he was finishing his undergraduate studies at Maryland, he started experimenting with different fabrics, testing their durability, comfort, and water resistance with the help of a local tailor. A prototype of Under Armour's first product—the 0039 compression shirt—was developed.[28]

Upon graduation from the University of Maryland, Plank was offered a position at Prudential Life Insurance. An entrepreneur at heart willing to risk everything to pursue his bold ideas, Plank realized that accepting a secure position with an insurance company would have driven him nuts. So he turned down the Prudential offer and mustered his determination to sell his innovative T-shirt.[29] With little business training or experience, and a lot of perseverance and discipline, Plank pursued the makings of what would become a major competitor of Nike 16 years later with net revenues over $2.3 billion in 2013.[30] Entering and succeeding in the competitive sports apparel industry dominated by huge players like Nike with vast resources and a widely recognized brand would seem like an impossible feat even for a seasoned businessperson with access to capital. With around $20,000 in the bank and the resolve to turn his idea into a viable venture, Plank succeeded against all odds.[31]

Very outgoing and confident, Plank used his network of athletic contacts from playing on teams in high school, military school, and the University of Maryland to get the word out about the shirt.[32] From the various teams he had played on, he was familiar enough with around 40 NFL players to contact them and tell them about the shirt. Living out of his car with his trunk full of shirts, Plank drove around to training camps and schools to show athletes and managers his new product. Teaming up with two partners, Plank began running his business from the basement of his grandmother's house in the Georgetown area of Washington, DC, with the help of a $250,000 small business loan. As business and orders picked up, Under Armour outgrew the basement and set up shop on Sharp Street in Baltimore.[33] The rest has literally been history.

Under Armour currently produces and sells apparel, shoes, and accessories for women, men, and youth for athletics, sports, outdoor activities, and fitness.[34] Under Armour is a global company with 6,000 employees, operating in North America, Europe, the Middle East, Africa, Asia, and Latin America though most employees work in the United States.[35]

Kevin Plank began by selling his innovative T-shirts from the trunk of his car. Under Armour is now a global company, producing and selling sports and fitness apparel, shoes, and accessories. His success demonstrates how taking risks, while also being determined and disciplined, can lead to success against tough odds.

Further emphasizing the unique content covered in Chapter 3, "Values, Attitudes, Emotions, and Culture: The Manager as a Person," the **Manager as a Person** boxes focus on how real managers brought about change within their organizations. These examples allow us to reflect on how individual managers dealt with real-life, on-the-job challenges related to various chapter concepts.

Small Business Examples To ensure that students see the clear connections between the concepts taught in their Principles of Management course and the application in their future jobs in a medium-sized or small business, Jones and George have included a number of examples of the opportunities and challenges facing founders, managers, and employees in small businesses.

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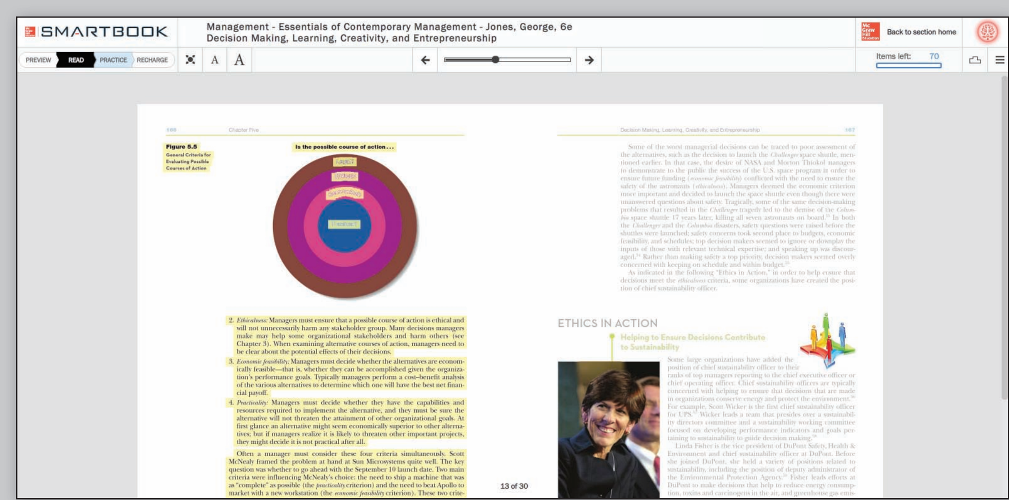

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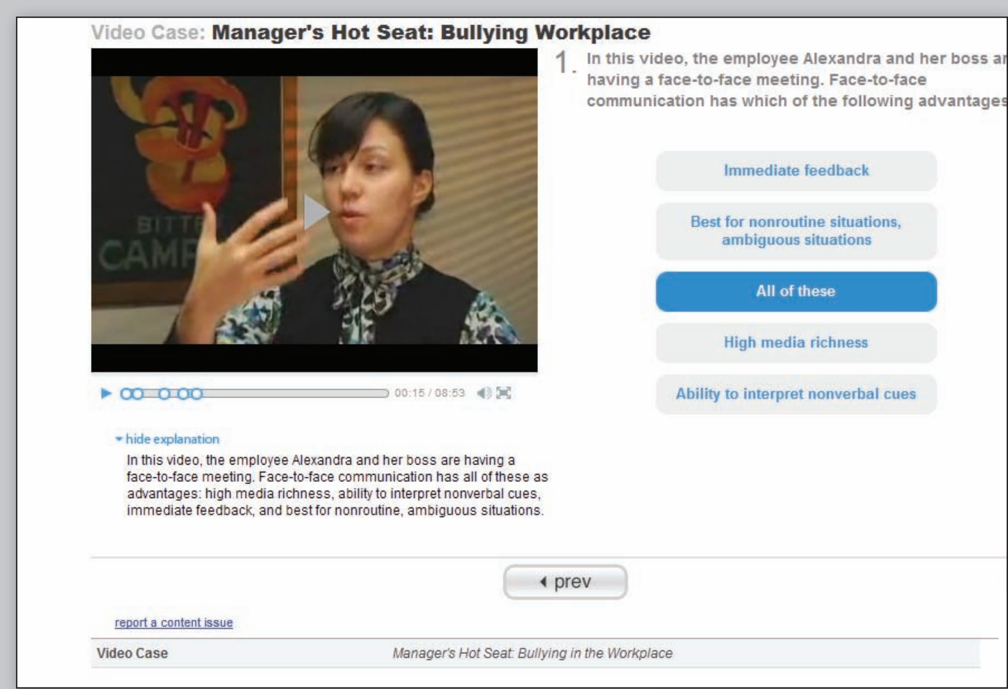

Video Case 1: Office Romance: Groping for Answers
Video Case 2: Ethics: Let's Make a Fourth Quarter Deal
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Video Case 4: Privacy: Burned by the Firewall?
Video Case 5: Whistle Blowing: Code Red or Red Ink?
Video Case 6: Change: More Pain Than Gain
Video Case 7: Partnership: The Unbalancing Act
Video Case 8: Cultural Differences: Let's Break a Deal
Video Case 9: Project Management: Steering the Committee
Video Case 10: Diversity: Mediating Morality
Video Case 11: Personal Disclosure: Confession Coincidence
Video Case 12: Virtual Workplace: Out of the Office Reply
Video Case 13: Listening Skills: Yeah, Whatever
Video Case 14: Diversity in Hiring: Candidate Conundrum
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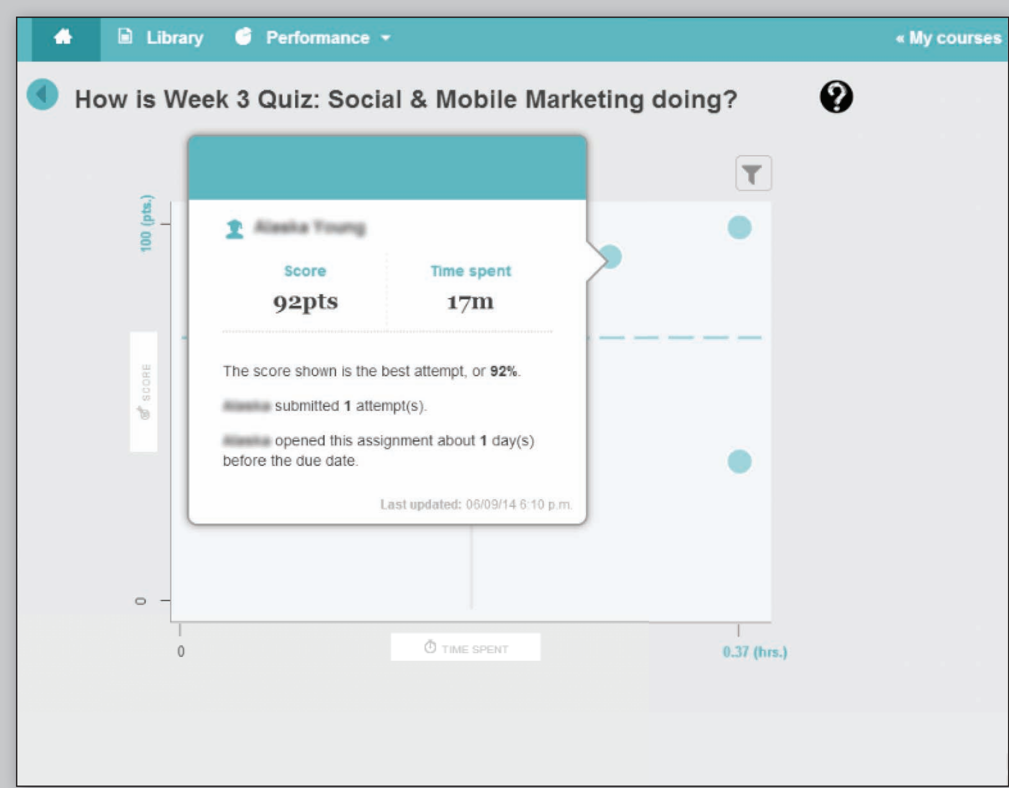

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Gareth Jones currently offers pro bono advice on solving management problems to nonprofit organizations in Houston, Texas. He received his BA in Economics/Psychology and his PhD in Management from the University of Lancaster, U.K. He was formerly Professor of Management in the Graduate School of Business at Texas A&M University and earlier held teaching and research appointments at Michigan State University, the University of Illinois at Urbana-Champaign, and the University of Warwick, UK.

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

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

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

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

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Contemporary Management

CHAPTER 1
Managers and Managing

Learning Objectives

After studying this chapter, you should be able to:

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

LO1-2 Distinguish among planning, organizing, leading, and controlling (the four principal managerial tasks), and explain how managers' ability to handle each one affects organizational performance.

LO1-3 Differentiate among three levels of management, and understand the tasks and responsibilities of managers at different levels in the organizational hierarchy.

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

LO1-5 Discuss some major changes in management practices today that have occurred as a result of globalization and the use of advanced information technology (IT).

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

A MANAGER'S CHALLENGE

Hitting the Mark at Alcon Entertainment

How does management change with technology? Scott Parish is the chief financial officer and chief operating officer of Alcon Entertainment, a Los Angeles—based entertainment production company. Alcon was started in 1997 by film producers (and former business students) Broderick Johnson and Andrew Kosove, who remain Alcon's chief executive officers (CEOs). Since its humble beginnings in a rented apartment, the company has grown into a respected and profitable enterprise, making hit movies such as *The Blind Side, P.S., I Love You,* and *What to Expect When You're Expecting.*

Parish left a successful career in logistics and transportation to pursue his dream of working in the motion picture industry. Relocating from Mississippi to California, he took an hourly administrative job at a film production company to learn about the craft. By taking the initiative to develop his understanding of the entertainment business from the ground up, Parish was able to rise in management over the years. Now as a member of Alcon's top team, he is credited with helping grow Alcon from a boutique film company into a respected creator of not just films but television shows and music as well.

However, maintaining Alcon's growth is a significant challenge in a turbulent and changing entertainment business. Managers like Scott Parish must economically produce valuable content that earns profits. Film creation is a complex process. It can take years to shepherd a film from inception to distribution before audiences. As a result, significant planning is invested into production long before the cameras roll. Parish and Alcon's leadership team are constantly on the lookout for innovative ideas that give them an edge at the box office, and must identify and produce ideas that have a strong potential to connect with an intended audience.

Andrew Kosove, co-CEO of Alcon Entertainment, and Scott Parish, COO and CFO. Parish left a career in logistics to learn the motion picture industry from the ground up. Now he is part of the top management team that runs a successful film, TV, and music company.

Once viable ideas are obtained and screened, Parish must obtain funding for projects that can cost $40 to $80 million each.[1] Financing films often means coordinating with outside investors, so Parish and his team must be able to explain complex film production processes to those unacquainted with the film business. These outside investors represent important stakeholders in the film production process.

After representing Alcon to investors and obtaining needed financing, Parish must build the right team to produce and market new hit films. This means negotiating with and retaining the services of directors and a cast who can help turn concepts into reality. Missteps at this stage of a film's development can be highly detrimental to its eventual success, and Parish and his team must also balance the needs of Hollywood superstars against the creative demands of directors to create products audiences will pay to see and enjoy. Hollywood talent is notoriously difficult to manage, so Parish must negotiate and align the interests of the company with the talent it retains to help make films.

In addition to the challenges of managing film production in a competitive environment, Parish is helping lead Alcon in an entertainment industry being transformed by technological and economic change. Consumers increasingly prefer to watch content digitally, so Alcon has evolved to broaden the ways it distributes content. Previously, film production companies like Alcon worked with movie theaters and brick-and-mortar retailers to sell content. Although these distribution channels are still being used, Alcon's content can now be found digitally on streaming subscription services such as Netflix, for download on Amazon Prime, and on other services.[2] Alcon also retains the rights to its films, meaning it earns residual income from its catalog of film projects. With changing consumer tastes and a recession that has limited consumers' disposable income, managers like Parish are challenged to find new ways of ensuring profitable content creation and distribution.

In a larger sense, the ease of transferring digital content has made digital piracy more prevalent, posing a significant threat to the entertainment industry. Piracy occurs when third parties distribute copyrighted materials that they do not own to others without permission from the copyright holder, typically for commercial gain. However, entertainment production companies receive revenues only when their content is purchased by retailers or consumers, meaning piracy has the potential to undermine the production of new movies, music, and television. Indeed, Alcon now adjusts its revenue projections to reflect the threats of piracy. However, the company is not responding passively to this new managerial challenge, but is taking action to mitigate the distribution and use of pirated content.

For example, in conjunction with other major studios and entertainment production companies, Alcon has responded to this new economic and technological reality by mobilizing support for CreativeFuture, an industry coalition designed to mitigate digital piracy on the web by informing and educating policymakers and consumers about the long-term effects of digital piracy on the sustainability of the entertainment industry.[3]

Running an entertainment company is difficult work. Managers like Scott Parish must help their companies stay creative and create profitable content in an industry rapidly evolving amid changing consumer tastes and technological change. This requires managers to represent the interests of the organization to the public and an increasingly complex array of external stakeholders.

Overview

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

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

What Is Management?

When you think of a manager, what kind of person comes to mind? Do you think of an executive like Scott Parish, who helps direct his company? Or do you see a manager at a fast-food restaurant, who engages directly with employees and customers? Perhaps you think of a foreman at a manufacturing company? Regardless of how we view managers, they all share important characteristics. First, they all work in organizations. **Organizations** are collections of people who work together and coordinate their actions to achieve a wide variety of goals or desired future outcomes.[4] Second, as managers, they are the people responsible for supervising and making the most of an organization's human and other resources to achieve its goals.

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

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

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

Achieving High Performance: A Manager's Goal

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

One of the key goals that organizations try to achieve is to provide goods and services that customers value and desire. Scott Parish's principal goal is to manage Alcon so that it creates a continuous stream of new and improved entertainment content—enjoyable films, television shows, and music—that customers are willing to buy. Like other entertainment companies, Alcon also seeks projects that have potential to grow into film or television franchises, encouraging repeat business. Likewise, the principal goal of fast-food managers is to produce tasty and convenient food that customers enjoy and come back to buy. Finally, manufacturing managers must balance the quality needs of their consumers against the pressure to be cost-effective.

Organizational performance is a measure of how efficiently and effectively managers use available resources to satisfy customers and achieve organizational goals. Organizational performance increases in direct proportion to increases in efficiency and effectiveness, as Figure 1.1 shows. What are efficiency and effectiveness?

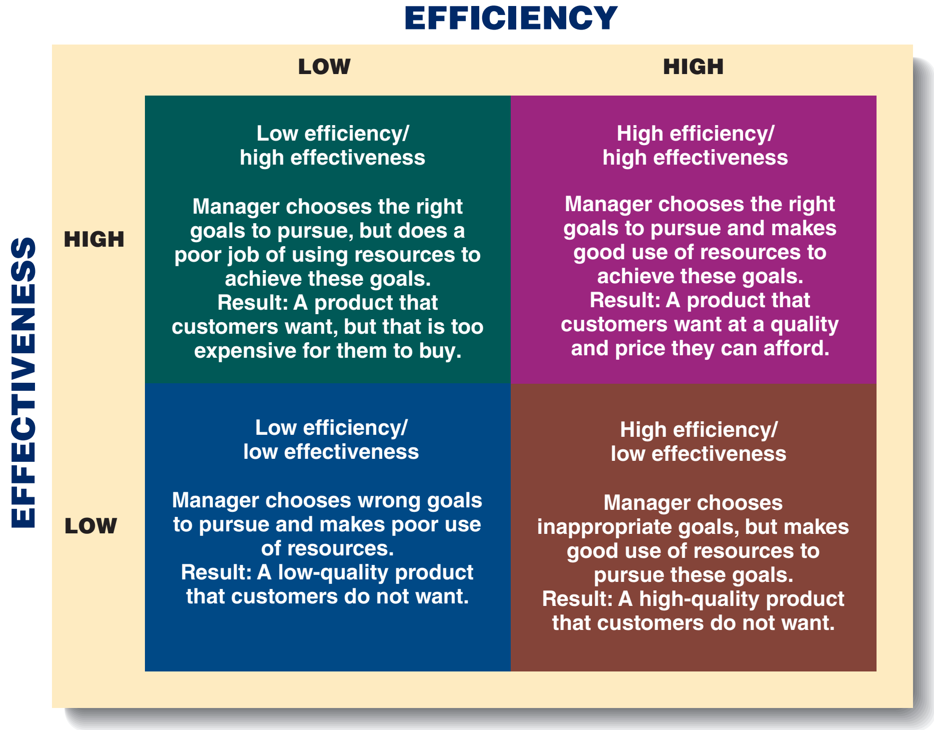
organizational performance A measure of how efficiently and effectively a manager uses resources to satisfy customers and achieve organizational goals.

Efficiency is a measure of how productively resources are used to achieve a goal.[5] Organizations are efficient when managers minimize the amount of input resources (such as labor, raw materials, and component parts) or the amount of time needed to produce a given output of goods or services. For example, McDonald's develops ever more efficient fat fryers that not only reduce the amount of oil used in cooking, but also speed up the cooking of french fries. UPS develops new work routines to reduce delivery time, such as instructing drivers to leave their truck doors open when going short distances.

efficiency A measure of how well or how productively resources are used to achieve a goal.

To encourage efficiency, Scott Parish has changed the way Alcon compensates many of its actors. Previously, film production companies paid actors using guaranteed compensation and without consideration of a movie's success. They would recoup the cost of making a movie only if it had adequate performance at the box office. Unfortunately, that meant film producers like Alcon held all of the risk.

Figure 1.1
Efficiency, Effectiveness, and Performance in an Organization



High-performing organizations are efficient *and* effective.

As an alternative, Parish has linked actor compensation to a film's success.[6] This new compensation method means fewer dollars are risked if a film flops. However, for actors, the new compensation model means they can earn far more than a flat sum of guaranteed compensation. Thus, when a film succeeds, both Alcon and its actors realize the gains. This new compensation model encourages both parties to work efficiently. Alcon also strives to build good relationships and trust with its actors, which in turn brings goodwill toward the organization.

effectiveness A measure of the appropriateness of the goals an organization is pursuing and the degree to which the organization achieves those goals.

Effectiveness is a measure of the *appropriateness* of the goals that managers have selected for the organization to pursue and the degree to which the organization achieves those goals. Organizations are effective when managers choose appropriate goals and then achieve them. Some years ago, for example, managers at McDonald's decided on the goal of providing breakfast service to attract more customers. The choice of this goal has proved smart: Sales of breakfast food now account for more than 30 percent of McDonald's revenues and are still increasing. Parish's goal is to create a continuous flow of innovative entertainment products that resonate with audiences. High-performing organizations such as Apple, McDonald's, Walmart, Intel, Home Depot, Accenture, and Habitat for Humanity are simultaneously efficient and effective. Effective managers are those who choose the right organizational goals to pursue and have the skills to utilize resources efficiently.

Why Study Management?

The dynamic and complex nature of modern work means that managerial skills are in demand. Organizations need individuals like you who can understand this complexity, respond to environmental contingencies, and make decisions that are ethical and effective. Studying management helps equip individuals to accomplish each of these tasks.

In a broader sense, individuals generally learn through personal experience (think the "school of hard knocks") or the experiences of others. By studying management in school, you are exposing yourself to the lessons others have learned. The advantage of such social learning is that you are not bound to repeat the mistakes others have made in the past. Furthermore, by studying and practicing the behaviors of good managers and high-performing companies, you will equip yourself to help your future employer succeed.

The economic benefits of becoming a good manager are also impressive. In the United States, general managers earn a median wage of $95,000, with a projected growth rate in job openings of 8 percent and 14 percent between now and 2022.[7]

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

Essential Managerial Tasks

LO1-2

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

The job of management is to help an organization make the best use of its resources to achieve its goals. How do managers accomplish this objective? They do so by performing four essential managerial tasks: *planning, organizing, leading,* and *controlling*. The arrows linking these tasks in Figure 1.2 suggest the sequence in which managers typically perform them. French manager Henri Fayol first outlined the nature of these managerial activities around the turn of the 20th century in *General and Industrial Management,* a book that remains the classic statement of what managers must do to create a high-performing organization.[8]

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

Planning

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

To perform the **planning** task, managers identify and select appropriate organizational goals and courses of action; they develop *strategies* for how to achieve high performance. The three steps involved in planning are (1) deciding which goals the organization will pursue, (2) deciding what strategies to adopt to attain those goals, and (3) deciding how to allocate

Figure 1.2
Four Tasks of Management

organizational resources to pursue the strategies that attain those goals. How well managers plan and develop strategies determines how effective and efficient the organization is—its performance level.[9]

As an example of planning in action, consider Alcon's new venture into television. Co-CEOs Broderick Johnson and Andrew Kosove are aiming to take Alcon's expertise in film production and apply it to television audiences by producing and distributing quality original programming. Movie and television production have many features in common, but operate on different economic models. Films are produced and distributed with partners to reach theater audiences, whereas television shows are produced and offered for channels to distribute to cable and satellite audiences.

To help navigate these new waters, Alcon hired Sharon Hall, formerly of Sony Pictures Television. One of Hall's foremost priorities will be finding ways to create television content that will support and reinforce Alcon's film business.[10] For example, successful films may be parlayed into television series. Likewise, television shows can be used as a creative vehicle to build audience interest in potential film projects.

However, Alcon will be entering a highly competitive market. There are more television stations and shows today than ever before, and competition is fierce to build and maintain audience interest. Thus Alcon will need to shape its planning into an effective business strategy, which is a cluster of decisions concerning what organizational goals to pursue, what actions to take, and how to use resources to achieve these goals.

Alcon originally produced one film at a time,[11] with an emphasis on reducing costs and maximizing efficiency in filmmaking. This constituted a low-cost strategy—a way of obtaining customers by making decisions that allow an organization to produce goods or services more cheaply than its competitors so it can charge lower prices than they do. This low-cost strategy allowed Alcon to weather sometimes disappointing box office results. Alcon's low-cost strategy contrasts with a differentiation strategy, in which organizations seek to create highly innovative products that appeal to different types of consumers.[12] Another manager passionate about his industry is Dennis Corsi, who is profiled in the "Manager as a Person" box.

Manager as a Person

Dennis Corsi: Flying High at Armstrong Consultants

Each day over 2 million people fly within America's large network of nearly 20,000 commercial and general aviation airports. In fact, an estimated 87,000 flights operate in American skies daily. Most people probably don't consider the amazing amount of work required to plan, develop, and maintain such a comprehensive airport system. In the middle of this development are managers like Dennis Corsi, president of Armstrong Consultants, a Colorado-based airport engineering firm. Corsi is a pilot and former member of the U.S. Air Force. The knowledge and experience he has amassed over the years, coupled with his managerial talent, have helped Armstrong become a leader in the region.[13]

Headquartered along the western slope of Colorado in Grand Junction, Armstrong Consultants works to help general and commercial aviation airports plan, engineer, and construct facilities that meet the needs of their customers. Airports receive revenues primarily when aircraft land and refuel at their facilities. However, as aircraft have different landing, takeoff, and taxiing requirements, Armstrong must offer the right mix of facilities to accommodate the needs of pilots. For example, some small propeller aircraft can use grass airport runways as short as 600 feet, while other business jets require paved runways exceeding one mile in length and over 100 feet wide. Thus managers at engineering companies like Armstrong help airports understand and accommodate these different needs. This is where Corsi's 23 years of experience in aviation and time spent managing more than 250 airport projects come in handy.[14] He has become knowledgeable about the industry from having inspected airfield facilities, and recommends corrective actions when needed.

Like other forms of transportation, airports are also highly regulated. They must comply with an intimidating mix of local, state, and federal regulations that specify how they can operate.[15] Managers like Corsi help their clients coordinate with local, state, and federal agencies to comply with highly complex regulations. Armstrong itself has completed more than 1,000 airport improvement projects, which amounts to 30 to 40 projects each year that must comply with all kinds of regulatory issues.[16] Aviation is also marked by significant technological change and changing consumer needs. For example, aviation companies began producing very light jets, such as the Cessna Mustang, in the last decade. These jets require a different set of facilities than traditional (larger) business jets. Managers like Corsi have to work hard to stay ahead of the curve, refining their expertise to provide valued insight to clients. Companies like Armstrong also benefit from building and maintaining strong relationships with regulatory agencies, such as the Federal Aviation Administration, which help guide the activities of client airports.

The process of airport planning and engineering is challenging—something Corsi understands well. For example, before facilities are constructed or modified, airports must obtain adequate funding, typically through a combination of local and federal government grants that are financed by aviation fuel taxes.[17] Airports then develop forecasts that help inform the types of traffic they expect, including an estimation of economic impacts. These forecasts act as inputs for facility engineering plans, which are developed to guide the use and development of airfield facilities. However, before amending facilities, airports must also obtain adequate state and federal environmental clearances to ensure that their activities do not damage the natural environment. This includes surveying the area around an airport, estimating light and sound emissions, testing air and water, and forecasting potential impacts to the region. Only then can construction commence at an airport, which presents its own set of challenges.

To help airports with this daunting process, Armstrong retains a staff of engineers, planners, environmental specialists, and construction managers. Corsi must be able to understand the complexities of each of these functional areas, and coordinate their activities for multiple clients at once.

Armstrong's clients are also widely dispersed through the western United States, and driving is often dangerous along treacherous mountain roads. To mitigate the danger, Armstrong maintains a small fleet of aircraft to give it better access to clients, and Corsi often flies to client meetings.

Organizing

organizing Structuring working relationships in a way that allows organizational members to work together to achieve organizational goals; one of the four principal tasks of management.

organizational structure A formal system of task and reporting relationships that coordinates and motivates organizational members so they work together to achieve organizational goals.

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

The outcome of organizing is the creation of an **organizational structure**, a formal system of task and reporting relationships that coordinates and motivates members so they work together to achieve organizational goals. Organizational structure determines how an organization's resources can be best used to create goods and services. As Alcon has grown in size and scope, they have faced the issue of how to structure the company and maintain their core values. The company that once made one movie per year now produces content in film, television, and music. This requires coordinating the activities of a larger workforce working on multiple projects in different markets. Managers like Scott Parish also have the difficult task of maintaining the "filmmaking friendly" culture that helped Alcon grow and thrive. Finally, Parish must work to ensure that each of Alcon's new businesses are working together toward their common objective, and doing so in a cost-effective manner. We examine the organizing process in detail in Chapters 10 through 12.