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4th Edition

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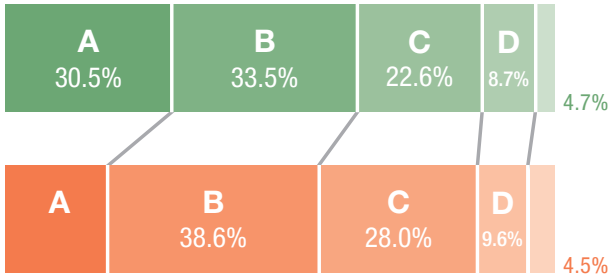
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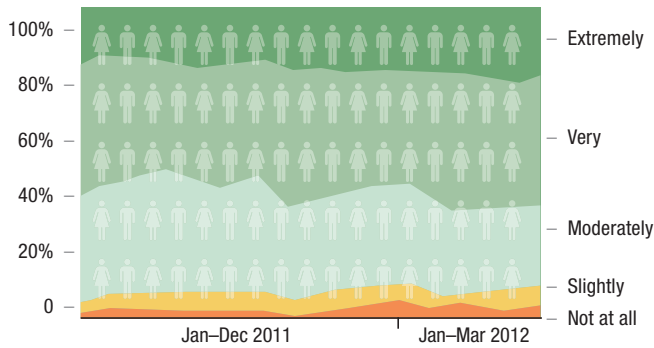
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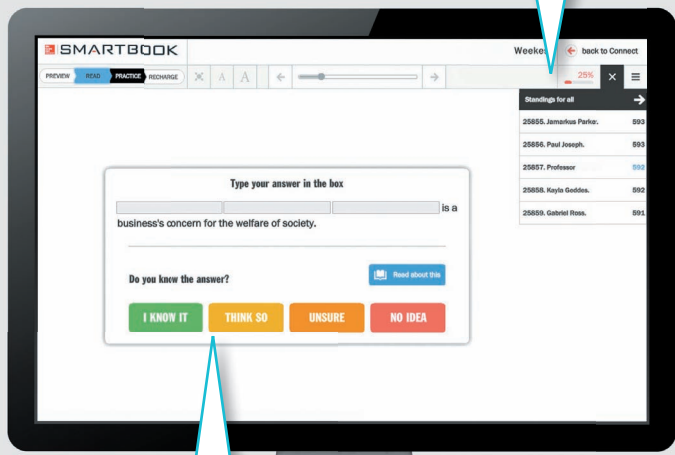
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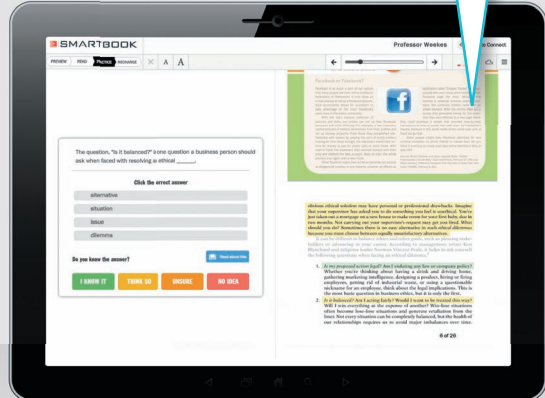
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# Management

4th Edition

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# Chapter Changes

## Chapter 1

- Expanded coverage on topics to emphasize global/international issues.
- Updated content via the addition of several new notes from 2012, 2013, and 2014.
- New organizations and topics, including Baidu's innovative approach to video; the growth of Pinterest, Google+, Tumblr, and Facebook as social networking sites; PepsiCo's plan to aid veterans; Starbucks mobile app card success; Mary Barra's leadership at GM; and Tesla sales.
- Updated research covering changing employee demographics through 2020.

## Chapter 2

- Updated content via the addition of several new notes from 2012, 2013, and 2014.
- Added more global and international company examples.
- Updated concepts, including the inclusion of the concept "big data" to the quantitative management section.
- New applied examples and cases.
- Addition of new green case titled: "Are Companies Really Shifting to Green Power?"

## Chapter 3

- Trimmed chapter length and revised content to include updated information.
- New coverage of the intense competition in the downloadable app industry and a new discussion of shoe industry competition between Nike and Reebok.
- Updated section on labor force projections from 2012 through 2022.
- New and updated features, cases, and notes.
- New current events include Oreó's tweet during the power outage of the 2013 Super Bowl, Google's new products including the smart watch, Alcoa's guilty plea to violating the Foreign Corrupt Practice Act, and the struggle between Russia and Ukraine over the control of Crimea.

## Chapter 4

- Updated chapter coverage of ethical issues, including issues surrounding employees' use of social media in the workplace.
- New exhibit: "Partial List of Steps Organizations Can Take to Meet SOX Guidelines."
- New "Did You Know?" example about amount/type of unethical behavior in *Fortune* 500 companies.

- Updated content via the addition of several new notes from 2012, 2013, and 2014.
- Updated coverage of ethical issues, including Penn State's Sandusky situation, the garment factory building that collapsed in Bangladesh that killed more than 400 workers, and cyclist Lance Armstrong admitting to using performance-enhancing drugs and being stripped of his seven Tour de France titles.

## Chapter 5

- Trimmed chapter length and revised content to include updated information.
- New and updated chapter cases, examples, and graphics.
- Updated content via the addition of several new notes from 2012, 2013, and 2014.
- New exhibits: "Three Common Plans Used by Organizations" and "Elements Included in an Environmental Analysis."
- Updated current events, including Wells Fargo's cross-selling strategy, GE Honda's jet engines, Unilever's and Google's mission statements, and Facebook's purchase of WhatsApp.

## Chapter 6

- Trimmed chapter length and revised content to include updated information.
- Updated materials featuring the State New Economy Index, U.S. franchises, and a new green case on IKEA.
- New quotes from Zappos' Tony Hsieh and Virgin Group's Richard Branson.
- Updated organizations and topics, including Elon Musk and Tesla, Zazzle's customizable products, Oprah Winfrey's OWN turning a profit in 2013, and National Business Incubation Industry statistics.
- New section on long-lasting business partnerships, featuring Twitter's Evan Williams, Biz Stone, and Jack Dorsey; Microsoft's Bill Gates and Steve Ballmer; Imagine Entertainment's Brian Grazer and Ron Howard; the New York Yankees baseball franchise's Joe Torre and Don Zimmer; and Google's Sergei Brin and Larry Page.

## Chapter 7

- Updated information and facts in several passages throughout chapter.
- New green case about New Belgium Brewing titled: "Can a Brewery Be a Force for Good?"
- Updated content via the addition of several new notes from 2012, 2013, and 2014.
- Updated featured organizations, including Facebook, King (Candy Crush Saga), John Deere, and Yahoo!.



## Chapter 8

- Updated content via the addition of several new notes from 2012, 2013, and 2014.
- New exhibit: “Practical Guidelines for Conducting a Termination Interview” as well as three new updated or redesigned exhibits.
- Updated section on pensions.
- Addition of featured organizations, including Intuit, NetApp, USA Financial Services, FedEx, National Instruments, Best Buy, Old Navy, CollegeRecruiter, SimplyHired, Mashable Jobs, Dollar General, BMW, and Boeing.

## Chapter 9

- Updated content via the addition of several new notes from 2012, 2013, and 2014.
- Updated sections on pensions and Equal Employment Opportunity.
- New exhibits: “Differences between Affirmative Action and Diversity Management Programs” and “Basic Components of a Company’s Policy to Prevent Harassment.”
- New featured current events, including a SHRM study reported that companies promote diversity by offering work/life balance policies internationally, updated NAFE’s list of Top 10 companies for executive women, and an updated Global Diversity Readiness Index Top 5.

## Chapter 10

- Trimmed chapter length and revised content to include updated information.
- Updated content via the addition of several new notes from 2012, 2013, and 2014.
- New exhibits: “Sources of Power in Organizations” and “The Path–Goal Framework.”
- Featuring new current events, including the “1,000 Start-up Weekends across 100 Countries” event, Mars Exploration Program and Rover Curiosity’s progress on the Red Planet, and why Elon Musk of Tesla Motors and SpaceX was named *Fortune’s* 2013 Businessperson of the Year.
- Green case features the green power initiatives of Cisco, Georgetown University, Microsoft, and Ohio State University.

## Chapter 11

- Trimmed chapter length and revised content to include updated information.
- Updated content via the addition of several new notes from 2012, 2013, and 2014.
- New applied examples, including “Employee Engagement Percentages” and “Happiest Jobs in the United States.”
- New people and organizations, including Zappos, TOMS, Madcap Coffee, SpaceX, Healthy Choice, and Anderson Cancer Center.

## Chapter 12

- New research featuring the top five attributes of high-performance teams.

- New exhibits: “Superior Team Leaders Excel at These Behaviors” and “A Four-Stage Strategy to Resolve Disputes.”
- Updated green case, notes, and research, including a new study on the team cohesion and high performance of the Blue Angels and how David Ogilvy played devil’s advocate to the ads produced by his agency’s staff.
- New people and organizations, including Ford, Creative Labs, Google Chromebooks, Google Glass, and Google Handouts.

## Chapter 13

- Trimmed chapter length and revised content to include updated information.
- Updated content via the addition of several new notes from 2012, 2013, and 2014.
- New and redesigned exhibits, including “An Illustration of a Two-Way Communication Model,” “Advantages of Using Electronic Media at Work,” and “Example of Reflection in Action.”
- New current events, including how Amazon is using informal communication and leaks to create buzz around the expected launch of its new smartphone, how a labor agreement in France prohibits employees from responding to work-related emails after leaving work each day and on weekends, and how Edward Snowden leaks classified National Security Agency documents and data.

## Chapter 14

- Trimmed chapter length and revised content to include updated information.
- Included new exhibit, “Common Measures of Performance Standards.”
- Updated content via the addition of several new notes from 2012, 2013, and 2014.
- New current events, including GM’s 10-year delay in fixing/recalling automobiles with faulty ignition switches; how the scandal at the Phoenix Veterans Administration (VA) Medical Center suggests a lack of control from the VA bureaucracy and leadership; and how TerraCycle launched operations in Norway, Spain, Germany, Ireland, Switzerland, Denmark, Israel, Belgium, Argentina, and the Netherlands.

## Chapter 15

- New green case entitled: “How ‘Big Data’ Contributes to Sustainable Farming.”
- Updated content via the addition of several new notes from 2012, 2013, and 2014.
- Featuring new exhibits, including “Four Basic Types of OD Interventions” and “Motivating People to Change.”
- New research featuring a text mini case about Uber, the fast-growing driver service company that wants to change the future of logistics, delivery, and travel.
- New current events, featuring the following companies: SSM Health Care, Amazon, Microsoft’s Bing Translator, Intel, IQBG, Boeing, Volvo Group, Dongfeng Motor Group, Grey Advertising, American Express, and Whole Foods.

Management

# 1

## chapter

# Managing Effectively in a Global World



## Learning Objectives

**After studying Chapter 1, you should be able to**

- LO1** Describe the four functions of management.
- LO2** Understand what managers at different organizational levels do.
- LO3** Define the skills needed to be an effective manager.
- LO4** Summarize the major challenges facing managers today.
- LO5** Recognize how successful managers achieve competitive advantage.

A

Almost everyone has worked for a good supervisor, played for a good coach, or taken a class with a good professor. What made these managers so effective? Was it because they always had a plan and set goals to guide their people toward accomplishing what needed to get done? Maybe it had something to do with being organized and always prepared. Or maybe these managers were effective because of the way they motivated, inspired, and led their employees, players, or students. Of course, they were probably good at keeping things under control and making changes when needed.

Effective managers in companies from China, India, Germany, and Mexico do all of these things—plan, organize, lead, and control—to help employees reach their potential so organizations can succeed and thrive in the highly competitive and changing global marketplace.

Starbucks is an example of a successful global company. In 1971 it began as a single store that sold coffee, tea, and spices in Seattle’s Pike Place Market. Since that time, the company has experienced dramatic growth in every sense of the word. In 2013 Starbucks reported \$14.9 billion in revenue from its 1,700 stores 63 countries.<sup>1</sup> However, the company’s 43-year journey has not always been smooth and predictable. No one knows this better than Howard Schultz, the current CEO of Starbucks. Having joined the company in 1982, Schultz worked his way up the ranks to become chief executive officer. In 2000 he stepped down from the post to oversee

the company’s international expansion. In 2008 Schultz decided to return to his previous role as chief executive officer because he felt that several changes and improvements were needed to get the company to the next level.<sup>2</sup> For example, Schultz’s mobile and digital strategy to encourage more customers to pay for their mochas with a Starbucks’ mobile app card is paying off. In 2013, customers used the app approximately 5 million times per week, making it the most popular digital payment app in the United States.<sup>3</sup> Some estimates suggest that the company generated \$1 billion in revenue in 2013 from smartphone transactions at its stores.<sup>4</sup>

As the top manager of Starbucks, Schultz does a lot of *planning* regarding how fast the company should grow in the future: “I’ve learned that growth and success can cover up a lot of mistakes. So now, we seek disciplined, profitable growth for the right reasons.” In terms of *organizing* the human resources and talent needed to support that growth, Schultz comments, “Our biggest growth constraint is attracting world-class people who have values that are aligned with our culture.” *Leading* comes naturally to Schultz, as reflected by his approach to motivating employees: “It’s vital to give people hope, to provide aspirations and a vision for the future.” And like any good manager, he is also concerned about *controlling* key parts of the business: “Having gained full operating control, we now have the flexibility and the freedom to control our own destiny . . .” (Schultz is explaining why Starbucks settled with Kraft for \$2.7 billion so it could push its own single-serve offerings).<sup>5</sup>



● Starbucks CEO Howard Schultz and staff pose to photographers during the Starbucks Mexico 10th anniversary and opening of the new Starbucks store Bosque De Chapultepec at Av. Paseo De La Reforma in Mexico City, Mexico.

In business, there is no replacement for effective management. A company may fly high for a while, but it cannot maintain that success for long without good management. The goal of this book is to help you learn what it takes to become an effective and successful manager. It is organized into five major sections: introduction, planning, organizing, leading, and controlling. Also, several themes that can help managers differentiate themselves in today’s workplace will be emphasized throughout the book: globalization; green and sustainability initiatives; entrepreneurship; e-management, social media, and mobile computing; changing demographics and diversity management; and study tips and career suggestions for your personal development.



# 1 | THE FOUR FUNCTIONS OF MANAGEMENT

**Management** is the process of working with people and resources to accomplish organizational goals. Good managers do those things both effectively and efficiently:

- To be *effective* is to achieve organizational goals.
- To be *efficient* is to achieve goals with minimal waste of resources—that is, to make the best possible use of money, time, materials, and people.

Unfortunately far too many managers fail on both criteria, or focus on one at the expense of another. The best managers maintain a clear focus on both effectiveness *and* efficiency.

Although business is changing rapidly, there are still plenty of timeless principles that make managers great and companies thrive. While fresh thinking and new approaches are required now more than ever, much of what we already know about successful management practices (Chapter 2 discusses historical but still-pertinent contributions) remains relevant, useful, and adaptable to the current highly competitive global marketplace.

Great managers and executives like Howard Schultz of Starbucks not only adapt to changing conditions but also apply—passionately, rigorously, consistently, and with discipline—the fundamental management principles of planning, organizing, leading, and controlling. These four core functions remain as relevant as ever, and they still provide the fundamentals that are needed to manage effectively in all types of organizations, including private, public, nonprofit, and entrepreneurial (from microbusinesses to global firms).

## study tip 1

### Study more efficiently

You're busy with work, school, family, and a social life and probably don't have four or five hours to spend studying in one sitting. Try chunking your study time into separate 30- to 45-minute minisessions. This will help you focus better while reading and outlining a chapter, reviewing vocabulary, studying action review cards, or preparing for a quiz or exam. This will work only if you turn off your e-devices; so no texting, updating Facebook, surfing the web, playing online games, or chatting.



• Mary Barra, CEO of GM, speaks at the opening ceremony of the GM China Advanced Technical Center-Phase 1 in Shanghai, China.

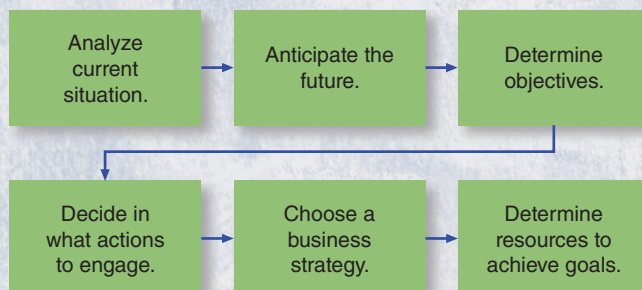
As any exceptional manager, coach, or professor would say, excellence always starts with the fundamentals.

## 1.1 | Planning Helps You Deliver Value

**Planning** is specifying the goals to be achieved and deciding in advance the appropriate actions needed to achieve those goals. As Exhibit 1.1 illustrates, planning activities include analyzing current situations, anticipating the future, determining objectives, deciding on what types of activities the company will engage, choosing corporate and business strategies, and determining the resources needed to achieve the organization's goals. Plans set the stage for action.

For example, Mary Barra, the first woman to become CEO at General Motors, has several plans to make her firm the “the most valuable automotive company” in the world.<sup>6</sup> An engineer with 33 years of experience at GM, Barra's goals include strengthening the Cadillac and Chevrolet global brands, expanding the company's position in China, and empowering teams to be innovative. Her definition of innovative is “providing value to the customer.”<sup>7</sup> A good example of delivering value to customers who want a more environmentally friendly luxury vehicle would be the launch of the 2014 Cadillac ELR, an electric battery–gaspowered hybrid

Exhibit 1.1 Examples of planning activities



that can be driven up to 345 miles between charges.<sup>8</sup> A final part of Barra's plan at GM is to reduce complexity at all levels of the organization. Her reputation for simplicity is well-established; while in a former role as HR director, Barra simplified GM's 10-page dress code to two words: "Dress appropriately."<sup>9</sup>

In today's highly competitive business environment, the planning function can also be described as *delivering strategic value*. Value is a complex concept.<sup>10</sup> Fundamentally, it describes the monetary amount associated with how well a job, task, good, or service meets users' needs. Those users might be business owners, customers, employees, governments, and even nations. When Steve Jobs, founder and CEO of Apple, died on October 5, 2011, many people around the world experienced a sense of loss both for him as a person and for the value that his transformational Apple products provided. The better you meet users' needs (in terms of quality, speed, efficiency, and so on), the more value you deliver. That value is "strategic" when it contributes to meeting the organization's goals. On a personal level, you should

## 1.2 | Organizing Resources Achieves Goals

**Organizing** is assembling and coordinating the human, financial, physical, informational, and other resources needed to achieve goals. Organizing activities include attracting people to the organization, specifying job responsibilities, grouping jobs into work units, marshaling and allocating resources, and creating conditions so that people and things work together to achieve maximum success.

**management** the process of working with people and resources to accomplish organizational goals

**planning** the management function of systematically making decisions about the goals and activities that an individual, a group, a work unit, or the overall organization will pursue

**organizing** the management function of assembling and coordinating human, financial, physical, informational, and other resources needed to achieve goals

"Innovation distinguishes between a leader and a follower."

—Steve Jobs

periodically ask yourself and your boss, "How can I add value?" Answering that question will enhance your contributions, job performance, and career.

Traditionally, planning was a top-down approach in which top executives established business plans and told others to implement them. For the best companies, delivering strategic value is a continual process in which people throughout the organization use their knowledge and that of their external customers, suppliers, and other stakeholders to identify opportunities to create, seize, strengthen, and sustain competitive advantage. (Chapter 3 discusses the external competitive environment of business and how managers can influence it.) This dynamic process swirls around the objective of creating more and more value for the customer. For example, Amazon is trying to create more value for its customers by offering a cutting-edge tablet computer that is designed to be faster and less expensive than those offered by the competition.

Effectively creating value requires fully considering a new and changing set of factors, including the government, the natural environment, global forces, and the dynamic economy in which ideas are king and entrepreneurs are both formidable competitors and potential collaborators. You will learn about these and related topics in Chapter 4 (ethics and corporate responsibility), Chapter 5 (strategic planning and decision making), and Chapter 6 (entrepreneurship).

LISTEN & LEARN  ONLINE

### YOUNG MANAGERS Speak Out!

"It's all about balance in this business. You really have to pay attention to what is going on . . . what you do well. What you can do better. At the same time, you do have to pay attention to what is going on outside and how you can keep up."

—Michael Kettner, Bar Manager





## Traditional Thinking

Planning is a top-down approach where top executives establish business plans and tell others to implement them.

The organizing function's goal is to *build a dynamic organization*. Traditionally, organizing involved creating an organization chart by identifying business functions, establishing reporting relationships, and having a personnel department that administered plans, programs, and paperwork. Now and in the future, effective managers will be using new forms of organizing and viewing their people as their most valuable resources. They will build organizations that are flexible and adaptive, particularly in response to competitive threats and customer needs.

Tony Hsieh, CEO of Zappos, has built a dynamic and successful online shoe and retail business by changing the rules of how to organize and treat its diverse employees and customers. After he founded the business in 2000, Hsieh's entrepreneurial approach was rewarded when Amazon purchased Zappos in 2009 for \$1.2 billion.<sup>11</sup>

A major goal of Zappos is to treat its employees and customers with integrity, honesty, and commitment.<sup>12</sup> Hsieh encourages employees to develop themselves by checking out books stored at the company, post questions to the "Ask Anything" newsletter, make suggestions to improve how things get done, and contribute to making Zappos a positive and fun place to work. Employees have been known to volunteer to shave their heads (in a mullet style or in the shape of a "No. 1"), act in zany ways during job interviews, wear fun wigs, and blow horns and ring cowbells to entertain tour groups who visit the company.<sup>13</sup>

Employees aren't the only stakeholders who benefit from Hsieh's flexible and adaptive approach to organizing. Customers who call the online retailer often feel spoiled by the treatment they receive. Surprisingly, customer service employees at Zappos aren't told how long they can spend on the phone with customers. In a time when many call-in customer service operations are tightly controlled or outsourced, Hsieh encourages his employees to give customers a "wow" experience such as staying on the phone with a customer for as long as it takes to connect with them and make them happy (the longest recorded phone call lasted six hours), giving customers free shipping both ways, sending flowers and surprise coupons, writing thank-you notes, or even helping a customer find a pizza place that delivers all night.<sup>14</sup>

Progressive employee and customer-oriented practices such as those at Zappos help organizations organize and effectively deploy the highly dedicated, diverse, and talented human resources needed to achieve success. You will learn more about



## The Best Managers Today

Deliver strategic value that draws on the collective knowledge and ideas of a wide variety of people both inside and outside the organization.

these topics in Chapter 7 (organizing for action), Chapter 8 (human resources management), and Chapter 9 (managing diversity and inclusion).

### 1.3 | Leading Mobilizes Your People

**Leading** is stimulating people to be high performers. It includes motivating and communicating with employees, individually and in groups. Leaders maintain close day-to-day contact with people, guiding and inspiring them toward achieving team and organizational goals. Leading takes place in teams, departments, and divisions, as well as at the tops of large organizations.

In earlier textbooks, the leading function described how managers motivate workers to come to work and execute top management's plans by doing their jobs. Today and in the future, managers must be good at *mobilizing and inspiring people* to engage fully in their work and contribute their ideas—to use their knowledge and experience in ways never needed or dreamed of in the past.

Ursula M. Burns, chair and CEO of Xerox since 2009, inspired her employees to change their thinking about the future direction of the \$21.4 billion company and mobilized them to



● Online retail giant Zappos' zanny culture and work environment make it a great place to work.

apply their talents and energies in new ways.<sup>15</sup> The company's acquisition of Affiliated Computer Systems for \$6.4 billion means that Burns is asking employees to help transform the copier manufacturer into a "formidable" services company that offers business and IT outsourcing.<sup>16</sup> Additional acquisitions and an investment of \$185 billion has helped Xerox gain a larger share of the expanding business process outsourcing market than First Data, Accenture, IBM, and Paychex.<sup>17</sup> If Burns can continue to motivate Xerox employees to embrace the new direction of the firm, this new service side of the business may grow to as much as two-thirds of Xerox's revenues by 2015.<sup>18</sup>

Like Ursula Burns, today's managers must rely on a very different kind of leadership (Chapter 10) that empowers and motivates people (Chapter 11). Far more than in the past, great work must be done via great teamwork (Chapter 12), both within work groups and across group boundaries. Underlying these processes will be effective interpersonal and organizational communication (Chapter 13).

## 1.4 | Controlling Means Learning and Changing

Planning, organizing, and leading do not guarantee success. The fourth function, **controlling**, is about monitoring performance and making necessary changes in a timely manner. By controlling, managers make sure the organization's resources are being used as planned and the organization is meeting its goals for quality and safety.

Control must include monitoring. If you have any doubts that this function is important, consider some control breakdowns that caused catastrophic problems for workers, the environment, and local economies. Consider the explosion of Transocean Ltd.'s Deepwater Horizon oil rig in the Gulf of Mexico on April 20, 2010, which killed 11 workers. Some argue that this worst offshore oil spill in U.S. history could have been prevented if tighter controls were in place. One recent report suggested that the rig's crew failed to react to multiple warning signs: ". . . the crew deviated from standard well-control and well-abandonment protocols by testing for pressure during the removal of the drilling mud, instead of prior to it, an operation that resulted in the drilling pipe being present in the blowout preventer at the time of the blowout, keeping it from closing properly to contain the outburst."<sup>19</sup> This was not the only oil well to go out of control in the Gulf of Mexico. According to an interview with William Reilly, former head of the U.S. Environmental Protection Agency, there have been "79 losses of well control" during the 2000–2009 period.<sup>20</sup> He suggests

that greater controls need to be put in place by both the U.S. government and the oil companies.<sup>21</sup>

When managers implement their plans, they often find that things are not working out as planned.

The controlling function makes sure that goals are met. It asks and answers the question, "Are our actual outcomes consistent with

our goals?" It then makes adjustments as needed. Elon Musk, chief executive officer of the premium electric car firm Tesla Motors, has applied this function to make needed changes at that firm. Like many start-ups, Tesla has hit a few pot-holes along the way. Conflicts with the firm's founder and technical problems during development pushed back the launch of the company's first car by more than a year, causing cash flow problems. Musk was forced to close one office and lay off nearly 25 percent of the company's workforce. But Musk also raised \$55 million of capital from investors, and

since production started in 2008, there are more than 25,000 Model S cars on the road in the United States and Europe.<sup>22</sup>

Successful organizations, large and small, pay close attention to the controlling function. But today and for the future, the key managerial challenges are far more dynamic than in the past; they involve *continually learning and changing*. Controls must still be in place, as described in Chapter 14. But new technologies and other innovations (Chapter 15) make it possible to achieve controls in more effective ways, to help all people throughout a company and across company boundaries change in ways that forge a successful future.

Exhibit 1.2 provides brief definitions of the four functions of management and the respective chapters in which these functions are covered in greater detail.

## 1.5 | Managing Requires All Four Functions

As a manager in the ever-changing global economy, your typical day will not be neatly divided into the four functions. You will be doing many things more or less simultaneously.<sup>23</sup> Your days will be busy and fragmented, with interruptions, meetings, and firefighting. If you work with heavy digital users who constantly

**leading** the management function that involves the manager's efforts to stimulate high performance by employees

**controlling** the management function of monitoring performance and making needed changes



● Ursula Burns, Chairman and CEO of Xerox, smiles as she attends an interview at The Times Center in New York.





● A Tesla Model S electric car sits on display in the Tesla Motors, Inc., auto plant, formerly operated by New United Motor Manufacturing, Inc. (NUMMI), in Fremont, CA.

send texts and e-mails, then your workdays will require even more stop-and-go moments.<sup>24</sup> There will be plenty of activities that you wish you could be doing but can't seem to get to. These activities will include all four management functions.

Some managers are particularly interested in, devoted to, or skilled in one or two of the four functions. Try to devote enough time and energy to developing your abilities with *all* four functions. You can be a skilled planner and controller, but if you organize your people improperly or fail to inspire them to perform at high levels, you will not be realizing your potential as a manager. Likewise, it does no good to be the kind of manager who loves to organize and lead but doesn't really understand where to go or how to determine whether you are on the right track. Good managers don't neglect any of the four management functions. You should periodically ask yourself whether you are devoting adequate attention to *all* of them.

### Exhibit 1.2

#### The four functions of management

Function	Brief Definition	See Chapters
Planning	Systematically making decisions about which goals and activities to pursue.	4, 5, and 6
Organizing	Assembling and coordinating resources needed to achieve goals.	7, 8, and 9
Leading	Stimulating high performance by employees.	10, 11, 12, and 13
Controlling	Monitoring performance and making needed changes.	14 and 15

The four management functions apply to your career and other areas of your life, as well. You must find ways to create value; organize for your own personal effectiveness; mobilize your own talents and skills as well as those of others; monitor your performance; and constantly learn, develop, and change for the future. As you proceed through this book and this course, we encourage you to engage in the material and apply the ideas to your other courses (e.g., improve your teamwork skills), your part-time and full-time jobs (e.g., learn how to motivate coworkers and “wow” your customers), and use the ideas for your own personal development by becoming an effective manager.



**LO2** Understand what managers at different organizational levels do

## 2 | FOUR DIFFERENT LEVELS OF MANAGERS

Organizations—particularly large organizations—have many levels. In this section, you will learn about the types of managers found at four different organizational levels:

- Top-level manager.
- Middle-level manager.
- Frontline manager.
- Team leader.

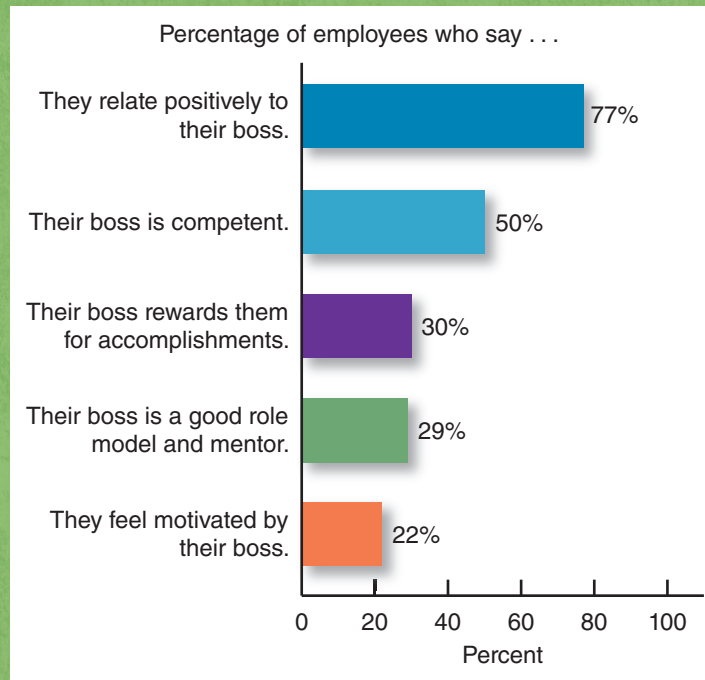
### 2.1 | Top Managers Strategize and Lead

**Top-level managers** are the organization's senior executives and are responsible for its overall management. Top-level managers, often referred to as *strategic managers*, focus on the survival, growth, and overall effectiveness of the organization.

Top managers are concerned not only with the organization as a whole but also with the interaction between the organization and its external environment. This interaction often requires managers to work extensively with outside individuals and organizations.

The chief executive officer (CEO) is one type of top-level manager found in large corporations. This individual is the primary strategic manager of the firm and has authority over everyone else. Others include the chief operating officer (COO), company presidents, vice presidents, and members of the top management team. As companies have increasingly leveraged technology and knowledge management to help them achieve and maintain a competitive advantage, they created the position of chief information officer (CIO). A relatively new top

“In a nationwide survey, employees had mixed reviews of their manager’s leadership skills. As a result, a manager who excels in leadership is especially valuable.”<sup>25</sup>



manager position, chief ethics officer, has emerged in recent years. Kathleen Edmond holds that position for Best Buy. Her role is to “develop, market and support programs and strategies designed to support the enterprise’s business initiatives and promote honest and ethical business conduct in its daily operations.”<sup>26</sup>

Traditionally, the role of top-level managers has been to set overall direction by formulating strategy and controlling resources. But now more top managers are called on to be not only strategic architects but also true organizational leaders. Like Indra Nooyi of PepsiCo, leaders must create and articulate a broader corporate purpose with which people can identify—and one to which people will enthusiastically commit.

## 2.2 | Middle Managers Bring Strategies to Life

As the name implies, **middle-level managers** are located in the organization’s hierarchy below top-level management and above the frontline managers and team leaders. Sometimes called *tactical managers*, they are responsible for translating the general goals and plans developed by strategic managers into more specific objectives and activities.

Traditionally the role of the middle manager is to be an administrative controller who bridges the gap between higher and lower levels. Today middle-level managers break corporate objectives down into business unit targets; put together separate business unit plans from the units below them for higher-level corporate review; and serve as nerve centers of internal communication, interpreting and broadcasting top management’s priorities downward and channeling and translating information from the front lines upward.

As a stereotype, the term *middle manager* connotes mediocre, unimaginative people defending the status quo. Companies have been known to cut them by the thousands, and television often portrays them as incompetent (such as Michael Scott of NBC’s *The Office*).<sup>27</sup> But middle managers

**top-level managers** senior executives responsible for the overall management and effectiveness of the organization

**middle-level managers** managers located in the middle layers of the organizational hierarchy, reporting to top-level executives