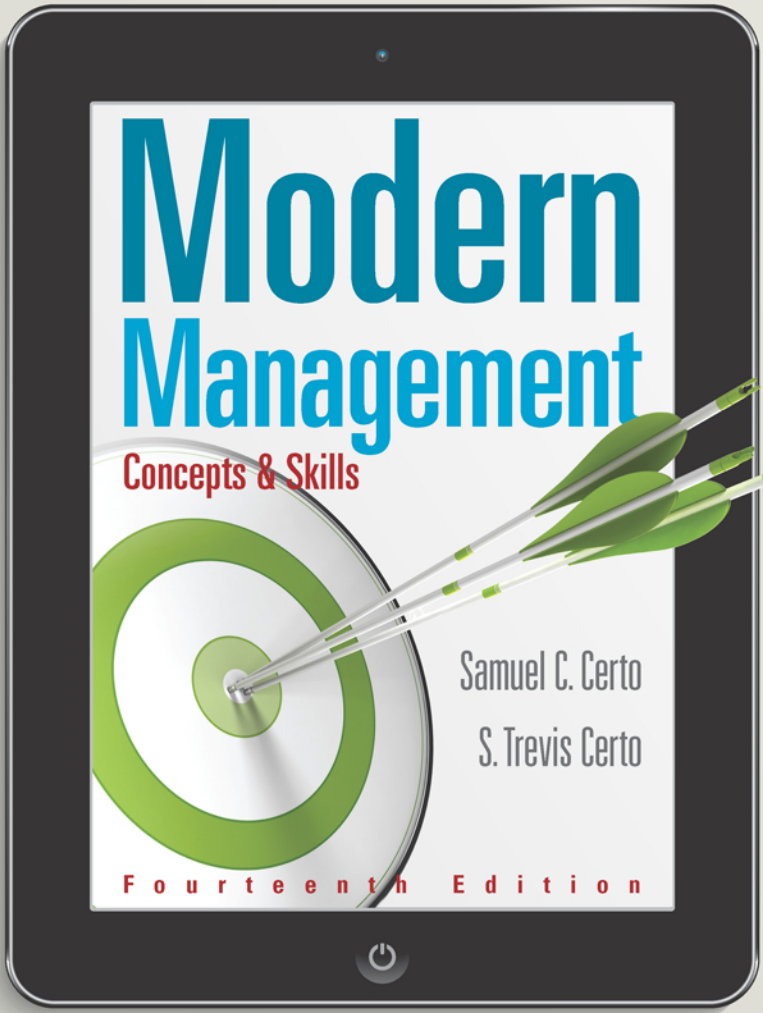
Modern
Management
Concepts & Skills
Samuel C. Certo
S. Trevis Certo
Fourteenth Edition

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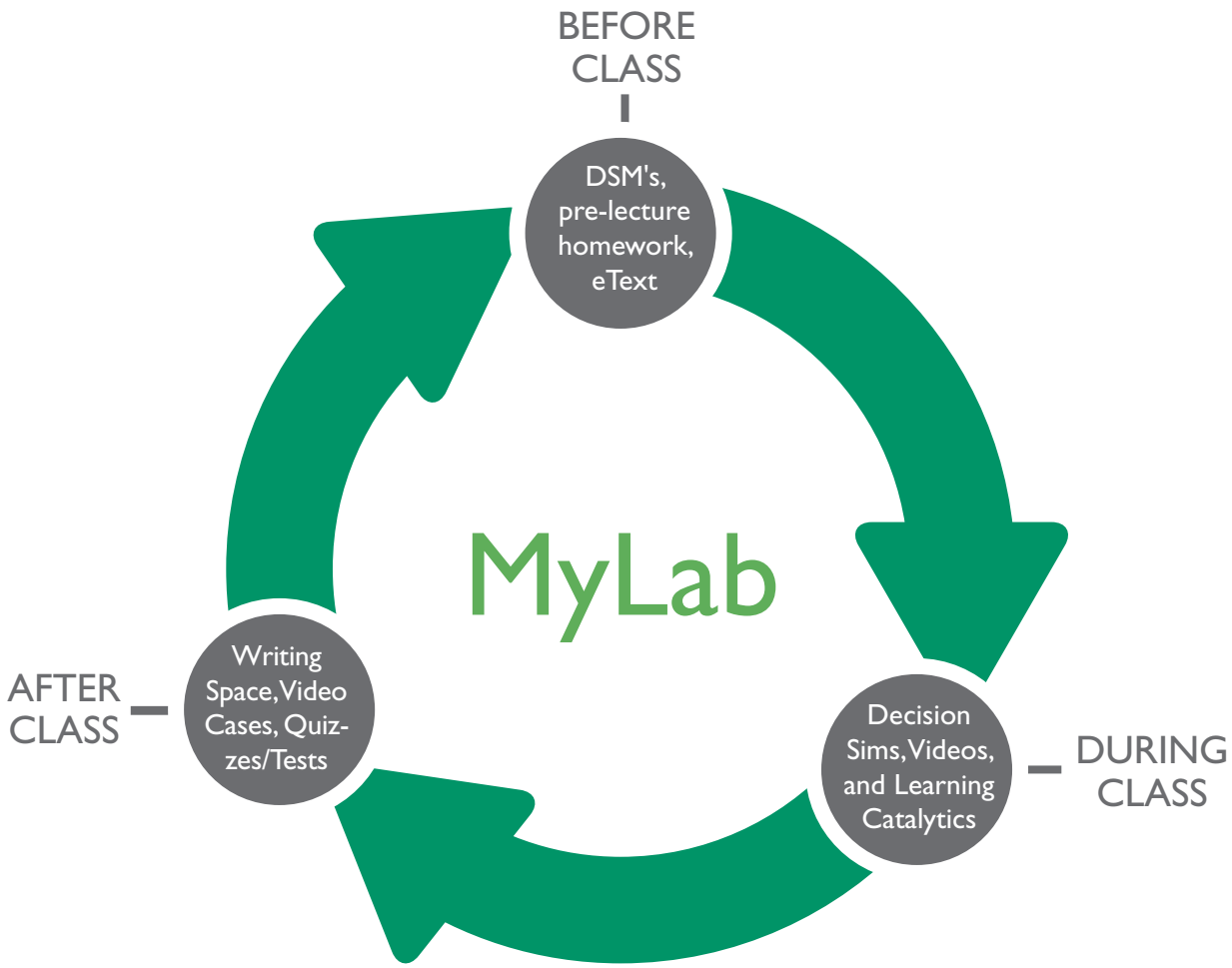

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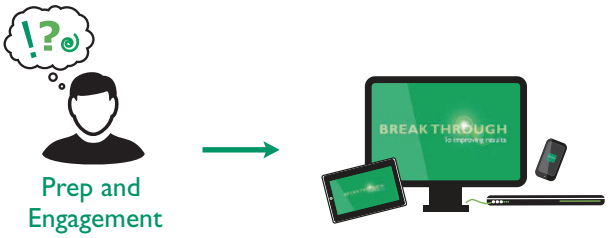

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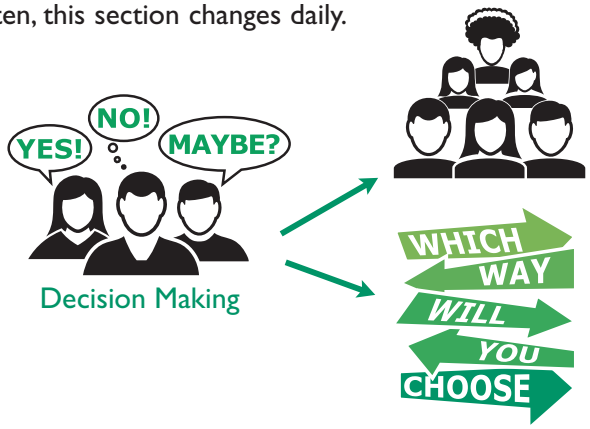

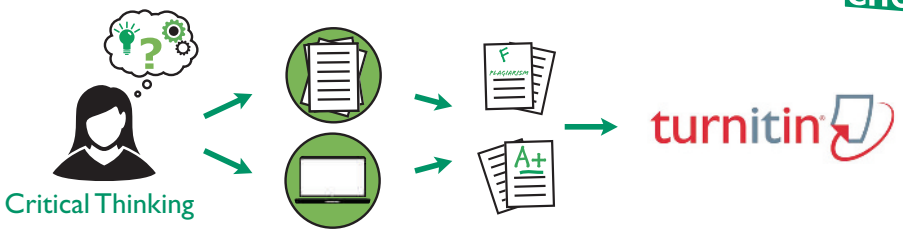

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Modern Management

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Modern Management

CONCEPTS AND SKILLS

FOURTEENTH EDITION

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Samuel C. Certo

To Mimi: My best friend for life!

S. Trevis Certo

To Melissa, Skylar, Lexie, and Lando

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Preface

We can't thank you enough for your kind words and encouragement over the years. *Modern Management* has helped hundreds of thousands of students around the world to grow into prepared, practicing managers. Close to its fourth decade of life, our book allows us to combine the most seminal perspectives on management with the most current research in the field. *Modern Management* has established a reputation for presenting comprehensive, easily read, and pragmatic content, and the 14th edition continues this tradition.

Managers of today continue to face new, exciting opportunities and challenges. These opportunities include highly promoted tasks, such as Google introducing contact lenses that contain cameras, Tesla Motors manufacturing premium electric vehicles, and Brookstone's Laser Projection Virtual Keyboard, which lets anybody turn any surface into a computer keyboard. At the same time, other companies face intense challenges, such as Wendy's trying to make a comeback against McDonald's, Jeep trying to make it back into the mainstream automobile market, and Samsung, a South Korean company, trying to win relevance in the Chinese market. Because these opportunities and challenges are so formidable, perhaps managers today should be paid salaries higher than those of managers at any other time in history.

TEXT: THEORY OVERVIEW

As with all previous editions, decisions about which concepts to include in this revision were difficult to make. Such decisions were heavily influenced not only by colleague and student feedback but also by information from accrediting agencies such as the Association to Advance Collegiate Schools of Business (AACSB), professional manager associations such as the American Management Association (AMA), and academic organizations such as the Academy of Management.

This edition follows the tradition of dividing management concepts into the following six main sections: Introduction to Modern Management, Modern Management Challenges, Planning, Organizing, Influencing, and Controlling. The following sections discuss the changes we made in this edition to continue the tradition of stressing the *modern* in *Modern Management*.

This edition also continues previous editions' focus on helping students not only learn management concepts but also develop the skills related to those concepts. Students can develop these skills by completing specially designed, innovative learning activities, which appear both in the text and through MyManagementLab. Further, this edition continues the authors' commitment to help students develop the management skills that they will need in the world of organizations.

This 14th edition of the *Modern Management Learning Package*—this text and its ancillaries—continues a recognized and distinctive tradition in management education. As in all previous editions, this edition of the *Modern Management Learning Package* focuses on two objectives: maximizing student learning of critical management concepts and developing related management skills. All revisions reflect instructor and student feedback regarding ways to further enhance this student development. Starting with the text, the following sections explain each major component of this revision.

MYMANAGEMENTLAB SUGGESTED ACTIVITIES

For the 14th edition, we, the authors, are excited that Pearson's MyManagementLab has been integrated fully into the text. These new MyManagementLab features are outlined below. Making assessment activities available online for students to complete before coming to class will allow you, the professor, more discussion time during class to review areas that students are having difficulty comprehending.

Assessing Your Management Skill

Previously found at the end of each chapter, this activity is now located in MyManagementLab. For every Challenge Case Summary, students can access questions that ask them how they would deal with the situation discussed in the Challenge Case located in the beginning and at the end of each chapter. This feature provides feedback based on the way students answer the questions.

Learn It

Students can be assigned the Chapter Warm-Up before coming to class. Assigning these questions ahead of time will ensure that students come to class prepared.

Watch It

This activity includes a video clip that can be assigned to students for outside-the-classroom viewing or watched in the classroom. The video clip corresponds to chapter material and is accompanied by multiple-choice questions that reinforce students' comprehension of chapter content.

Try It

This activity includes a simulation that can be assigned to students as an outside-the-classroom activity or used in the classroom. After students watch the simulation, they are asked to make choices based on the scenario presented. At the end of the simulation, students receive immediate feedback based on the answers they gave. These simulations reinforce the concepts of the chapter and students' comprehension of those concepts.

Assisted Graded Questions

These are short essay questions that students can complete as an assignment and submit to you, the professor, for grading.

NEW TO THIS EDITION

Professors and students need and deserve textbooks that are modern. In this context, *modern* involves adding the latest concepts and empirical research as well as including the most recent examples of management in the business world. *Modern* also refers to how the text material is presented—the pedagogy used to help students learn the concepts. This edition of the *Modern Management Learning Package* is undoubtedly modern in terms of *both* management concepts *and* pedagogy. Overall, this new edition includes the following features:

- The core material in this edition, like all previous editions, focuses on planning, organizing, influencing, and controlling; but the total number of chapters has been reduced to 18. For courses that need to include more coverage and topics, additional, optional learning appendices have been included. The appendices focus on management history, entrepreneurship, and creativity and innovation.
- Nine of the chapter-opening Challenge Cases are new, and related Challenge Case Summaries have been revised accordingly.
- Nine of the end-of-chapter cases are new to this edition.
- A new Steps for Success highlight has been added to each chapter.
- A new Tips for Managing around the Globe highlight has been added to each chapter.
- A new Practical Challenge highlight has been added to each chapter.
- Each chapter has been generally revised to reflect up-to-date, significant, and relevant research.
- Photos have been updated to make the pedagogy more relevant and inviting.

Chapter-by-Chapter Changes

PART 1: INTRODUCTION TO MODERN MANAGEMENT

This section contains the foundation concepts necessary to obtain a worthwhile understanding of management.

- **Chapter 1, "Introducing Modern Management: Concepts and Skills"** This chapter introduces the primary activities that modern managers perform and discusses the skills that help managers to be successful throughout their careers. The new Practical Challenge highlight discusses how Michael Hoffman attains goals at New York Passport Agency, and the new Steps for Success highlight gives practical tactics on how to develop your own human skills. The new Tips for Managing around the Globe highlight gives practical insights about how to manage international experiences to best build international expertise. New material has also been added describing the salary levels of top managers.

PART 2: MODERN MANAGEMENT CHALLENGES

- **Chapter 2, "Managers, Society, and Sustainability"** This newly named chapter has been extensively revised and includes an added focus on sustainability. It opens with a new Challenge Case, "IKEA Builds on Its Commitment to the Environment." Major management and social topics like good corporate citizenship, social responsibility, social responsiveness, social responsibility challenges, philanthropy, sustainability, and ethics are all emphasized. New highlights include discussion about whether or not clothing retailers are responsible for Bangladeshi garment workers, how General Mills focuses on achieving sustainability, and steps for building an ethical work environment.
- **Chapter 3, "Management and Diversity"** This chapter, which opens with a new Challenge Case regarding diversity at GE Lighting, focuses on how to establish and maintain a workforce that includes a diverse assortment of human characteristics, all of which aid an organization in goal attainment. New coverage includes a discussion of the X, Y, Baby Boomer, and Silent generations. Freshness has been added to the chapter in the form of new coverage of stereotypes, the presentation of Sodexo as an example of how to promote diversity globally, and tips on how to motivate a multigenerational workforce.
- **Chapter 4, "Managing in the Global Arena"** This chapter focuses on managing company operations across various countries. The chapter opens with a Challenge Case on McDonald's and its global exploits. New coverage in this chapter emphasizes managing risk globally, leading in other cultures, and focusing on ethics in global situations. The chapter ends with a new case, "Coca-Cola's Effort to Refresh the Whole World."

PART 3: PLANNING

This section elaborates on planning as a primary management function.

- **Chapter 5, "Plans and Planning Tools"** This chapter provides a focused and unified presentation of the essentials of planning. The new Challenge Case explores how Wal-Mart uses planning concepts to improve performance. The chapter also includes a new example illustrating how Audi establishes production goals. The new Steps for Success feature reviews key steps that companies can take to write effective policies and procedures. The new Tips for Managing around the Globe feature shows how Mars Inc. uses forecasting to predict cocoa production levels. The chapter also provides recent and relevant examples related to the product life cycle. The new Practical Challenge highlight illustrates how two construction companies used scheduling techniques to meet project deadlines.
- **Chapter 6, "Making Decisions"** This chapter details the primary concepts involved with decision making. The new Tips for Managing around the Globe feature illustrates the

processes used by Shaw Industries to make good decisions around the globe. The new Practical Challenge feature reviews how K'Nex Brands makes decisions that are consistent with the company's important goal of maintaining manufacturing in the United States. The new Steps for Success highlight presents key steps to improve group decision making.

- **Chapter 7, "Strategic Planning: Strategies, Tactics, and Competitive Dynamics"** This chapter includes the latest research on strategic planning. The new Challenge Case focuses on how Facebook uses its strategy to gain a competitive advantage over its rivals. The chapter includes new coverage of the Affordable Care Act and its relationship to strategy. The chapter also includes a new example to illustrate how Hershey's is using strategy to expand internationally. The new Steps for Success feature outlines how asking the right questions can help in the strategy formulation process. The new Tips for Managing around the Globe feature illustrates how Tata Motors has adapted its strategy to succeed internationally. The new Practical Challenge highlight illustrates the competitive dynamics taking place between Amazon and traditional retailers such as Home Depot and Target. The chapter concludes with a new end-of-chapter case that examines Nucor's strategy and mission statement.

PART 4: ORGANIZING

This section discusses organizing activities as a major management function.

- **Chapter 8, "Fundamentals of Organizing"** This chapter details the key concepts involved with organizing. The chapter begins with a new Challenge Case exploring how Microsoft adopted a new organizational structure to adapt to its competitive environment. The new Practical Challenge highlight illustrates how the Massachusetts Bay Transportation Authority centralized information to coordinate its security activities. The new Tips for Managing around the Globe highlight shows how Yum Brands established an international division to better serve its employees and customers around the world. The new Steps for Success highlight explains how companies can better implement matrix organizational structures; the chapter also includes new material on organic versus mechanistic organizational structures. The chapter concludes with a new end-of-chapter case illustrating the role of organizational structure in the success of Shutterstock.
- **Chapter 9, "Responsibility, Authority, and Delegation"** This chapter details the importance of responsibility, authority, and delegation in managerial effectiveness. The new Practical Challenge highlight illustrates how the Extended Stay America hotel chain uses "Get Out of Jail, Free" cards to help foster innovation among employees. The new Tips for Managing around the Globe highlight shows how Four Seasons Hotels and Resorts uses decentralization to succeed in international markets. The new Building Your Management Skills Portfolio exercise discusses the management challenges facing Charlie Strong, the new head football coach at the University of Texas.
- **Chapter 10, "Human Resource Management"** This chapter covers the primary concepts involved in understanding effective human resource management. The chapter provides discussion regarding the EEOC's updated rules, which prohibit discrimination based on sexual orientation and genetic information. The chapter offers a new example of how the Moneta Group is handling its CEO succession process. The new Tips for Managing around the Globe feature reviews how European companies are adding more females to their boards of directors. The new Steps for Success highlight illustrates the advantages and challenges of computer-based training techniques. The new Practical Challenge highlight discusses the "scorecards" used by Citigroup for performance appraisals.
- **Chapter 11, "Changing Organizations: Stress, Conflict, and Virtuality"** This chapter discusses ways in which managers change organizations and the possible impacts of factors like stress, conflict, and virtuality in taking such action. The new Tips for Managing around the Globe highlight presents an account of how Avon tested introducing a change in one country before implementing the change in other countries, and the new Steps for Success highlight outlines how to manage stress caused by change. The new Practical Challenge highlight focuses on the method that Southwest Airlines uses to manage conflict. The new end-of-chapter case explores the use of virtual offices at Business Management Resource Group, an accounting firm.

PART 5: INFLUENCING

This section discusses ways that managers should deal with employees. Reflecting the spirit of the AACSB guidelines, which encourage the thorough coverage of human factors in business curriculum, the influencing section is quite comprehensive.

- **Chapter 12, "Influencing and Communication"** This chapter introduces the topic of managing people, defines interpersonal communication, and presents organizational communication as the primary vehicle managers use to interact with employees. The chapter opens with a new case, entitled "How Evernote's Phil Libin Keeps Communication Flowing." Other new coverage focuses on identifying influential people, overcoming cultural barriers in foreign countries, and using eye contact in the communication process.
- **Chapter 13, "Leadership"** This chapter covers various established approaches to leadership: the trait approach, the behavioral approach, and the situational approach, which includes the life cycle theory of leadership, Fiedler's contingency theory of leadership, and the path–goal theory of leadership. Emerging leadership thought is also discussed: servant leadership, Level 5 leadership, transformational leadership, and authentic leadership. New coverage explores how leadership might vary from one country to another, what it takes to become a transformational leader, and how to lead for greatness. The new end-of-chapter case is "Jeff Bezos Is the Force of Nature behind Amazon."
- **Chapter 14, "Motivation"** This chapter defines motivation, describes the motivation process, and provides useful strategies that managers can use to motivate organization members. Both content and process theories of motivation are discussed in detail. New material focuses on using rewards to motivate people, communicating rewards that align with organizational values, and making motivation work in organizations.
- **Chapter 15, "Groups and Teams"** This chapter emphasizes managing clusters of people as a means of accomplishing organizational goals. Coverage focuses on managing teams and on groups versus teams, virtual teams, problem solving, self-managed and cross-functional teams, stages of team development, empowerment, the effectiveness of self-managed teams, and factors contributing to team effectiveness. The chapter opens with a new Challenge Case, "Better Teamwork Makes Numerica Credit Union a Winner." The new Steps for Success highlight focuses on leading group development, and the new Practical Challenge highlight focuses on solving problems as a team. The new Tips for Managing around the Globe highlight explores trust in international teams, and the new end-of-chapter case is "How Yum Brands Fosters Team Spirit."
- **Chapter 16, "Managing Organization Culture"** The chapter opens with a new Challenge Case titled "Zappos Doesn't Sell Shoes—It 'Delivers WOW.' " Major topics include defining organization culture, the importance of organization culture, and building a high-performance organization culture. Special discussion focuses on cultural artifacts: organizational values, myths, sagas, language, symbols, ceremonies, and rewards. New material has been included on Marriott International's code of conduct, how a team-oriented culture supports high performance, and telling stories to build corporate culture. The new end-of-chapter case is "Testing the Health of Goldman Sachs's Culture."

PART 6: CONTROLLING

This section presents control as a major management function. Major topics include fundamentals of control, controlling production, and information technology.

- **Chapter 17, "Controlling, Information, and Technology"** This chapter presents the latest research on controlling, information, and technology. The new Tips for Managing around the Globe highlight discusses how individuals exercise power differently in different countries because of cultural differences. The new Steps for Success highlight illustrates how companies use technology to harness "big data." The new Practical Challenge highlight illustrates how organizations collect and exploit data from social media.
- **Chapter 18, "Production and Control"** The chapter describes Amazon's use of robots to illustrate how companies incorporate automation to improve efficiency and reduce costs.

The new Practical Challenge highlight explores how hospitals use continuous improvement to improve quality. The new Tips for Managing around the Globe feature reviews how Volkswagen chooses its manufacturing sites across the globe. The new Steps for Success highlight illustrates the role of budgets in the controlling process.

Learning Modules

- **Learning Module 1, "Managing: History and Current Thinking"** This appendix presents the historical development of management thought that proceeds up to modern times. A new Challenge Case focuses on how CEO Alan Mulally emphasizes innovation to keep Ford Motor Company moving ahead. The new Practical Challenge highlight discusses how Bank of America redesigned work areas to improve productivity, while the new Steps for Success highlight provides advice on how to better understand employees. The new Tips for Managing around the Globe highlight describes crowdfunding, an innovative way that IBM encourages global innovation. A new appendix-ending case focuses on managing UPS in an Internet economy.
- **Learning Module 2, "Management and Entrepreneurship"** This appendix focuses on the discovery, evaluation, and exploitation of business opportunities. The new Practical Challenge highlight illustrates how Bohemian Guitars used crowdfunding to raise capital. The new Tips for Managing around the Globe feature shows how a student at MIT capitalized on an idea for a solar-powered stove to help rural residents in other countries cook their food. The new Steps for Success highlight describes the key steps an entrepreneur should take to start a new business. The appendix-ending case explains how one entrepreneur's part-time job became a $40 million business called Drybar.
- **Learning Module 3, "Encouraging Creativity and Innovation"** This appendix presents new research on creativity and innovation and reports on the efforts of the most innovative companies in America. Integrated throughout the appendix is an example demonstrating how Netflix used innovative techniques to produce dramas that are available only to its subscribers. The new Tips for Managing around the Globe feature describes how Michelin uses innovation and quality control to create tires that appeal to consumers all over the world. The new Practical Challenge highlight shows how the United Nations used creativity to help rebuild Indonesia after the 2004 tsunami. The Steps for Success feature describes how organizations use hackathons to spur innovation.

MODERN MANAGEMENT 14TH EDITION: THE SKILLS

From a pedagogy standpoint, the 14th edition of *Modern Management* continues its unique-in-the-marketplace focus of developing students' management skills *across all of the primary management functions*. Each chapter opens by identifying a specific management skill on which the chapter focuses. The remainder of the chapter contains several purposefully placed features designed to help students develop that skill.

This focus on skill development is consistent with the recommendation of the Association to Advance Collegiate Schools of Business (AACSB), which provides higher-education professionals with well-founded standards for maintaining excellence in management education. The AACSB standards indicate that excellence in modern management education is achieved when students acquire both *knowledge* about management concepts and *skill* in applying that knowledge. According to these standards, management educators must help students understand and appreciate both the "why" and the "how" of management.

The following sections discuss the pedagogical features in this text that help students learn management theory and how to apply it.

1. **Chapter Target Skill:** Each chapter opens by identifying and defining the target management skill that is emphasized in that chapter. By focusing on this target skill early in the chapter, students immediately have a context for learning chapter concepts. For an example of a chapter's target skill, see the definition of "social responsibility skill" on page 24.

2. **Learning Objectives:** In each chapter, a list of learning objectives follows the Chapter Target Skill. These objectives expand on the chapter target skill to help students further focus on learning critical chapter concepts.
3. **Challenge Case:** Each chapter opens with a Challenge Case. The purpose of the Challenge Case is to introduce students to real challenges faced by real managers and to demonstrate the usefulness of the chapter's concepts and related management skills in meeting those challenges. Each case summarizes a set of issues for a manager within a company and asks students how they would resolve the issues. Nine of the cases in this edition are new and focus on companies such as Ford Motor Company, IKEA, GE Lighting, and Facebook.
4. **Practical Highlights:** Market research revealed that instructors are particularly interested in highlights throughout the book that focus on practical applications of management concepts. New to this edition, each chapter contains one Steps for Success highlight, one Tips for Managing around the Globe highlight, and one Practical Challenge highlight. The primary objective of these highlights is to illustrate how practicing managers can apply management ideas to deal with everyday problems. As an example of a Tips for Managing around the Globe highlight, Chapter 16 shows how Marriott International crafted a code of conduct to help mold its corporate culture. As an illustration of a Practical Challenge highlight, Chapter 13 explains how the CEO of Xerox meets her leadership challenges. The Steps for Success highlight in Chapter 2 lists tactics that managers can take to create an ethical work environment. Taken together, the real-life examples illustrated in these highlights throughout the book help to reinforce the development of critical management skills.
5. **Challenge Case Summary:** Each chapter ends with a Challenge Case Summary. This section provides extensive narrative on how chapter concepts relate to the issues presented in the chapter-opening Challenge Case. To better understand this pedagogical feature, see the Challenge Case Summary for the chapter-opening "How Evernote's Phil Libin Keeps Communication Flowing" case on page 266.
6. **Developing Management Skill Activities:** Each chapter also ends with a rich array of learning activities that help students better understand management concepts and develop skills in applying those concepts. Specific activities are listed and explained below.
   A. **Class Preparation and Personal Study:** This section gives students a series of activities to help them become adequately prepared to discuss the chapter in the classroom.
      1. **Reflecting on Target Skill.** Here, students are asked to refer back to the learning objectives at the beginning of the chapter to make sure that they've reached those objectives.
      2. **Know Key Terms** is a section in which a chapter's key terms are listed along with the page numbers on which the terms are discussed. For an example Know Key Terms section, see page 170 in the Strategic Planning chapter.
      3. **Know How Management Concepts Relate** contains essay questions related to chapter material. These questions help students focus on the interrelationships among chapter concepts and how those concepts relate to the management process. For a sample Know How Management Concepts Relate, see page 284 in the Influencing and Communication chapter.
   B. **Management Skills Exercises:** This chapter-ending section contains many activities that help students develop skills related to chapter content.
      1. **Cases.** Each chapter concludes with two cases. The first of these cases is an extension of the chapter's Challenge Case, and students are given a series of discussion questions that stimulate further discussion of the Challenge Case. Page 25 contains an example of such questions related to "IKEA Builds on Its Commitment to the Environment," the Challenge Case in the Managers, Society, and Sustainability chapter.

         The second concluding case has been specifically chosen to illustrate real-life management issues and the steps necessary to deal with those issues. Almost half of these specially chosen cases are new to this edition; these new end-of-chapter cases examine organizations such as Yum Brands, Jeff Bezos and Amazon, and UPS. For an example of one of these new end-of-chapter cases, see the Goldman Sachs case on page 385 of Chapter 16.

2. **Experiential Exercises.** Each chapter concludes with two types of experiential exercises. The first type is specially designed to help students develop knowledge and skill related to chapter content. For an example of this type of experiential exercise, see "Developing a Diversity Profile" on page 74 of the Management and Diversity chapter.

   The second type is an exercise that focuses on helping students use chapter content to better manage their own careers. This exercise is called "You and Your Career," and a sample of this exercise can be found on page 74 of the Management and Diversity chapter.
3. **Building Your Management Skills Portfolio.** This activity at the end of each chapter is specially designed to allow students to demonstrate the management skill they learned in that chapter. Instructors may choose to have students turn in hard or electronic copies of this assignment. In addition, instructors may ask students to present their completed portfolios in class. Students may also use this portfolio to help win a job during an employment interview. See "Delegating Football Duties at the University of Texas" on page 215 for an example of this type of activity.

MODERN MANAGEMENT: STUDENT LEARNING

Students often ask professors to suggest the best way to study to maximize learning. By using the components of *Modern Management* in a conscientious and systematic fashion, students can build their knowledge about management concepts and the skills to apply those concepts. Although the components of *Modern Management* are flexible and can be used for many different study processes, one suggested study process is presented below.

As shown in Figure 1, students can start their study of a chapter by Applying Management Concepts: Part 1. In this study process, students learn concepts by reading and studying each chapter and then by checking their progress in meeting the learning objectives presented at the beginning of the chapter. In addition, they can check their progress by seeing how well they can answer the essay questions at the end of the chapter. By checking their learning progress, students can pinpoint areas in which further study is needed before they move forward.

Once students are satisfied that they have learned chapter content, they can start their skills focus by Applying Management Concepts: Part 2. In this continuation of the study process, students first review the Chapter Target Skill and the Challenge Case Summary, and then they focus on learning how to apply management concepts by performing the application exercises assigned by their professor. Students might also work on exercises independently and do work that was not assigned by the professor. Application exercises include the Building Your Management Skills Portfolio, Experiential Exercises, and Cases.

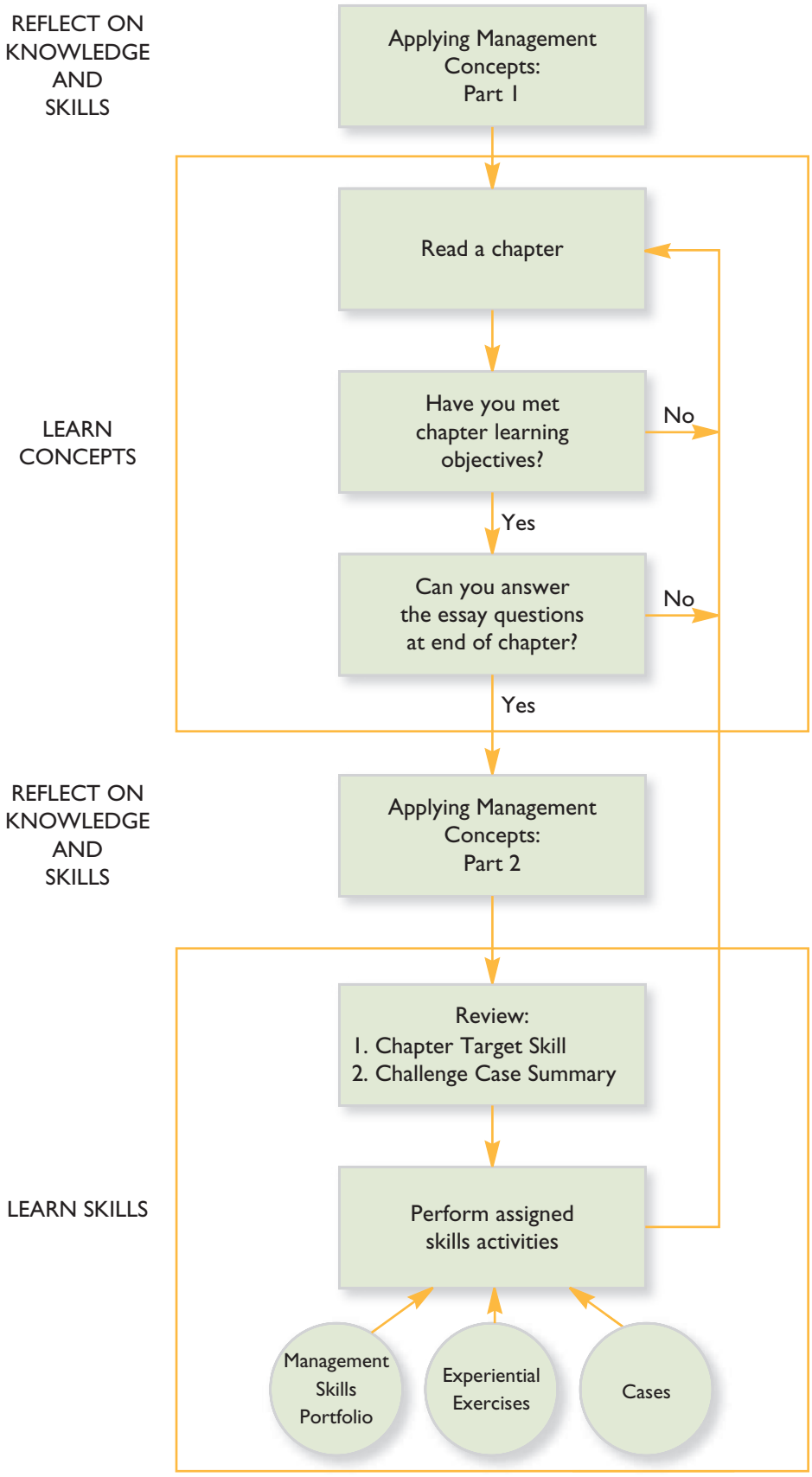

FIGURE 1
A systematic method for maximizing learning when studying *Modern Management*

INSTRUCTOR RESOURCES

At the Instructor Resource Center, www.pearsonhighered.com/irc, instructors can easily register to gain access to a variety of instructor resources available with this text in downloadable format. If assistance is needed, our dedicated technical support team is ready to help with the media supplements that accompany this text. Visit http://247.pearsoned.com for answers to frequently asked questions and toll-free user support phone numbers.

The following supplements are available with this text:

- Instructor's Resource Manual
- Test Bank
- TestGen® Computerized Test Bank
- PowerPoint Presentation

VIDEO LIBRARY

Additional Videos illustrating the most important topics are available in MyManagementLab, under instructor resources: Business Today.

COURSESMART

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ACKNOWLEDGMENTS

The overwhelming success of *Modern Management* has continued for nearly four decades. The *Modern Management Learning Package*—this text and its ancillaries—has become a generally accepted academic standard for high-quality learning materials in colleges and universities throughout the world. These materials have been published in special "country editions" that serve the particular needs of management students in countries such as Canada and India. *Modern Management* has also been published in foreign languages, including Portuguese and Spanish, and is used in professional management training programs.

Certainly, we have received much personal satisfaction from and professional recognition because of the success of this text over the years. In truth, however, much of the credit for this text's success continues to rightfully belong to many of our respected colleagues. Indeed, many key ideas for text development and improvement have come from others. Thus, we're grateful for the opportunity to recognize the contributions of these individuals and extend to them our warmest personal gratitude for their professional insights and encouragement throughout the life of this project.

For this edition, several colleagues made valuable contributions through numerous tasks like reviewing manuscript and providing unsolicited ideas for improvement. These individuals offered different viewpoints and, in so doing, required us to constructively question our work. Thoughtful comments, concern for student learning, and insights regarding instructional implications of the written word characterized the high-quality feedback we received. These individuals are:

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Bob Waris, University of Missouri Kansas City

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Dr. Certo has written several well-regarded textbooks, including *Modern Management: Concepts and Skills, Strategic Management: Concepts and Applications*, and *Supervision: Concepts and Applications.* His textbooks have been translated into several languages for distribution throughout the world. His newest book, *Chasing Wisdom: Finding Everyday Leadership in Business and Life*, recommends combining business and biblical principles to build successful organizations.

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Dr. Certo is a member of the Academy of Management and serves on the editorial review boards of the *Academy of Management Journal, Strategic Management Journal*, and *Academy of Management Learning and Education.* Prior to joining the faculty at Arizona State, he taught undergraduate, MBA, EMBA, and Ph.D. courses in strategic management, research methodology, and international business at Indiana University, Texas A&M University, Tulane University, and Wuhan University in China.

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1

Introducing Modern Management

Concepts and Skills

TARGET SKILL

Management Skill: the ability to work with people and other organizational resources to accomplish organizational goals

OBJECTIVES

To help build my *management skill*, when studying this chapter, I will attempt to acquire:

1. An understanding of a manager's task
2. Knowledge about the management process and organizational resources
3. An understanding of management skill as the key to management success
4. Insights concerning what management careers are and how they evolve

MyManagementLab®

Go to **mymanagementlab.com** to complete the problems marked with this icon .

MyManagementLab: Learn It

If your instructor has assigned this activity, go to **mymanagementlab.com** before studying this chapter to take the Chapter Warm-Up and see what you already know.

CHALLENGE CASE

An IBM Success Story: Rodney Adkins

IBM has prospered in the high-tech industry by innovating and knowing when to change focus. The company gained fame for making huge mainframe computers, then introduced one of the most popular early personal computers (the IBM PC), and later shifted its growth efforts to offering software and services that keep businesses humming. Running such a company requires an understanding of what technology can do, coupled with abilities such as making complex decisions and inspiring employees to contribute their best.

When IBM recently needed someone to fill the top job of chief executive officer, one of the managers considered was Rodney C. Adkins, IBM's senior vice president for its Systems and Technology Group. Adkins's position involves tremendous responsibility. The group he oversees has about 50,000 employees and generates $18 billion in revenue from products that include semiconductors, servers, system software, and more. Its activities range from acquiring supplies to manufacturing products to filling orders, all in a supply chain that spans the globe.

The story of how Adkins arrived at this position tells us a lot about managers and what they do. Growing up in Miami's Liberty City neighborhood, Adkins was fascinated with technology. For fun, he would take apart his family's home appliances to see how they worked. He left home to study physics at Rollins College, near Orlando, where he was one of 25 African Americans in a student body of 1,200.

Rodney Adkins's broad-based knowledge and varied career path have led him to his current position, senior vice president of IBM's Systems and Technology Group.

Jon Simon/Newscom

After graduation, he landed a job as a hardware engineer with IBM, where he has built his career. He left only once, to earn a master's degree in electrical engineering at Georgia Institute of Technology.

In his 19 positions during his 30 years at IBM, Adkins has made a point of broadening his experience beyond his original specialty. In his first position, Adkins focused on quality assurance for IBM printers. As he advanced, he sought challenging jobs outside product engineering so that he would be skilled in other business functions besides developing products. He has worked in most of the company's businesses, including hardware and software, PCs, and mobile computing. The division he currently leads helped develop the server system for the Watson computer, whose blazing-fast processing speeds famously enabled it to defeat humans on the *Jeopardy!* television game show. One of his assignments took him to Japan, where he worked with engineers to develop IBM's first mobile PC.

Choosing which position to take next is not always easy, but along the way, senior executives at IBM have served as mentors to Adkins, helping him identify areas where he can apply his experience and areas where he needs to grow. At one point, for example, an executive vice president, now retired, advised Adkins to gain experience in product branding and development, rather than leading a sales group. That decision better positioned him for greater responsibility later on.

And what of the CEO position Adkins was considered for? This time, it went to Virginia Rometty, who had led IBM's expansion into consulting. No doubt Rometty will depend on Adkins to keep his group on a successful course, and he may yet become IBM's top executive someday.[1]

THE MODERN MANAGEMENT CHALLENGE

The Challenge Case illustrates a few of the ways that Rodney Adkins developed his personal management skills at IBM. After studying chapter concepts, read the Challenge Case Summary at the end of the chapter to help you to relate chapter content to developing management skills to inspire innovation.

A MANAGER'S TASK

Managers influence all phases of modern organizations. Plant managers run manufacturing operations that produce the clothes we wear, the food we eat, and the automobiles we drive. Sales managers maintain a sales force that markets goods. Personnel managers provide organizations with a competent and productive workforce. The "jobs available" section in the classified advertisements of any major newspaper describes many different types of management activities and confirms the importance of management.

Managers are also important because they serve a very special purpose in our lives. They are the catalysts for new and exciting products of all kinds that keep our economy and standard of living moving forward. One such new product of today is the Transportable Exam Station (TES), which brings the doctor to you. Other such products include Apple's new head-mounted iPhone, Microsoft's new tablet called Surface, and Chevrolet's new electric car called Volt.

In addition to understanding the significance to managers and society of managerial work and its related benefits, prospective managers need to know what the management task entails. The sections that follow introduce the basics of the management task through discussions of the roles and definitions of management, the management process as it pertains to management functions and organizational goal attainment, and the need to manage organizational resources effectively and efficiently.

Our society could neither exist as we know it today nor improve without a steady stream of managers to guide its organizations. Peter Drucker emphasized this point when he stated that effective management is probably the main resource of developed countries and the most needed resource of developing ones.[2] In short, all societies desperately need good managers.

Management is important to society as a whole as well as vital to many individuals who earn their livings as managers. Government statistics show that management positions have increased from approximately 10 to 18 percent of all jobs since 1950. Managers come from varying backgrounds and have diverse educational specialties. Many people who originally train to be accountants, teachers, financiers, or even writers eventually make their livelihoods as managers. Although in the short term, the demand for managers varies somewhat, in the long term, managerial positions can yield high salaries, status, interesting work, personal growth, and intense feelings of accomplishment.

Over the years, *CNNMoney* has become well known for its periodic rankings of total compensation paid to top managers in the United States. Based on the 2013 *CNNMoney* compensation report, **Table 1.1** shows the names of the 10 most highly paid chief executives, the company they worked for, and how much they earned. Their earnings include salary, stock, and stock options.

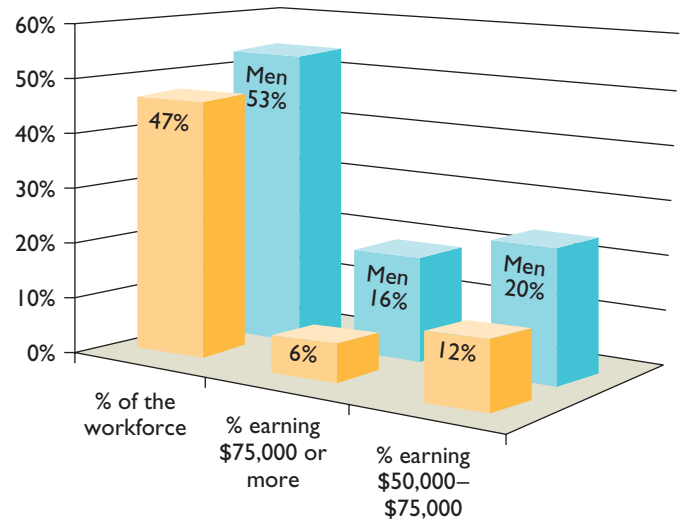
An inspection of the list of highest paid executives in Table 1.1 reveals that the executives are all men. Based on the results of a recent survey at the *Wall Street Journal*, **Figure 1.1** illustrates a broad salary gap between men and women. According to Figure 1.1, whereas women and men make up roughly the same proportion of the workforce, men hold a disproportionate number of higher-paying jobs. In addition, a recent study by the American Association of

TABLE 1.1 The 10 Highest Compensated CEOs, 2013

Ranking	CEO Name	Company Name	Paid ($ millions)
1	Larry Ellison	Oracle	96.2
2	Richard M. Bracken	HCA	38.6
3	Bob Iger	Walt Disney	37.1
4	Mark G. Parker	Nike	35.2
5	Philippe P. Dauman	Viacom	33.4
6	John J. Donahoe	eBay	29.7
7	Howard Schultz	Starbucks	28.9
8	Stephen I. Chazen	Occidental Petroleum	28.5
9	Ken Chenault	American Express	28
10	Louis C. Camilleri	Philip Morris International	24.7

Source: "20 Top-Paid CEOs," 2013 *CNNMoney*, http://www.money.cnn.com.

FIGURE 1.1
The salary gap between genders



University Women indicated that the discrepancy between the pay of men versus the pay of women is a national phenomenon and is not isolated to a particular state or region.[3]

Predictably, concerns that certain managers are paid *too* much have been raised. For example, consider the notable criticism in recent years regarding the high salary paid to Robert R. Nardelli, former CEO of Home Depot.[4] Disapproval of the excessive compensation paid to Nardelli surfaced in the popular press as well as in statements by stockholders. An article in the *Wall Street Journal*, for example, questioned whether Nardelli was worth the amount he received.[5] Nardelli had been paid $63.5 million during a five-year period at Home Depot, while company shares lost 6 percent of their value. In the end, as with any manager, Nardelli's compensation should have been determined by how much value he added to the company. The more value he added, the more compensation he deserved. As a result of the growing criticism about Nardelli's compensation and Nardelli's resistance to modify his compensation level, he was fired.

Some evidence suggests that societal concern about management compensation goes well beyond one manager at one company.[6] A recent Senate Commerce Committee meeting, for example, focused on trying to justify lavish pay programs for managers at companies such as Tyco International and American Airlines when the companies were in financial trouble and laying off employees. Senators seemed unified in questioning the logic that justifies the average CEO salary being more than 400 times higher than a production worker's wages. This Senate Committee meeting should be an important signal that managers who do not exercise judicious self-control about their salaries may face future legislative control.

The Role of Management

Essentially, the role of managers is to guide organizations toward goal accomplishment. All organizations exist for certain purposes or goals, and managers are responsible for combining and using organizational resources to ensure that their organizations achieve their purposes. Management moves an organization toward its purposes or goals by assigning activities for organization members to perform. If the activities are designed effectively, the production of each individual worker will contribute to the attainment of organizational goals. Management strives to encourage individual activity that will lead to reaching organizational goals and to discourage individual activity that will hinder the accomplishment of those goals. Because the process of management emphasizes the achievement of goals, managers must keep organizational goals in mind at all times.[7]

Defining Management

Students of management should be aware that the term *management* can be, and often is, used in different ways. For instance, it can refer simply to the process that managers follow in order to accomplish organizational goals. It can also refer to a body of knowledge; in this context, management is a cumulative body of information that furnishes insights on how to manage. The term *management*

can also refer to the individuals who guide and direct organizations or to a career devoted to the task of guiding and directing organizations. An understanding of the various uses and related definitions of the term will help you avoid miscommunication during management-related discussions.

As used most commonly in this text, **management** is the process of reaching organizational goals by working with and through people and other organizational resources. A comparison of this definition with the definitions offered by several contemporary management thinkers indicates broad agreement that management encompasses the following three main characteristics:

1. It is a process or series of continuing and related activities.
2. It involves and concentrates on reaching organizational goals.
3. It reaches these goals by working with and through people and other organizational resources.

A discussion of each of these characteristics follows.

Wavebreakmedia/Shutterstock

This manager works with people and other resources to achieve the organization's goals.

The Management Process: Management Functions

The four basic **management functions**—activities that make up the management process—are described in the following sections.

Planning Planning involves choosing tasks that must be performed to attain organizational goals, outlining how the tasks must be performed, and indicating when they should be performed. Planning activity focuses on attaining goals. Through their plans, managers outline exactly what organizations must do to be successful. Planning is essential to getting the "right" things done.[8] Planning is concerned with organizational success in the near future (short term) as well as in the more distant future (long term).[9]

Organizing Organizing can be thought of as assigning the tasks developed under the planning function to various individuals or groups within the organization. Organizing, then, creates a mechanism to put plans into action. People within the organization are given work assignments that contribute to the company's goals. Tasks are organized so that the output of individuals contributes to the success of departments, which, in turn, contributes to the success of divisions, which ultimately contributes to the success of the organization. Organizing includes determining tasks and groupings of work.[10] Organizing should not be rigid, but adaptable and flexible to meet challenges as circumstances change.[11]

Influencing Influencing is another of the basic functions within the management process. This function—also commonly referred to as *motivating*, *leading*, *directing*, or *actuating*—is concerned primarily with the people within organizations.[12] Influencing can be defined as guiding the activities of organization members in appropriate directions. An appropriate direction is any direction that helps the organization move toward goal attainment. The ultimate purpose of influencing is to increase productivity. Human-oriented work situations usually generate higher levels of production over the long term than do task-oriented work situations because people find the latter type less satisfying.

Controlling Controlling is the management function through which managers:

1. Gather information that measures recent performance within the organization.
2. Compare present performance to preestablished performance standards.
3. From this comparison, determine whether the organization should be modified to meet preestablished standards.

FIGURE 1.2
Classic mistakes commonly made by managers in carrying out various management functions

Planning
Not establishing objectives for all important organizational areas
Making plans that are too risky
Not exploring enough viable alternatives for reaching objectives

Organizing
Not establishing departments appropriately
Not emphasizing coordination of organization members
Establishing inappropriate spans of management

Influencing
Not taking the time to communicate properly with organization members
Establishing improper communication networks
Being a manager but not a leader

Controlling
Not monitoring progress in carrying out plans
Not establishing appropriate performance standards
Not measuring performance to see where improvements might be made

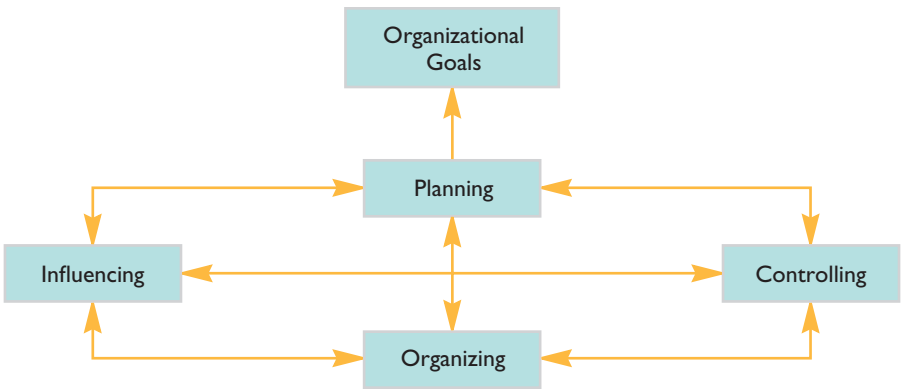
Controlling is an ongoing process. Managers continually gather information, make their comparisons, and then try to find new ways of improving production through organizational modification.

History shows that managers commonly make mistakes when planning, organizing, influencing, and controlling. **Figure 1.2** shows a number of such mistakes managers make related to each function. Studying this text carefully should help managers avoid making such mistakes.

MANAGEMENT PROCESS AND ORGANIZATIONAL RESOURCES

Although we have discussed the four functions of management individually, planning, organizing, influencing, and controlling are integrally related and therefore cannot be separated in practice. **Figure 1.3** illustrates this interrelationship and also indicates that managers use these activities solely for reaching organizational goals. Basically, these functions are interrelated because the performance of one depends on the performance of the others. For example, organizing is based on well-thought-out plans developed during the planning process, and influencing systems must be tailored to reflect both these plans and the organizational design used to implement them. The fourth function, controlling, involves possible modifications to existing plans, organizational structure, or the motivation system used to develop a more successful effort.

FIGURE 1.3
Relationships among the four functions of management used to attain organizational goals



Practical Challenge: Attaining Goals

Michael Hoffman Achieves User Satisfaction at New York Passport Agency

To see how managers can contribute to attaining goals, consider Michael Hoffman, who works for the State Department as Regional Director of the New York Passport Agency. The busy facility he directs, on Hudson Street in New York City, is one of only 17 where people may pick up their passport if they are traveling within 14 days. Therefore, many clients are under stress; perhaps an emergency came up overseas, or they discovered at the airport that the passport had expired. Hoffman's goal is to serve clients efficiently, fulfilling their requests to the extent allowed.

Hoffman uses the resources under his control. He organizes waiting rooms and plans the flow of clients for maximum efficiency. He must use the State Department's software but has discretion to promote and discipline agents according to their performance. Strong leadership builds a dedicated staff who are committed to helping clients, even working in unheated offices after Hurricane Sandy in 2012. Hoffman's goal-oriented management has helped create an agency that scores 4.5 out of 5 stars on the Yelp consumer ratings website, far ahead of other government agencies.[13]

To be effective, a manager must understand how the four management functions are practiced, not simply how they are defined and related. Thomas J. Peters and Robert H. Waterman, Jr., studied numerous organizations—including Frito-Lay and Maytag—for several years to determine what management characteristics best describe excellently run companies. In their book *In Search of Excellence*, Peters and Waterman suggest that planning, organizing, influencing, and controlling should be characterized by a bias for action; a closeness to the customer; autonomy and entrepreneurship; productivity through people; a hands-on, value-driven orientation; "sticking to the knitting"; a simple organizational form with a lean staff; and simultaneous loose–tight properties.

This brief introduction to the four management functions will be further developed in Parts 3 through 6 of this text.

Management and Organizational Resources

Management must always be aware of the status and use of **organizational resources**. These resources, composed of all assets available for activation during the production process, are of four basic types:

1. Human
2. Monetary
3. Raw materials
4. Capital

As **Figure 1.4** shows, organizational resources are combined, used, and transformed into finished products during the production process.

Human resources are the people who work for an organization. The skills they possess and their knowledge of the work system are invaluable to managers. Monetary resources are the amounts of money that managers use to purchase goods and services for the organization. Raw materials are the ingredients used directly in the manufacturing of products. For example, rubber is a raw material

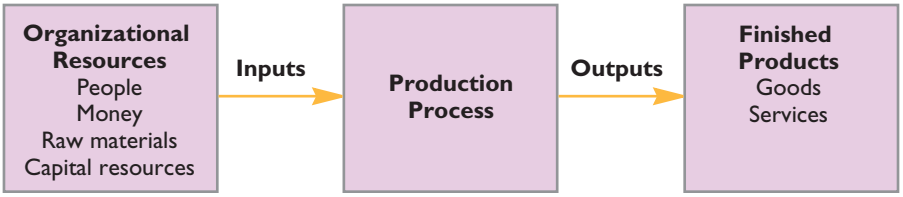


FIGURE 1.4
Transformation of organizational resources into finished products through the production process

that Goodyear would purchase with its monetary resources and use directly in manufacturing tires. Capital resources are the machines used during the manufacturing process. Modern machines, or equipment, can be a major factor in maintaining desired production levels. Worn-out or antiquated machinery can make it impossible for an organization to keep pace with competitors.

Managerial Effectiveness

As managers use their resources, they must strive to be both effective and efficient. **Managerial effectiveness** refers to management's use of organizational resources in meeting organizational goals. If organizations are using their resources to attain their goals, the managers are declared effective. In reality, however, managerial effectiveness can be measured by degrees. The closer an organization comes to achieving its goals, the more effective its managers are considered. Managerial effectiveness, then, exists on a continuum ranging from *ineffective* to *effective*.

Managerial Efficiency

Managerial efficiency is the proportion of total organizational resources that contribute to productivity during the manufacturing process.[14] The higher this proportion, the more efficient is the manager. The more resources wasted or unused during the production process, the more inefficient is the manager. In this situation, *organizational resources* refer not only to raw materials that are used in manufacturing goods or services but also to related human effort.[15] Like management effectiveness, management efficiency is best described as being on a continuum ranging from inefficient to efficient. *Inefficient* means that a small proportion of total resources contributes to productivity during the manufacturing process; *efficient* means that a large proportion of resources contributes to productivity.

As **Figure 1.5** shows, the concepts of managerial effectiveness and efficiency are obviously related. A manager could be relatively ineffective—with the consequence that the organization is making little progress toward goal attainment—primarily because of major inefficiencies or poor utilization of resources during the production process. In contrast, a manager could be somewhat effective despite being inefficient if demand for the finished goods is so high that the manager can get an extremely high price per unit sold and thus absorb inefficiency costs. Thus, a manager can be effective without being efficient, and vice versa. To maximize organizational success, however, both effectiveness and efficiency are essential.

MyManagementLab: Watch It, Management Roles at *azTeen* Magazine

If your instructor has assigned this activity, go to **mymanagementlab.com** to watch a video case about *azTeen* magazine and answer the questions.

FIGURE 1.5
Various combinations of managerial effectiveness and managerial efficiency

As an example of achieving efficiency and effectiveness, consider Telstra Corporation, Australia's largest telecommunication company. Like its counterparts the world over, Telstra faces the challenges of a changing industry in which mobile phones are fast becoming more popular than the landline business on which Telstra built its fortunes. To survive, Telstra is scrambling to create a nimble management team and prune the bureaucracy that slows down decision making and internal operations. In a recent reorganization of his executive team, Telstra CEO David Thodey created four groups—customer sales and support, product and marketing innovation, operations, and corporate support—all focused on effectiveness: getting more competitive while also attracting and retaining customers.[16]

The Universality of Management

Management principles are universal: That is, they apply to all types of organizations (businesses, churches, sororities, athletic teams, hospitals, etc.) and organizational levels.[17] Naturally, managers' jobs vary somewhat from one type of organization to another because each organizational type requires the use of specialized knowledge, exists in unique working and political environments, and uses different technology. However, job similarities are found across organizations because the basic management activities—planning, organizing, influencing, and controlling—are common to all organizations.

The Theory of Characteristics Henri Fayol, one of the earliest management writers, stated that all managers should possess certain characteristics, such as positive physical and mental qualities and special knowledge related to the specific operation.[18] B. C. Forbes emphasized the importance of certain more personal qualities, inferring that enthusiasm, earnestness of purpose, confidence, and faith in their own worthiness are primary characteristics of successful managers. Forbes described Henry Ford as follows:

> A Forbes article described the characteristics of a successful business leader by describing Henry Ford. According to the article, every successful business starts with an individual like Ford who is enthusiastic, believes in the organization's purpose, is self-confident, and believes in the high value of what the organization aims to accomplish. Like any business leader, Henry Ford certainly faced many difficulties and high challenges in building the Ford Motor Company. It can be argued that only Henry Ford's enthusiastic and continued support of his company saved both him and his company from certain failure.[19]

Fayol and Forbes can describe desirable characteristics of successful managers only because of the universality concept: The basic ingredients of successful management are applicable to all organizations.

MANAGEMENT SKILL: THE KEY TO MANAGEMENT SUCCESS

Thus far, the introduction to the study of management has focused on discussing concepts such as the importance of management, the task of management, and the universality of management. This section continues the introduction to management by defining management skill and presenting both classic and more contemporary views of management skills thought to ensure management success.

Defining Management Skill

No introduction to the field of management would be complete without a discussion of management skill. **Management skill** is the ability to carry out the process of reaching organizational goals by working with and through people and other organizational resources. Learning about management skill and focusing on developing it are of critical importance because possessing such skill is generally considered the prerequisite for management success.[20] Because management skills are so critical to the success of an organization, companies commonly focus on possible steps that can be taken to improve the skills of their managers.