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5th Edition

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# Management

5th Edition

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# management

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COVER IMAGE: **GETTY IMAGES, PHOTOGRAPHER TOM MERTON**  
COMPOSITOR: **SPI GLOBAL**  
PRINTER: **LSC COMMUNICATIONS**

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## MANAGEMENT, FIFTH EDITION

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Some ancillaries, including electronic and print components, may not be available to customers outside the United States.

This book is printed on acid-free paper.

1 2 3 4 5 6 7 8 9 LWI 21 20 19 18 17

ISBN 978-1-259-73280-5 (student edition)

MHID 1-259-73280-0 (student edition)

ISBN 978-1-259-90030-3 (instructor's edition)

MHID 1-259-90030-4 (instructor's edition)

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### Library of Congress Cataloging-in-Publication Data

Names: Bateman, Thomas S., author. | Snell, Scott, 1958- author. | Konopaske, Robert, author.

Title: Management / Thomas S. Bateman, McIntire School of Commerce, University of Virginia, Scott A. Snell, Darden Graduate School of Business, University of Virginia, Rob Konopaske, McCoy College of Business, Texas State University.

Description: Fifth Edition. | Dubuque : McGraw-Hill Education, 2017. | Revised edition of Management, 2015.

Identifiers: LCCN 2016041364 | ISBN 9781259732805 (alk. paper)

Subjects: LCSH: Management.

Classification: LCC HD31 .B3694852 2017 | DDC 658—dc23

LC record available at <https://lccn.loc.gov/2016041364>

The Internet addresses listed in the text were accurate at the time of publication. The inclusion of a website does not indicate an endorsement by the authors or McGraw-Hill Education, and McGraw-Hill Education does not guarantee the accuracy of the information presented at these sites.

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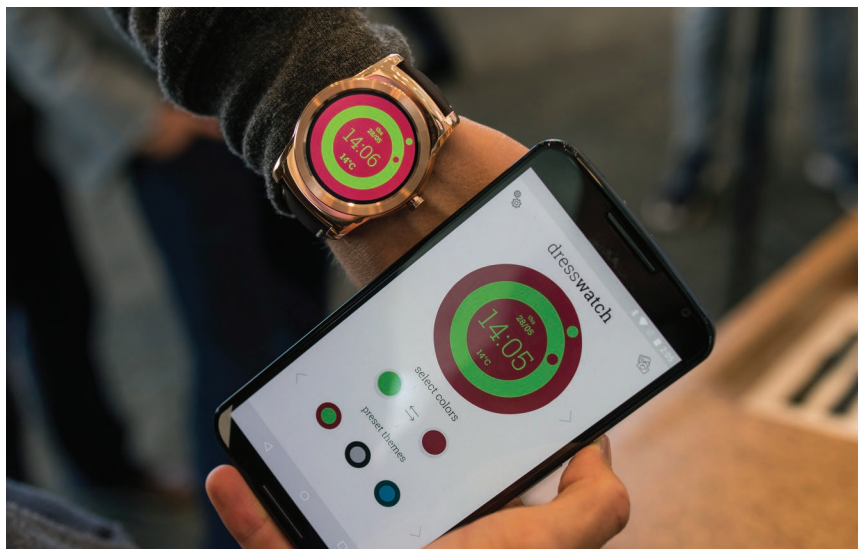
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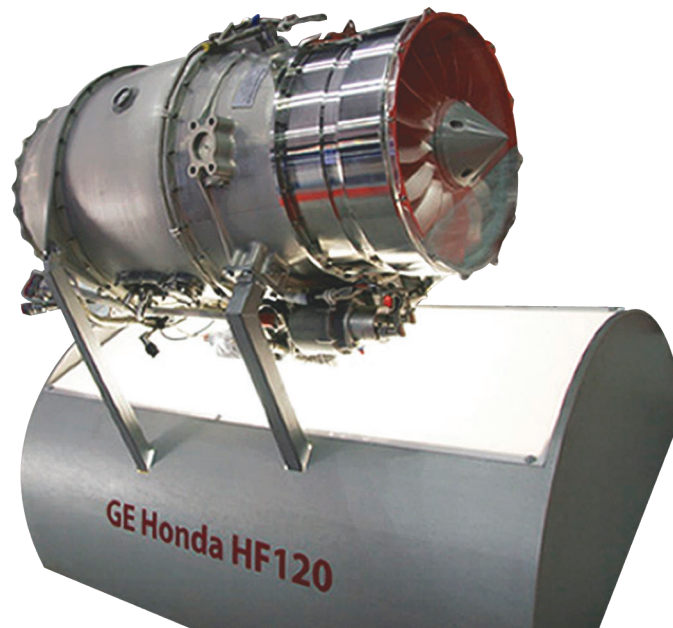
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# Chapter Changes

## Chapter 1

- Expanded coverage of global companies and events.
- Updated content via the addition of several new notes from 2015 and 2016.
- New organizations and topics, including Trader Joe’s use of Big Data to understand customers’ needs, L’Oreal’s award-winning chief ethics officer, the Chinese government’s ban of Facebook and Twitter, and online success stories like Evernote and Pandora.
- Updated Did You Know? box.
- Updated data on demographic trends in the U.S. labor force.
- New current events include GM’s \$500 million investment in Lyft, Tesla’s 2017 launch of the Model 3 electric car, LinkedIn’s entry into the Chinese market, PepsiCo’s global water efficiency program, GE’s success in more than 22 different global markets, Cisco’s Globalisation Centre East in India, and Starbucks’ MyStarbucksIdea.

## Chapter 2

- Updated Did You Know? box.
- Revised content to improve student experience.
- Updated Take Charge of Your Career.
- New example of how Opower draws on sociotechnical systems theory to combine Big Data analytics and customer behavior.
- Updated green case: “Companies Shift to Green Power.”

## Chapter 3

- Updated content via the addition of several new notes from 2015 and 2016.
- Updated opening vignette about Keurig Green Mountain’s strategic partnerships.
- New coverage of how global events (Brexit, the slowing Chinese economy, destabilizing corruption scandal in Brazil, and mass immigration into Europe) are affecting the U.S. economy.
- Added a new quote.
- Updated Did You Know? box.

- New organizations and topics include Ford’s switch from steel to aluminum in its best selling F-150 truck, Habitat for Humanity and its long-term company supporters, Alphabet’s (owns Google) diverse businesses from Nest to Life Sciences, Dropbox adoption in more than 100,000 companies, and Virgin America’s sale of Alaska Airlines.
- New current events, including companies that have recently violated the Foreign Corrupt Practices Act, and the new federally mandated overtime regulations affecting nearly 4 million workers in the United States.

## Chapter 4

- Updated coverage of ethical issues, including state laws that prohibit employers from obtaining employees’ passwords to social media websites.
- Trimmed chapter to remove outdated concepts.
- Updated Take Charge of Your Career.
- New organizations and topics, including the World Wildlife Fund’s “the last selfie” snapchat campaign, survey findings regarding observed unethical behavior at work, GE’s “spirit of the letter” integrity policy, New Belgium Brewery as a “force for good in the world,” and Alcoa’s pledge to cut greenhouse emissions by 50 percent by 2020.
- Revised Did You Know? box.
- Revised exhibit: “The business costs of ethical failure.”
- Updated green case: “Are Sustainable Greenhouses Revolutionizing Agriculture?”
- New examples of business-related scandals include Volkswagen’s cheating on emissions tests, investigation into FIFA and its subsequent organizational shakeup, Turing Pharmaceuticals’ price increase of an HIV/AIDs drug by 5,000 percent, and Toshiba’s announcement of a nearly \$2 billion “accounting adjustment.”

## Chapter 5

- New opening vignette discusses how Priceline uses data analytics to align its business strategy with customer behaviors and expectations.
- Added new quote.

- New graphic to illustrate SMART goal acronym.
- Updated Exhibit 5.2: “Three common plans used by organizations.”
- New organizations and topics, including Quicken Loans’ plans to attract top IT talent to work at its Detroit-based headquarters, how USAA’s reward system motivates its 27,000 employees to engage customers, Terracycle’s and Nike’s motivational mission statements, how BrightSource Energy provides solar systems that create steam and electricity, the Indian government’s plans to generate 100 GW of wind energy by 2022, and IKEA’s low-cost strategy.
- Updated the green case: “Zero Motorcycle Leads the Pack.”
- New current events include HondaJet’s plans to fly charter flights from Phoenix Airport, McDonald’s decision to offer breakfast to customers all day, Sony’s Playstation Plus decision to allow members to download Sony music or movies onto mobile devices, the decision by governmental regulators in California to investigate whether Wells Fargo’s sales culture pushed employees too far, and predicting that the “Internet of Things” phenomenon will require nearly all organizations to go digital.
- Updated Take Charge of Your Career.

## Chapter 6

- Added new quote.
- Updated coverage on how start-up firms and small businesses affect the U.S. economy.
- New organizations and topics include an investor-entrepreneur match platform (IdeaMarket), FirstLight HomeCare franchise helping older adults remain independent, Team Rubicon combining veterans with first responders to help victims in the wake of natural disasters, MGE Innovation Center (University of Wisconsin-Madison Research Park) launching early-stage companies, and Sir Richard Branson of Virgin offering tips for delegating.
- Updated Take Charge of Your Career.
- New current events, including how firms owned by women employ more than 7 million individuals, Apple and IBM teaming up to provide iPads with apps that are tailored to the elderly, venture capitalists investing nearly \$60 billion in start-ups, how Uber is banned from operating in several countries, and how Ladies Who Launch connects more than 100,000 women entrepreneurs.
- Updated Did You Know? box.
- Updated green case: “Intrapreneurship at IKEA.”

## Chapter 7

- Trimmed chapter length and revised content to include updated information.
- Revised the opening vignette on worldwide mobile gaming market by discussing Activision Blizzard’s (maker of “Call of Duty”) recent purchase of King Digital (maker of “Candy Crush”).
- Added new quote.

- Added new Exhibit 7.3: “Optimal span of control is a balancing act.”
- Updated section on Semco Partners’ philosophy regarding delegation and employee empowerment.
- New organizations and topics, including Salesforce’s strategy to organize around its customers and GE’s new Fastworks projects aimed at speeding up and reducing the cost of product innovation.
- New green case: “Community Solutions’ 100,000 Homes Campaign.”
- Added new Exhibit 7.9: “Example of a network organization.”
- Created new Exhibit 7.10: “Managing high information-processing demands.”

## Chapter 8

- New current events include hiring managers viewing job candidates’ social media profiles and companies using personal improvement plans as progressive discipline.
- Updated Traditional Thinking box.
- New organizations and topics, including unique organizational cultures (at REI, Kayak, and Chik-fil-A), how CultureAmp surveys employees and provides real-time data to improve company performance, the decision Polycom made to promote from within the organization, why Glassdoor and LinkedIn are powerful networking sites, how Accenture encourages employees to recruit diverse candidates, and how Talent Shield searches for and conducts company and personal background checks.
- Updated the section on critical skills shortages in the United States.
- Discussed how Box, Uber, and Symantec use HR and people analytics to guide their talent management decisions.
- Updated section on how companies like Lowes and Hillshire Brands settled recent discrimination claims with the EEOC.
- Updated the green case: “Hiring College Hunks to Haul Junk.”
- Updated section on “Veteran’s Jobs Mission,” which places thousands of transitioning military members into jobs.
- Updated Did You Know? box.
- Updated Exhibit 8.5: “Percentage of companies increasing spending on training areas in 2015.”
- New Exhibit 8.7: “Pay structure.”
- Updated section on how executive pay has generated controversy.
- New Did You Know? that discusses small business health options programs (SHOPs).
- Updated Exhibit 8.8: “Facts about work-related injuries and illnesses (2014).”

## Chapter 9

- Updated content via the addition of several new notes from 2015 and 2016.
- Updated sections on the glass ceiling and the female CEOs and corporate officer, immigrant entrepreneurs who started

firms in Silicon Valley, number of individuals with a disability, and the rise in the average worker's weight as a cause of concern for employers.

- Updated Exhibit 9.4: "Successful immigrant entrepreneurs in the United States."
- Revised Exhibit 9.5: "Percentage of the projected U.S. labor force by race and Hispanic origin (2004–2024)."
- Revised Exhibit 9.6: "Percentage of employee engagement by worker age."
- New Did You Know? box.
- Added new quote.
- New organizations and topics, including how the San Antonio Spurs hired Becky Hammon (the first female NBA assistant coach) and how Nielsen provides its managers with "unconscious bias" training to build self-awareness and leadership effectiveness.
- Updated the section on Coca-Cola's business resource groups.
- Updated the green case: "Want an International Assignment? There Is More than One Option."

## Chapter 10

- Updated content via the addition of several new notes from 2015 and 2016.
- Trimmed chapter length and revised content to include updated information.
- Updated opening vignette.
- Added new Did You Know? box.
- Added new section about how a U.S. expatriate working for Alcoa stood up to corruption and extortion.
- Revised section on the sources of power in organizations.
- New current events include how China-based Huawei Technologies earned \$46.5 billion in global revenue (passing Sweden-based Ericsson) and NASA's goal to use the moon as a way station to send astronauts to Mars by 2020.
- Added two new quotes.
- Revised green case: "Prestigious Green Power Leadership Award."

## Chapter 11

- Added new opening vignette.
- Updated content via the addition of several new notes from 2015 and 2016.
- New Did You Know? box.
- Trimmed chapter length and revised content to include updated information.
- New organizations and topics, including Terracycle's goal to eliminate waste, how Keurig Green Mountain works with suppliers to improve farming techniques and address water challenges, SpaceX pioneers using reusable rockets for space transport, and a mandatory new "pay ratio" report that will be issued starting in 2017 by all publicly traded companies.

- Updated green case: "Stonyfield Organic Motivates Through Its Mission."
- Added two new quotes.
- Updated Did You Know? box.
- Updated Take Charge of Your Career.

## Chapter 12

- Updated content via the addition of several new notes from 2015 and 2016.
- New organizations and topics, including how Nucor relies on its teammates to improve productivity and safety at plants; how Cisco offers powerful software so virtual team members can work together, regardless of their physical location; how Whole Foods Market's team members vote to decide whether new hires remain employed at the firm; and how GE's new Software Design and User Experience Studio team creates solutions for customers, partners, and employees.
- Trimmed chapter length and revised content to include updated information.
- Added new quote.
- Updated Did You Know? box.

## Chapter 13

- Updated content via the addition of several new notes from 2015 and 2016.
- New organizations and topics include the average number of e-mails workers send and receive on a daily basis; how Web 3.0 is expected to blend the relationships between machines and humans; how the founder of The Sky Factory practices open-book management by sharing the company's financials with employees; how IBM's internal social networking system helps employees build relationships with one another; and Facebook's plan to launch "Facebook at Work," which will be accessible only by employees of client companies.
- Updated green case: "Twitter: A Communication Lifeline During Disasters."
- Added new Did You Know? box.
- Added a new quote.
- New section on the next generation of wearable virtual reality offered by Oculus Rift, Sony PlayStation Virtual Reality, Google Glass, and Microsoft HoloLens.

## Chapter 14

- Updated content via the addition of several new notes from 2015 and 2016.
- Updated statistics related to the recall of GM's faulty ignition switches.
- New organizations and topics include Lancaster General Hospital's implementation of a "no passing zone" in hallways, how Maybank Group in Malaysia measures engagement levels of its 47,000 employees, Panera Bread's installation of self-service iPad kiosks in its restaurants, 3M's launch of new



products like “Super Sticky Post-it Notes” and water-resistant Ace-brand wrist braces, how Mitsubishi Motors reduces tire pressure in more than 600,000 vehicles sold in Japan to boost fuel economy, and eBay’s use of NICE Interaction Analytics to mine data about its customers.

- Updated section on “love contracts” in the workplace.
- Added new quote.
- Update green case: “Terracycle’s Cost Control Formula Is Garbage.”

## Chapter 15

- Updated section on changing role that technology plays in the health care industry, including how Kaiser Permanente will implement a new computer system to share patient data across all of its facilities (saving more than \$1 billion) and how the U.S. Veterans Health Administration provides telehealth services to more than 700,000 of its patients.
- Added three new quotes.
- Added new section on the Internet of Things (IoT), including how smart home technology like Nest works with

Whirlpool dryers and Ford vehicles, how SmartMat yoga mats improve practitioners’ alignment, and how Parrot’s Smart Pot sends plant owners wireless alerts when the plant needs care.

- Updated Did You Know? box.
- New organizations and topics, including how Google Translate, Babbel, and Duolingo help business travelers learn foreign languages; how Netflix lowers prices of its movie streaming service in countries with high levels of piracy; L’Oreal’s exclusive agreement with app maker Makeup Genius; Corning and Ford conducting joint research to create lighter and stronger glass windshields; Verizon purchasing Awesomeness TV to tap into the digital entertainment network’s youth network; and Intuit Labs offering its employees two-day Lean StartIn workshops.
- Updated section on make-or-buy technology decisions.
- Added a new section on Zappos’ new managerless organizational structure, holacracy.
- Added new Exhibit 15.6: “Ways to overcome resistance to change.”
- Added new Exhibit 15.7: “Unmet needs equals opportunity.”

# Management

5th Edition

# Managing Effectively in a Global World



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## 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 the United States, China, Brazil, South Africa, and Canada 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 2015, Starbucks reported \$19.2 billion in revenue (an increase of 17 percent over 2014 revenue) from its 23,000 stores in 70 countries.<sup>1</sup> However, the company’s 45-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 iced caramel macchiatos with a Starbucks’ mobile app card is paying off. In 2015, customers used the app approximately 8 million times per week, making it the most popular digital payment app in the United States.<sup>3</sup> Recently, the company launched a national rollout of Mobile Order and Pay which soon will be expanded to international markets like Canada and the United Kingdom.<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>

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.



● Alibaba chair Jack Ma (left) and Starbucks CEO Howard Schultz shown attending the 2016 Starbucks Partner Family Forum in Chengdu, China. © VCG/VCG via Getty Images

**LO1** Describe the four functions of management.

# 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, messaging on Snapchat, or playing online games. Get (and stay) in the study zone!



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

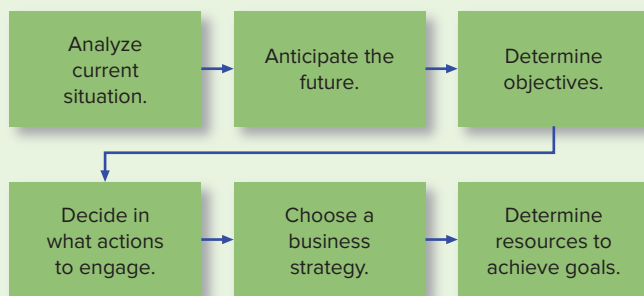
As any exceptional manager, coach, or professor would say, excellence always starts with the fundamentals.

## 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 chair and chief executive officer (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 35 years of experience at GM, Barra's strategic goals include controlling costs by using fewer vehicle platforms from which to build multiple models, meeting stricter safety and emissions guidelines, and entering into the autonomous vehicle and ride-sharing industries.<sup>7</sup> A driving force behind Barra's strategies is to deliver

**Exhibit 1.1** Examples of planning activities



value to customers in multiple ways, including trying to extend the life of GM's vehicles to 12 or more years.<sup>8</sup> A innovative part of Barra's plan was jumpstarted recently when GM invested \$500 million in Lyft, a ride-share company that competes with better-known Uber.<sup>9</sup> Reasons GM partnered with the start-up include the development of a network for self-driving cars and establishing hubs to rent cars to Lyft drivers at discounted rates.<sup>10</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>11</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"

## 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

when it contributes to meeting the organization's goals. On a personal level, you should 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, Trader Joe's leverages information about its customers to offer high-quality, popular products at low prices.<sup>12</sup>

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

Photo: © McGraw-Hill Education



# Traditional Thinking



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

# 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.

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>13</sup>

A major goal of Zappos is to treat its employees and customers with integrity, honesty, and commitment.<sup>14</sup> Hsieh encourages employees to develop themselves by checking out books stored at the company, to post questions to the "Ask Anything" newsletter, to make suggestions to improve how things get done, and to 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>15</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>16</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 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, is inspiring her employees to change their thinking about the future direction of the \$19.5 billion company and mobilizing them to



● Online retail giant Zappos' zany culture and work environment make it a great place to work. © Tribune Content Agency LLC/Alamy Stock Photo

apply their talents and energies in new ways.<sup>17</sup> The company's acquisition of Affiliated Computer Systems for \$6.4 billion means that Burns is counting on employees to help transform the document technology manufacturer into a "formidable" services company that offers business and IT outsourcing.<sup>18</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>19</sup> As long as Burns can continue to motivate Xerox employees to embrace the new direction of the firm, this new service side of the business (which accounts for 50 percent of total company revenues) will help Xerox continue its long history of success.<sup>20</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>21</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>22</sup> He suggests that greater controls need to be put in place

by both the U.S. government and the oil companies.<sup>23</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 potholes 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 100,000 Model S cars on the road in the United States and Europe.<sup>24</sup> The company continues to pick up momentum. Within hours of Musk's announcement regarding the 2017 launch of the new Model 3 (priced at \$35,000), more than 100,000 customers deposited \$1,000 each to get on the wait list.<sup>25</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>26</sup> Your days will be busy and fragmented, with interruptions, meetings,

**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, chair and CEO of Xerox, smiles as she attends an interview at The Times Center in New York. © Eduardo Munoz/Reuters/Corbis





● 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. © Tony Avelar/Bloomberg via Getty Images

and firefighting. If you work with heavy digital users who constantly send texts and e-mails, then your workdays will require even more stop-and-go moments.<sup>27</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.

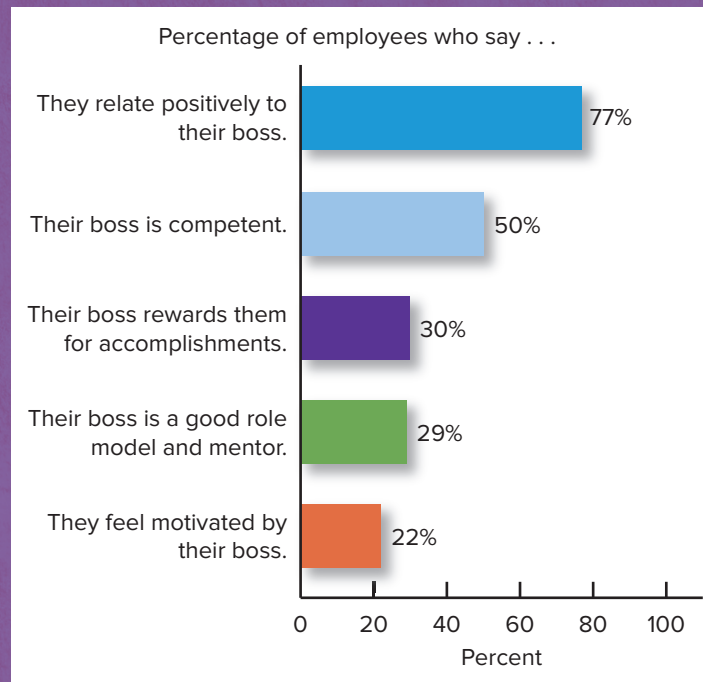
### 2.1 | Top Managers Strategize and Lead

**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 manager position, chief ethics officer, has emerged in recent years. Emmanuel Lulin

“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>28</sup>



holds that position for L’Oréal. Lulin has been recognized as a champion for “ethics as a way of life within the company.”<sup>29</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>30</sup> But middle managers are closer than top managers to day-to-day operations, customers, frontline managers, team leaders, and employees, so they know the problems. They also have many creative ideas—often better than their bosses’. Good middle managers provide the operating skills and practical problem solving that keep the company working.<sup>31</sup>

**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

## 2.3 | Frontline Managers Are the Vital Link to Employees

**Frontline managers**, or *operational managers*, are lower-level managers who execute the operations of the organization. These managers often have titles such as *supervisor* or *sales manager*.