EIGHTH EDITION

Essentials of CONTEMPORARY MANAGEMENT

Gareth R. Jones

Jennifer M. George

Mc Graw Hill Education

Essentials of Contemporary Management

Eighth Edition

Gareth R. Jones

Jennifer M. George
Rice University

Mc Graw Hill Education

ESSENTIALS OF CONTEMPORARY MANAGEMENT, EIGHTH EDITION

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Authors

Courtesy of Gareth Jones

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

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

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

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

Courtesy of Jennifer George

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

Professor George specializes in organizational behavior and is well known for her research on mood and emotion in the workplace, their determinants, and their effects on various individual and group-level work outcomes. She is the author of many articles in leading peer-reviewed journals such as the *Academy of Management Journal,* the *Academy of Management Review,* the *Journal of Applied Psychology, Organizational Behavior and Human Decision Processes, Journal of Personality and Social Psychology,* and *Psychological Bulletin.* One of her papers won the Academy of Management's Organizational Behavior Division Outstanding Competitive Paper Award, and another paper won the *Human Relations* Best Paper Award. She is, or has been, on the editorial review boards of the *Journal of Applied Psychology, Academy of Management Journal, Academy of Management Review, Administrative Science Quarterly, Journal of Management, Organizational Behavior and Human Decision Processes, Organization Science, International Journal of Selection and Assessment,* and *Journal of Managerial Issues;* was a consulting editor for the *Journal of Organizational Behavior;* was a member of the SIOP *Organizational Frontiers Series* editorial board; and was an associate editor of the *Journal of Applied Psychology.* She is a fellow in the Academy of Management, the American Psychological Association, the Association for Psychological Science, and the Society for Industrial and Organizational Psychology and a member of the Society for Organizational Behavior. She also has coauthored a textbook titled *Understanding and Managing Organizational Behavior.*

Preface

In this eighth edition of *Essentials of Contemporary Management,* we continue to focus on providing the most up-to-date account of the changes taking place in the world of management and management practices while maintaining our emphasis on making our text relevant and interesting to students. And we know from feedback from instructors and students that the text does engage them. Our increased focus on the challenges and opportunities facing businesses large and small and integrated timely examples bring management issues to life for students.

The number and complexity of the strategic, organizational, and human resource challenges facing managers and all employees have continued to increase. In most companies, managers at all levels continue to play catch-up as they work toward meeting these challenges by implementing new and improved management techniques and practices. Today, relatively small differences in performance between companies, such as in the speed at which they bring new products or services to market or in the ways they motivate their employees to find ways to reduce costs or improve performance, can combine to give a company a significant competitive advantage. Managers and companies that utilize proven management techniques and practices in their decision making and actions increase their effectiveness over time. Companies and managers that are slower to implement new management techniques and practices find themselves at a growing competitive disadvantage that makes it even more difficult to catch up. Thus, in many industries, there is a widening gap between the most successful companies whose performance reaches new heights and their weaker competitors, because their managers have made better decisions about how to use company resources in the most efficient and effective ways.

The challenges facing managers continue to mount as changes in the global environment, such as increasing global outsourcing and rising commodity prices, impact organizations large and small. Moreover, the revolution in information technology (IT) has transformed how managers make decisions across all levels of a company's hierarchy and across all its functions and global divisions. This eighth edition addresses these emerging challenges. For example, we extend our treatment of global outsourcing, examine its pros and cons, and examine the new management problems that emerge when millions of functional jobs in IT, customer service, and manufacturing are performed in countries overseas. Similarly, increasing globalization means that managers must respond to major differences in the legal rules and regulations and ethical values and norms that prevail in countries around the globe.

Other major challenges we continue to expand on in this edition include the impact of the steadily increasing diversity of the workforce on companies and how this increasing diversity makes it imperative for managers to understand how and why people differ so that they can effectively manage and reap the performance benefits of diversity. Similarly, across all functions and levels, managers and employees must continually seek ways to "work smarter" and increase performance. Using new technologies to improve all aspects of an organization's operations to enhance efficiency and customer responsiveness is a vital part of this process. So too is the continuing need to innovate and improve the quality of goods and services, and the ways they are produced, to allow an organization to compete effectively. We significantly revised this edition of *Essentials of Contemporary Management* to address these challenges to managers and their organizations.

Major Content Changes

Once again, encouraged by the increasing number of instructors and students who use each new edition of our book, and based on the reactions and suggestions of both users and reviewers, we revised and updated our book in many ways. However, the organization and sequence of chapters remain the same in this new edition. Instructors tell us that they like the way the chapters flow, and the way they build up a picture of

management part by part, to provide an excellent learning experience and a comprehensive coverage of management. The way we link and integrate topics, such as our inclusion of entrepreneurship in Chapter 5, "Decision Making, Learning, Creativity, and Entrepreneurship," allows students to make connections among these important topics. As examples of the many changes we made, this new edition expands the coverage of ways to encourage high motivation, creativity, and innovation in organizations and the importance of managers' and organizations' taking steps to protect the natural environment and promote sustainability. Our three-chapter sequence on strategy, structure, and control systems to improve competitive advantage is also updated in many ways. And, in this new edition, throughout the chapters we offer increased coverage of new approaches to leadership and the design of reward systems, new uses of advanced IT at all levels in the organization and across all functions to improve job design and employee motivation, and expanded coverage of the pros and cons associated with global outsourcing.

CHAPTER-BY-CHAPTER CHANGES We made the following specific changes to this edition.

Chapter 1

- New "Management Snapshot" on "BuzzFeed Shares Content on a Global Scale."
- New "Manager as a Person" on "Hitting the Mark at Alcon Entertainment."
- New "Managing Globally" on "Mexico Attracts Global Automakers."
- New "Ethics in Action" on "Wells Fargo Scandal Hurts Everyone."
- New 2017 *Bloomberg* Case in the News.

Chapter 2

- New "Management Snapshot" on "Kevin Plank's Determination and Openness to Experience at Under Armour."
- New in-text discussion of levels of job satisfaction in the United States in 2015.
- New "Ethics in Action" on "Protecting the Environment and Jobs at Subaru of Indiana Automotive."
- New "Management Insight" on "Emotions as Triggers for Changes in Organizations."
- New 2017 *Bloomberg Businessweek* Case in the News.

Chapter 3

- New "Management Snapshot" on "Ethics and Social Responsibility at TOMS."
- New "Ethics in Action" on "Helping to Keep the Soap Market Green."
- Updated in-text statistics on median age in the United States.
- Updated statistics on men's and women's participation rates in the U.S. workforce and median weekly earnings.
- New in-text discussion of 2015 ruling by the EEOC declaring that workplace discrimination on the basis of sexual orientation is illegal according to federal law.
- New "Focus on Diversity" on "Effectively Managing Diversity at PricewaterhouseCoopers."
- New 2017 *Bloomberg Businessweek* Case in the News.

Chapter 4

- New "Management Snapshot" on "Amazon Primed for Success in India."
- New "Manager as a Person" on "Spotify's CEO Manages Global Playlist."
- New "Focus on Diversity" on "Playing Sports Helps Women Become Leaders."
- Updated "Management Insight" on "Challenges Faced by Expats in Foreign Countries," with results from the 2016 HSBC Annual Expat Explorer Survey.
- New 2017 *Bloomberg Businessweek* Case in the News.

Chapter 5

- New "Management Snapshot" on "Effective Decision Making at FUJIFILM Holdings Corporation."
- New "Manager as a Person" on "Curbing Overconfidence."
- New "Management Insight" on "Decision Making and Learning at 1-800-Flowers.com."

- New 2017 *Bloomberg Businessweek* Case in the News.

Chapter 6

- New "Management Snapshot" on "GE Refocuses Its Business Strategies."
- New "Manager as a Person" on "Toys "R" Us CEO Faces Challenges Head On."
- New "Management Insight" on "Innovation Drives Michelin."
- New "Managing Globally" on "Joint Venture Creates a Sweet Deal."
- New 2017 *Bloomberg Businessweek* Case in the News.

Chapter 7

- New "Management Snapshot" on "The Golden Arches Move Back to the City."
- New "Management Insight" on "Pal's Sudden Service Takes Training Seriously."
- New "Management Insight" on "Team Culture Critical to Cubs' Success."
- New "Management Insight" on "Microsoft CEO Not Afraid of Change."
- New 2017 *Bloomberg Businessweek* Case in the News.

Chapter 8

- New "Management Snapshot" on "Warby Parker Encourages Employee Input."
- New "Management Insight" on "Keeping Email under Control."
- New "Management Insight" on "Wanted: Team Players with a Solid GPA."
- Updated "Management Insight" on "Charity Apps Help Users Give Back."
- New 2017 *Bloomberg* Case in the News.

Chapter 9

- New "Management Snapshot" on "High Motivation at Enterprise Holdings."
- New "Information Technology Byte" on "Motivation Is High at the SAS Institute."
- New "Management Insight" on "Training Spurs Learning at Stella & Dot."
- New 2017 *Bloomberg Businessweek* Case in the News.

Chapter 10

- New "Management Snapshot" on "Benioff Leads for Innovation at Salesforce."
- New "Ethics in Action" on "Servant Leadership at Zingerman's."
- New "Manager as a Person" on "Gregory Maffei and Expert Power."
- New 2017 *Bloomberg Businessweek* Case in the News.

Chapter 11

- New "Management Snapshot" on "Groups and Teams as Performance Enhancers and Innovators."
- New "Information Technology Byte" on "Pizza Teams Innovate at Amazon."
- New "Management Insight" on "Self-Managed Teams at W. L. Gore."
- New 2017 *Bloomberg* Case in the News.

Chapter 12

- New "Management Snapshot" on "Effectively Managing Human Resources at Acuity."
- New "Managing Globally" on "Recent Trends in Outsourcing."
- New "Information Technology Byte" on "Fog Creek Software's Approach to Recruiting."
- Updated in-text discussion of union membership in the United States.
- New 2017 *Bloomberg Businessweek* Case in the News.

Chapter 13

- Chapter content has been reorganized to help students understand the overall importance of the communication process and its role in helping organizations gain competitive advantage. The technology section has been shortened and updated to reflect current IT strategies that significantly impact managers' day-to-day activities.
- New "Management Snapshot" on "Red Hat CEO Focuses on Clear Communication."

- New "Ethics in Action" on "Tracking Employees' Social Media and Internet Use."
- New "Management Insight" on "Wearables Help Improve Employee Performance."
- New 2017 *Bloomberg Businessweek* Case in the News.

Chapter 14

- New "Management Snapshot" on "LEGO Group's Value Chain Key to Global Success."
- New "Management Insight" on "Boarding a Plane Shouldn't Be This Difficult."
- New 2017 *Bloomberg Case in the News.*

UPDATED RESEARCH CONCEPTS Just as we included pertinent new research concepts in each chapter, so we were careful to eliminate outdated or marginal management concepts. As usual, our goal is to streamline our presentation and keep the focus on recent changes that have the most impact on managers and organizations. In today's world of video downloading, streaming media, and text messaging and tweeting, less is often more—especially when students are often burdened by time pressures stemming from the need to work long hours at paying jobs. New chapter opening "Management Snapshot" cases, the boxed illustrations inside each chapter, and new "Case in the News" closing cases reinforce updated content critically but succinctly.

We feel confident that the changes to the eighth edition of *Essentials of Contemporary Management* will stimulate and challenge students to think about their future in the world of organizations.

Emphasis on Applied Management

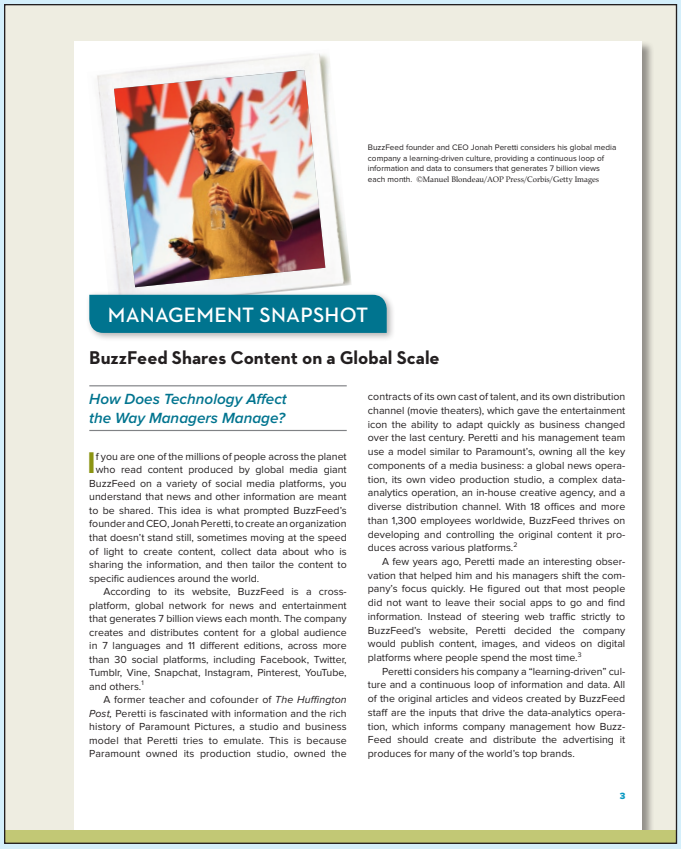
We went to great lengths to bring the manager back into the subject matter of management. That is, we wrote our chapters from the perspective of current or future managers to illustrate, in a hands-on way, the problems and opportunities they face and how they can effectively meet them. For example, in Chapter 3, we provide an integrated treatment of ethics and diversity that clearly explains their significance to practicing managers. In Chapter 6, we provide an integrated treatment of planning, strategy, and competitive advantage, highlighting the crucial choices managers face as they go about performing the planning role. Throughout the text, we emphasize important issues managers face and how management theory, research, and practice can help them and their organizations be effective.

The last two chapters cover the topics of managing information systems, technology, and operations management, topics that tend to be difficult to teach to new management students in an interesting and novel way. Our chapters provide a student-friendly, behavioral approach to understanding the management processes entailed in information systems and operations management. As our reviewers noted, while most books' treatment of these issues is dry and quantitative, ours comes alive with its focus on how managers can manage the people and processes necessary to give an organization a competitive advantage.

Flexible Organization

We designed the grouping of chapters to allow instructors to teach the chapter material in the order that best suits their needs. Instructors are not tied to the planning, organizing, leading, and controlling framework, even though our presentation remains consistent with this approach.

Guided Tour



BuzzFeed founder and CEO Jonah Peretti considers his global media company a learning-driven culture, providing a continuous loop of information and data to consumers that generates 7 billion views each month. ©Manuel Blondeau/AOP Press/Corbis/Getty Images

MANAGEMENT SNAPSHOT

BuzzFeed Shares Content on a Global Scale

How Does Technology Affect the Way Managers Manage?

If you are one of the millions of people across the planet who read content produced by global media giant BuzzFeed on a variety of social media platforms, you understand that news and other information are meant to be shared. This idea is what prompted BuzzFeed's founder and CEO, Jonah Peretti, to create an organization that doesn't stand still, sometimes moving at the speed of light to create content, collect data about who is sharing the information, and then tailor the content to specific audiences around the world.

According to its website, BuzzFeed is a cross-platform, global network for news and entertainment that generates 7 billion views each month. The company creates and distributes content for a global audience in 7 languages and 11 different editions, across more than 30 social platforms, including Facebook, Twitter, Tumblr, Vine, Snapchat, Instagram, Pinterest, YouTube, and others.[1]

A former teacher and cofounder of *The Huffington Post*, Peretti is fascinated with information and the rich history of Paramount Pictures, a studio and business model that Peretti tries to emulate. This is because Paramount owned its production studio, owned the contracts of its own cast of talent, and its own distribution channel (movie theaters), which gave the entertainment icon the ability to adapt quickly as business changed over the last century. Peretti and his management team use a model similar to Paramount's, owning all the key components of a media business: a global news operation, its own video production studio, a complex data-analytics operation, an in-house creative agency, and a diverse distribution channel. With 18 offices and more than 1,300 employees worldwide, BuzzFeed thrives on developing and controlling the original content it produces across various platforms.[2]

A few years ago, Peretti made an interesting observation that helped him and his managers shift the company's focus quickly. He figured out that most people did not want to leave their social apps to go and find information. Instead of steering web traffic strictly to BuzzFeed's website, Peretti decided the company would publish content, images, and videos on digital platforms where people spend the most time.[3]

Peretti considers his company a "learning-driven" culture and a continuous loop of information and data. All of the original articles and videos created by BuzzFeed staff are the inputs that drive the data-analytics operation, which informs company management how BuzzFeed should create and distribute the advertising it produces for many of the world's top brands.

3

RICH AND RELEVANT EXAMPLES

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

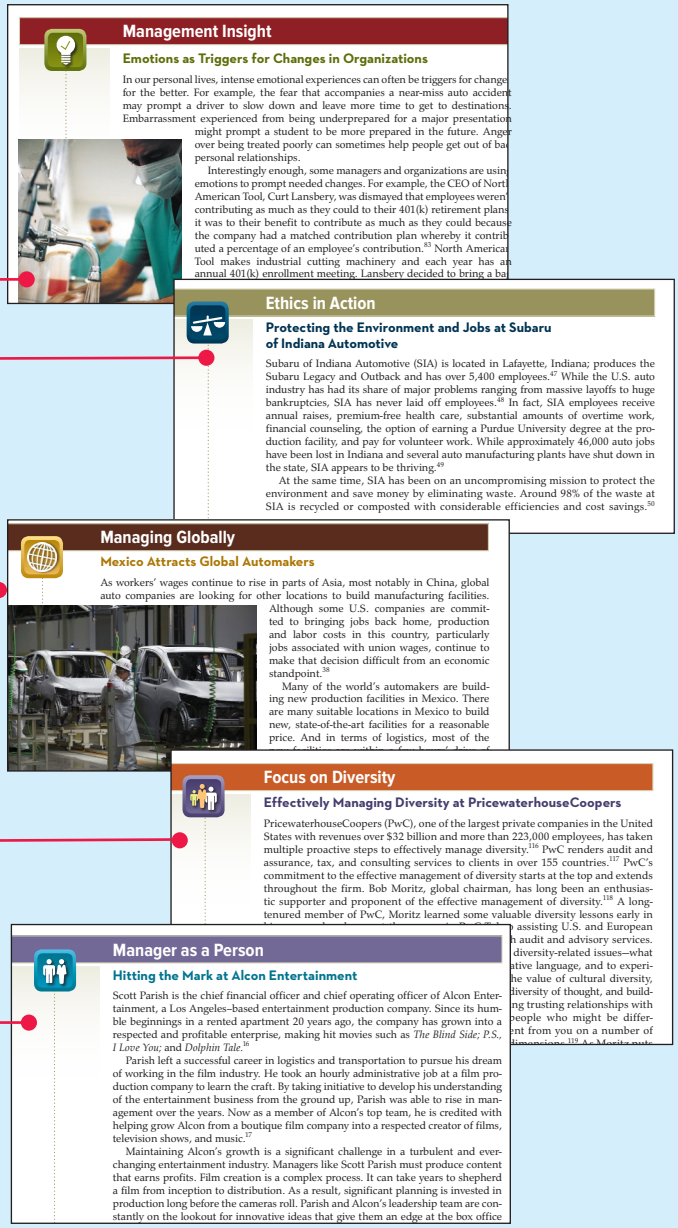
A Management Snapshot opens each chapter, posing a chapter-related challenge and then discussing how managers in one or more organizations responded to that challenge. These vignettes help demonstrate the uncertainty and excitement surrounding the management process.

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

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

Further emphasizing the unique content covered in Chapter 2, "Values, Attitudes, Emotions, and Culture: The Manager as a Person," the Manager as a Person boxes focus on how real managers brought about change within their organizations. These examples allow us to reflect on how individual managers dealt with real-life, on-the-job challenges related to various chapter concepts.

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



Management Insight

Emotions as Triggers for Changes in Organizations

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

Interestingly enough, some managers and organizations are using emotions to prompt needed changes. For example, the CEO of North American Tool, Curt Lansbery, was dismayed that employees weren't contributing as much as they could to their 401(k) retirement plans; it was to their benefit to contribute as much as they could because the company had a matched contribution plan whereby it contributed a percentage of an employee's contribution.[83] North American Tool makes industrial cutting machinery and each year has an annual 401(k) enrollment meeting. Lansbery decided to bring a ba

Ethics in Action

Protecting the Environment and Jobs at Subaru of Indiana Automotive

Subaru of Indiana Automotive (SIA) is located in Lafayette, Indiana; produces the Subaru Legacy and Outback and has over 5,400 employees.[47] While the U.S. auto industry has had its share of major problems ranging from massive layoffs to huge bankruptcies, SIA has never laid off employees.[48] In fact, SIA employees receive annual raises, premium-free health care, substantial amounts of overtime work, financial counseling, the option of earning a Purdue University degree at the production facility, and pay for volunteer work. While approximately 46,000 auto jobs have been lost in Indiana and several auto manufacturing plants have shut down in the state, SIA appears to be thriving.[49]

At the same time, SIA has been on an uncompromising mission to protect the environment and save money by eliminating waste. Around 98% of the waste at SIA is recycled or composted with considerable efficiencies and cost savings.[50]

Managing Globally

Mexico Attracts Global Automakers

As workers' wages continue to rise in parts of Asia, most notably in China, global auto companies are looking for other locations to build manufacturing facilities. Although some U.S. companies are committed to bringing jobs back home, production and labor costs in this country, particularly jobs associated with union wages, continue to make that decision difficult from an economic standpoint.[58]

Many of the world's automakers are building new production facilities in Mexico. There are many suitable locations in Mexico to build new, state-of-the-art facilities for a reasonable price. And in terms of logistics, most of the

Focus on Diversity

Effectively Managing Diversity at PricewaterhouseCoopers

PricewaterhouseCoopers (PwC), one of the largest private companies in the United States with revenues over $32 billion and more than 223,000 employees, has taken multiple proactive steps to effectively manage diversity.[116] PwC renders audit and assurance, tax, and consulting services to clients in over 155 countries.[117] PwC's commitment to the effective management of diversity starts at the top and extends throughout the firm. Bob Moritz, global chairman, has long been an enthusiastic supporter and proponent of the effective management of diversity.[118] A long-tenured member of PwC, Moritz learned some valuable diversity lessons early in

assisting U.S. and European
audit and advisory services.
diversity-related issues—what
ative language, and to experi-
he value of cultural diversity,
diversity of thought, and build-
ng trusting relationships with
people who might be differ-
ent from you on a number of

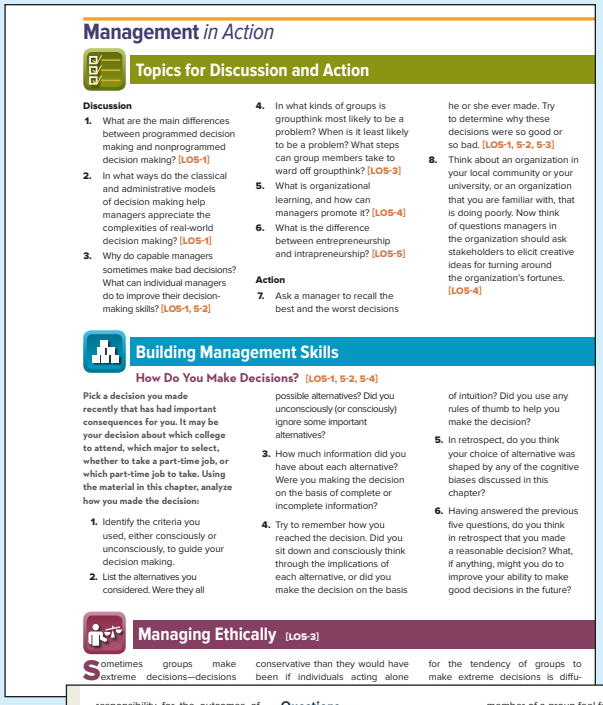
Manager as a Person

Hitting the Mark at Alcon Entertainment

Scott Parish is the chief financial officer and chief operating officer of Alcon Entertainment, a Los Angeles–based entertainment production company. Since its humble beginnings in a rented apartment 20 years ago, the company has grown into a respected and profitable enterprise, making hit movies such as *The Blind Side; P.S., I Love You;* and *Dolphin Tale*.[16]

Parish left a successful career in logistics and transportation to pursue his dream of working in the film industry. He took an hourly administrative job at a film production company to learn the craft. By taking initiative to develop his understanding of the entertainment business from the ground up, Parish was able to rise in management over the years. Now as a member of Alcon's top team, he is credited with helping grow Alcon from a boutique film company into a respected creator of films, television shows, and music.[17]

Maintaining Alcon's growth is a significant challenge in a turbulent and ever-changing entertainment industry. Managers like Scott Parish must produce content that earns profits. Film creation is a complex process. It can take years to shepherd a film from inception to distribution. As a result, significant planning is invested in production long before the cameras roll. Parish and Alcon's leadership team are constantly on the lookout for innovative ideas that give them an edge at the box office



Management *in Action*

Topics for Discussion and Action

Discussion

1. What are the main differences between programmed decision making and nonprogrammed decision making? [LO5-1]
2. In what ways do the classical and administrative models of decision making help managers appreciate the complexities of real-world decision making? [LO5-1]
3. Why do capable managers sometimes make bad decisions? What can individual managers do to improve their decision-making skills? [LO5-1, 5-2]
4. In what kinds of groups is groupthink most likely to be a problem? When is it least likely to be a problem? What steps can group members take to ward off groupthink? [LO5-3]
5. What is organizational learning, and how can managers promote it? [LO5-4]
6. What is the difference between entrepreneurship and intrapreneurship? [LO5-5]

Action

7. Ask a manager to recall the best and the worst decisions he or she ever made. Try to determine why these decisions were so good or so bad. [LO5-1, 5-2, 5-3]
8. Think about an organization in your local community or your university, or an organization that you are familiar with, that is doing poorly. Now think of questions managers in the organization should ask stakeholders to elicit creative ideas for turning around the organization's fortunes. [LO5-4]

Building Management Skills

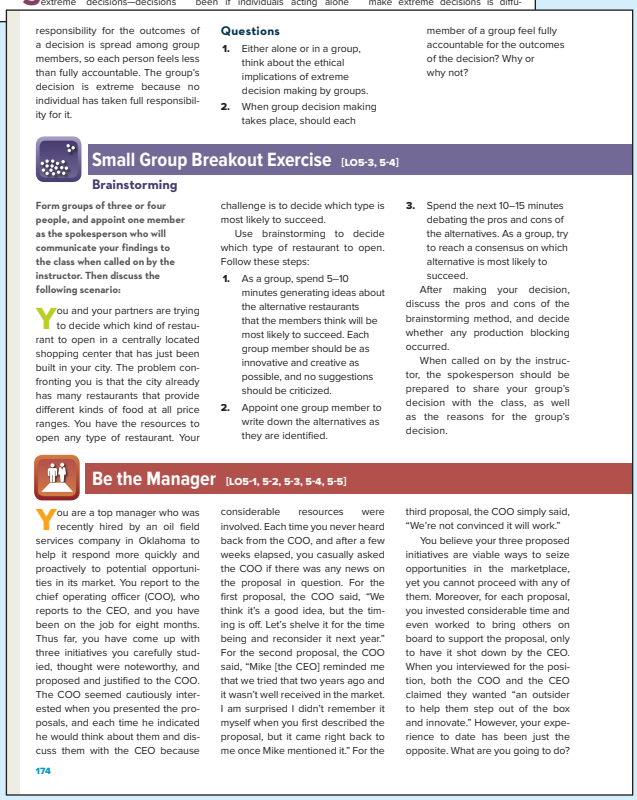
How Do You Make Decisions? [LO5-1, 5-2, 5-4]

Pick a decision you made recently that has had important consequences for you. It may be your decision about which college to attend, which major to select, whether to take a part-time job, or which part-time job to take. Using the material in this chapter, analyze how you made the decision:

1. Identify the criteria you used, either consciously or unconsciously, to guide your decision making.
2. List the alternatives you considered. Were they all possible alternatives? Did you unconsciously (or consciously) ignore some important alternatives?
3. How much information did you have about each alternative? Were you making the decision on the basis of complete or incomplete information?
4. Try to remember how you reached the decision. Did you sit down and consciously think through the implications of each alternative, or did you make the decision on the basis of intuition? Did you use any rules of thumb to help you make the decision?
5. In retrospect, do you think your choice of alternative was shaped by any of the cognitive biases discussed in this chapter?
6. Having answered the previous five questions, do you think in retrospect that you made a reasonable decision? What, if anything, might you do to improve your ability to make good decisions in the future?

Managing Ethically [LO5-3]

Sometimes groups make extreme decisions—decisions conservative than they would have been if individuals acting alone for the tendency of groups to make extreme decisions is diffu-



responsibility for the outcomes of a decision is spread among group members, so each person feels less than fully accountable. The group's decision is extreme because no individual has taken full responsibility for it.

Questions

1. Either alone or in a group, think about the ethical implications of extreme decision making by groups.
2. When group decision making takes place, should each member of a group feel fully accountable for the outcomes of the decision? Why or why not?

Small Group Breakout Exercise [LO5-3, 5-4]

Brainstorming

Form groups of three or four people, and appoint one member as the spokesperson who will communicate your findings to the class when called on by the instructor. Then discuss the following scenario:

You and your partners are trying to decide which kind of restaurant to open in a centrally located shopping center that has just been built in your city. The problem confronting you is that the city already has many restaurants that provide different kinds of food at all price ranges. You have the resources to open any type of restaurant. Your challenge is to decide which type is most likely to succeed.

Use brainstorming to decide which type of restaurant to open. Follow these steps:

1. As a group, spend 5–10 minutes generating ideas about the alternative restaurants that the members think will be most likely to succeed. Each group member should be as innovative and creative as possible, and no suggestions should be criticized.
2. Appoint one group member to write down the alternatives as they are identified.
3. Spend the next 10–15 minutes debating the pros and cons of the alternatives. As a group, try to reach a consensus on which alternative is most likely to succeed.

After making your decision, discuss the pros and cons of the brainstorming method, and decide whether any production blocking occurred.

When called on by the instructor, the spokesperson should be prepared to share your group's decision with the class, as well as the reasons for the group's decision.

Be the Manager [LO5-1, 5-2, 5-3, 5-4, 5-5]

You are a top manager who was recently hired by an oil field services company in Oklahoma to help it respond more quickly and proactively to potential opportunities in its market. You report to the chief operating officer (COO), who reports to the CEO, and you have been on the job for eight months. Thus far, you have come up with three initiatives you carefully studied, thought were noteworthy, and proposed and justified to the COO. The COO seemed cautiously interested when you presented the proposals, and each time he indicated he would think about them and discuss them with the CEO because considerable resources were involved. Each time you never heard back from the COO, and after a few weeks elapsed, you casually asked the COO if there was any news on the proposal in question. For the first proposal, the COO said, "We think it's a good idea, but the timing is off. Let's shelve it for the time being and reconsider it next year." For the second proposal, the COO said, "Mike [the CEO] reminded me that we tried that two years ago and it wasn't well received in the market. I am surprised I didn't remember it myself when you first described the proposal, but it came right back to me once Mike mentioned it." For the third proposal, the COO simply said, "We're not convinced it will work."

You believe your three proposed initiatives are viable ways to seize opportunities in the marketplace, yet you cannot proceed with any of them. Moreover, for each proposal, you invested considerable time and even worked to bring others on board to support the proposal, only to have it shot down by the CEO. When you interviewed for the position, both the COO and the CEO claimed they wanted "an outsider to help them step out of the box and innovate." However, your experience to date has been just the opposite. What are you going to do?

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EXPERIENTIAL LEARNING FEATURES

We have given considerable time and effort to developing state-of-the-art experiential end-of-chapter learning exercises that drive home the meaning of management to students. These exercises are grouped together at the end of each chapter in a section called "Management in Action." The following activities are included at the end of every chapter:

Topics for Discussion and Action are a set of chapter-related questions and points for reflection. Some ask students to research actual management issues and learn firsthand from practicing managers.

Building Management Skills is a self-developed exercise that asks students to apply what they have learned from their own experience in organizations and from managers or from the experiences of others.

Managing Ethically is an exercise that presents students with an ethical scenario or dilemma and asks them to think about the issue from an ethical perspective to better understand the issues facing practicing managers.

Small Group Breakout Exercise is designed to allow instructors in large classes to utilize interactive experiential exercises.

Be the Manager presents a realistic scenario where a manager or organization faces some kind of challenge, problem, or opportunity. These exercises provide students with a hands-on way of solving "real" problems by applying what they've just learned in the chapter.

Case in the News Each chapter has one Case in the News that is an actual or shortened version of a current article. The concluding questions encourage students to think about how real managers deal with problems in the business world.

***Bloomberg Businessweek* Case in the News** [LO 5-1, 5-2, 5-4, 5-5]

Comfy Carving: The Apex Boot Takes the Misery Out of Skiing

Author: Michael Behar

One winter morning in 2008, Scott Lippman was driving to Taos Ski Valley in New Mexico. He should have been giddy—a storm had dropped fresh powder overnight. But he wasn't. "On every run, I knew I'd have to stop halfway down and unbuckle my boots, because I couldn't feel my toes," says Lippman, 48, an inventory liquidator who lives in Santa Fe and often skis with his wife and 16-year-old twin daughters. He'd recently dropped $500 for footbed heaters and custom insoles and hired a professional fitter to stretch and grind his plastic shells into submission. None of it made the boots tolerable. After the trip, he considered quitting the sport for good. But first he did some Googling.

Lippman came across an online review of a boot, invented by a company called Apex Ski Boots, that because his right foot was stinging. "I took off my boot, and my big toe was bleeding, and the nail was ready to fall off," he says. On his next lift ride, he sat with a ski patroller. "Don't worry about the pain," the patroller said. "All good skiers lose their big toenails." The absurdity of the comment stuck with Tice: "I thought it was crazy. Here was this product that mangles your foot, and people had just accepted it."

Conventional recreational ski boots "are nothing more than dumbed-down race boots," says Apex co-founder Roger Neiley. Manufacturers such as Salomon and Nordica recruit racers to test models, providing feedback that heavily influences final designs. But racers don't care if their boots hurt. Because they're hurtling down steep pitches at 90 miles

Hanson started making boot-liner cushions from the material, called Flolite, and in the '70s launched a company with his brother. Their first product was a boot that opened from the back, like a hatchback, which fit more foot shapes and generally required less costly customization to make it tolerable.

By 2006, Neiley was two years into a product engineering gig for a snowboarding company in Southern California. "I kept thinking about why skiers had to be locked into this rigid, cold shell," he says. By contrast, snowboarders, whose soft-shelled boots are more flexible, got to enjoy pain-free riding. Neiley called Hanson, whom he'd known since his ski-racing days, and the two quickly agreed that boot technology had evolved enough that the impossible should be possible.

TEACHING RESOURCES

Great care was used in the creation of the supplementary material to accompany *Essentials of Contemporary Management.* Whether you are a seasoned faculty member or a newly minted instructor, you'll find our support materials to be the most thorough and thoughtful ever created.

Instructor's Manual (IM) The IM supporting this text has been completely updated in order to save instructors' time and support them in delivering the most effective course to their students. For each chapter, this manual provides a chapter overview and lecture outline with integrated PowerPoint® slides, lecture enhancers, notes for end-of-chapter materials, video cases and teaching notes, and more.

PowerPoint® Presentation Forty slides per chapter feature reproductions of key tables and figures from the text as well as original content. Lecture-enhancing additions such as quick polling questions and examples from outside the text can be used to generate discussion and illustrate management concepts.

Test Bank The test bank has been thoroughly reviewed, revised, and improved. There are approximately 100 questions per chapter, including true/false, multiple-choice, and essay. Each question is tagged with learning objective, level of difficulty (corresponding to Bloom's taxonomy of educational objectives), and AACSB standards. The AACSB tags allow instructors to sort questions by the various standards and create reports to help give assurance that they are including recommended learning experiences in their curricula.

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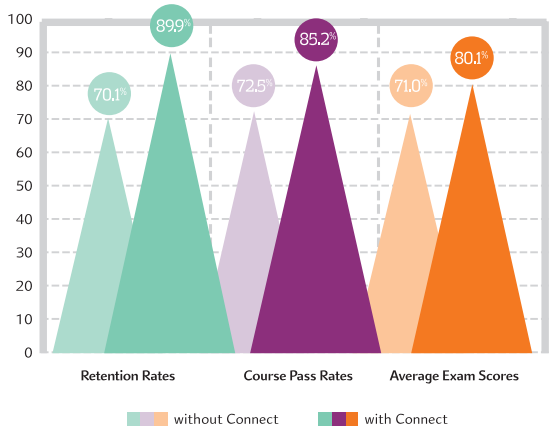

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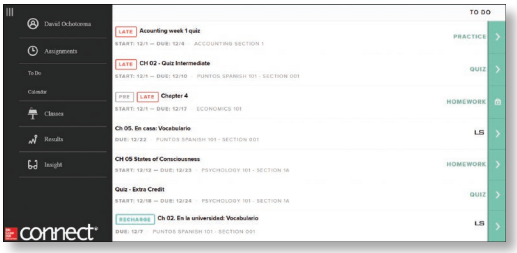

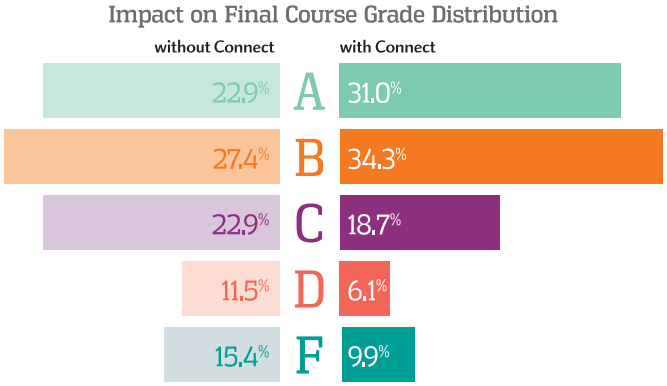

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Producing any competitive work is a challenge. Producing a truly market-driven textbook requires tremendous effort beyond simply obtaining reviews on a draft manuscript. Our goal behind the development of *Essentials of Contemporary Management* has been clear-cut: to be the most customer-driven essentials of management text and supplement package ever published! The favorable reception that our book has received from its users suggests that our thorough product development plan did lead to a book that has met the expectations of both faculty and students. For the new edition, we have continued to add new reviewers to the more than 200 faculty who originally took part in developmental activities ranging from regional focus groups to manuscript reviews and surveys. Consequently, we're confident that the changes we have made to our book and its excellent support package will even more closely meet your expectations and needs.

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Thomas D. Craven, *York College of Pennsylvania*
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Brad D. Hays, *North Central State College*
Gary Hensel, *McHenry Community College*
Robert A. Herring III, *Winston-Salem State University*
Eileen Bartels Hewitt, *University of Scranton*
Stephen R. Hiatt, *Catawba College*
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Adrienne Hinds, *Northern Virginia Community College*
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Gordon K. Huddleston, *South Carolina State University*
John Hughes, *Texas Tech University*
Larry W. Hughes, *University of Nebraska at Kearney*
Tammy Hunt, *University of North Carolina–Wilmington*
Gary S. Insch, *West Virginia University*
Charleen Jaeb, *Cuyahoga Community College*
Velma Jesser, *Lane Community College*
Richard E. Johe, *Salem College*
Gwendolyn Jones, *The University of Akron*
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Jehan G. Kavoosi, *Clarion University of Pennsylvania*
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Richard R. J. Morin, *James Madison University*
Don Moseley, *University of South Alabama–Mobile*
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Jesse H. Jones Graduate School of Business
Rice University

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PART 1

1 The Management Process Today

Learning Objectives

After studying this chapter, you should be able to:

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

LO 1-2 Distinguish among planning, organizing, leading, and controlling (the four principal managerial tasks), and explain how managers' ability to handle each one affects organizational performance.

LO 1-3 Differentiate among three levels of management, and understand the tasks and responsibilities of managers at different levels in the organizational hierarchy.

LO 1-4 Distinguish among three kinds of managerial skill, and explain why managers are divided into different departments to perform their tasks more efficiently and effectively.

LO 1-5 Discuss some major changes in management practices today that have occurred as a result of globalization and the use of advanced information technology (IT).

LO 1-6 Discuss the principal challenges managers face in today's increasingly competitive global environment.

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BuzzFeed founder and CEO Jonah Peretti considers his global media company a learning-driven culture, providing a continuous loop of information and data to consumers that generates 7 billion views each month. ©Manuel Blondeau/AOP Press/Corbis/Getty Images

MANAGEMENT SNAPSHOT

BuzzFeed Shares Content on a Global Scale

How Does Technology Affect the Way Managers Manage?

If you are one of the millions of people across the planet who read content produced by global media giant BuzzFeed on a variety of social media platforms, you understand that news and other information are meant to be shared. This idea is what prompted BuzzFeed's founder and CEO, Jonah Peretti, to create an organization that doesn't stand still, sometimes moving at the speed of light to create content, collect data about who is sharing the information, and then tailor the content to specific audiences around the world.

According to its website, BuzzFeed is a cross-platform, global network for news and entertainment that generates 7 billion views each month. The company creates and distributes content for a global audience in 7 languages and 11 different editions, across more than 30 social platforms, including Facebook, Twitter, Tumblr, Vine, Snapchat, Instagram, Pinterest, YouTube, and others.[1]

A former teacher and cofounder of *The Huffington Post,* Peretti is fascinated with information and the rich history of Paramount Pictures, a studio and business model that Peretti tries to emulate. This is because Paramount owned its production studio, owned the contracts of its own cast of talent, and its own distribution channel (movie theaters), which gave the entertainment icon the ability to adapt quickly as business changed over the last century. Peretti and his management team use a model similar to Paramount's, owning all the key components of a media business: a global news operation, its own video production studio, a complex data-analytics operation, an in-house creative agency, and a diverse distribution channel. With 18 offices and more than 1,300 employees worldwide, BuzzFeed thrives on developing and controlling the original content it produces across various platforms.[2]

A few years ago, Peretti made an interesting observation that helped him and his managers shift the company's focus quickly. He figured out that most people did not want to leave their social apps to go and find information. Instead of steering web traffic strictly to BuzzFeed's website, Peretti decided the company would publish content, images, and videos on digital platforms where people spend the most time.[3]

Peretti considers his company a "learning-driven" culture and a continuous loop of information and data. All of the original articles and videos created by BuzzFeed staff are the inputs that drive the data-analytics operation, which informs company management how BuzzFeed should create and distribute the advertising it produces for many of the world's top brands.

A key component of the company's business model is using branded "native" advertising—information designed to have the look and feel of the content it runs beside on a social platform. One of BuzzFeed's most popular videos for Purina brand Friskies cat food ("Dear Kitten") has been viewed on YouTube more than 27 million times. The company recently entered into a deal to produce "native" ads in collaboration with GroupM, a division of one of the world's largest advertising agencies. The collaboration has already led to videos for many different clients, including Nike and Target, with more video production in development.[4]

To keep the video approach fresh, BuzzFeed employees are organized into teams of no more than seven members that work on a specific type of video. To ensure that no one gets complacent (or bored), the entire staff is reorganized into different teams every three months. Company management believes this strategy keeps the creative process fresh—and fun. Advertising and viral videos can be exciting at BuzzFeed, but there's serious news, too. The BuzzFeed news group includes hundreds of reporters and editors who cover politics, business, investigative journalism, and entertainment. The news group at BuzzFeed has published several high-profile stories that have received millions of digital reads and several journalism awards for their investigative work.[5]

With its data-analytics group tracking and collecting information that helps shape content and provide a deeper understanding about its global audience, BuzzFeed has undertaken a data initiative called Hive, which promises to shift the company's business model yet again and challenge managers and employees to become even more agile. One goal of Hive is to track every editorial idea across all of BuzzFeed's many platforms. For example, consider a recipe for slow-cooked chicken. On the web, the recipe is described in seven easy steps. On Facebook, the recipe becomes a 46-second video, and then a 15-second video clip on Instagram with instructions written as a comment. Next the recipe is posted with two images on Pinterest—and a link back to the Facebook video. Hive promises to keep Peretti's "continuous information loop" in constant motion.[6]

Videos, news, native ads, entertainment, images, and big data—all in a day's work for the BuzzFeed managers who guide this media juggernaut, which was recently named one of 2016's most innovative companies by *Fast Company* magazine.[7]

Overview

Managing a company is a complex activity, and effective managers like Jonah Peretti face many challenges from within and outside their organizations. Management is an unpredictable process. Making the right decision is often difficult, and even successful managers often make mistakes. But the most effective managers learn from their mistakes and continually try to find ways to improve their companies' performance.

In this chapter we look at what managers do and what skills and abilities they must develop to manage their organizations successfully. We also identify the different kinds of managers that organizations need and the skills and abilities they must develop to succeed. Finally, we identify some challenges managers must address if their organizations are to grow and prosper.

What Is Management?

When you think of a manager, what kind of person comes to mind? Do you think of an executive like Jonah Peretti, who helps direct his company? Or do you see a manager at a fast-food restaurant, who deals directly with employees and customers, or the person you answer to if you have a part-time job? What do all these people have in common? First, they all work in

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

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

organizations. **Organizations** are collections of people who work together and coordinate their actions to achieve a wide variety of goals or desired future outcomes. Second, as managers, they are the people responsible for supervising and making the most of an organization's human and other resources to achieve its goals.

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

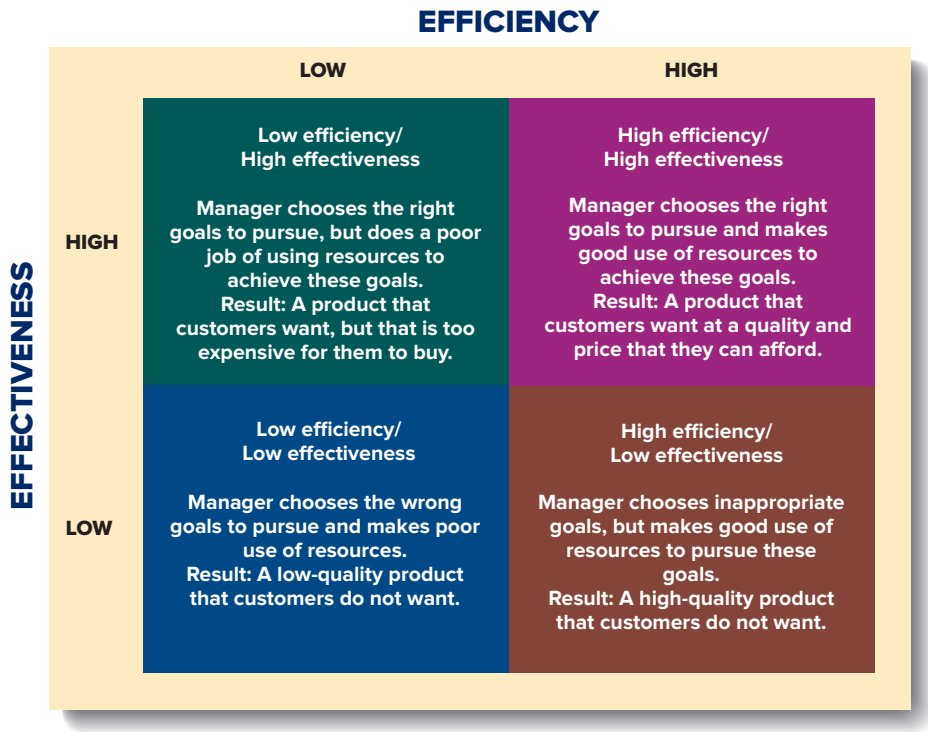
Achieving High Performance: A Manager's Goal

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

One of the most important goals that organizations and their members try to achieve is to provide some kind of good or service that customers value or desire. Jonah Peretti's principal goal is to manage BuzzFeed so that it creates a continuous stream of new content—videos, news, and other information that consumers are willing to read and share on a variety of social platforms or "native" advertising that the world's top brands are willing to pay for. Likewise, the principal goal of fast-food managers is to produce tasty and convenient food that customers enjoy and come back to buy again and again.

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

Figure 1.1
Efficiency, Effectiveness, and Performance in an Organization



High-performing organizations are efficient *and* effective.

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

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

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

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

To encourage efficiency, Jonah Peretti decided to share BuzzFeed's original content on multiple social media platforms instead of steering traffic to the company's own website. In this way, content can be tailored to specific audiences, and its global reach increases exponentially. In addition, with its sophisticated data-analytics process, BuzzFeed can track how and where its content (including videos and advertising) is being viewed. Recent estimates put the average number of BuzzFeed monthly content views at 7 billion.[8]

Effectiveness is a measure of the *appropriateness* of the goals that managers have selected for the organization to pursue and the degree to which the organization achieves those goals. Organizations are effective when managers choose appropriate goals and then achieve them. Some years ago, for example, managers at McDonald's decided on the goal of providing breakfast service to attract more customers. The choice of this goal has proved smart. Over recent years, sales of breakfast food accounted for more than 30% of McDonald's revenues. In 2015, in an effort to increase sales, McDonald's management decided to offer breakfast items all day long, a strategy that has been successful and well received by customers.[9]

High-performing organizations, such as Apple, McDonald's, Walmart, Intel, Home Depot, Accenture, and Habitat for Humanity are simultaneously efficient and effective. Effective managers are those who choose the right organizational goals to pursue and have the skills to utilize resources efficiently.

Why Study Management?

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

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

The economic benefits of becoming a good manager are also impressive. In the United States, general managers earn a median annual wage of $97,730, with a projected growth rate in job openings of 5% to 8% between now and 2024.[10]

Finally, learning management principles can help you make good decisions in nonwork situations. If you're coaching a child's soccer team, organizing a charity

5K run, planning your financial budget, or starting a new business, good management principles will help you understand others, make quality decisions, and improve your overall personal success.

Essential Managerial Tasks

LO 1-2 Distinguish among planning, organizing, leading, and controlling (the four principal managerial tasks), and explain how managers' ability to handle each one affects organizational performance.

The job of management is to help an organization make the best use of its resources to achieve its goals. How do managers accomplish this objective? They do so by performing four essential managerial tasks: *planning, organizing, leading,* and *controlling.* The arrows linking these tasks in Figure 1.2 suggest the sequence in which managers typically perform them. French manager Henri Fayol first outlined the nature of these managerial activities around the turn of the 20th century in *General and Industrial Management,* a book that remains the classic statement of what managers must do to create a high-performing organization.[11]

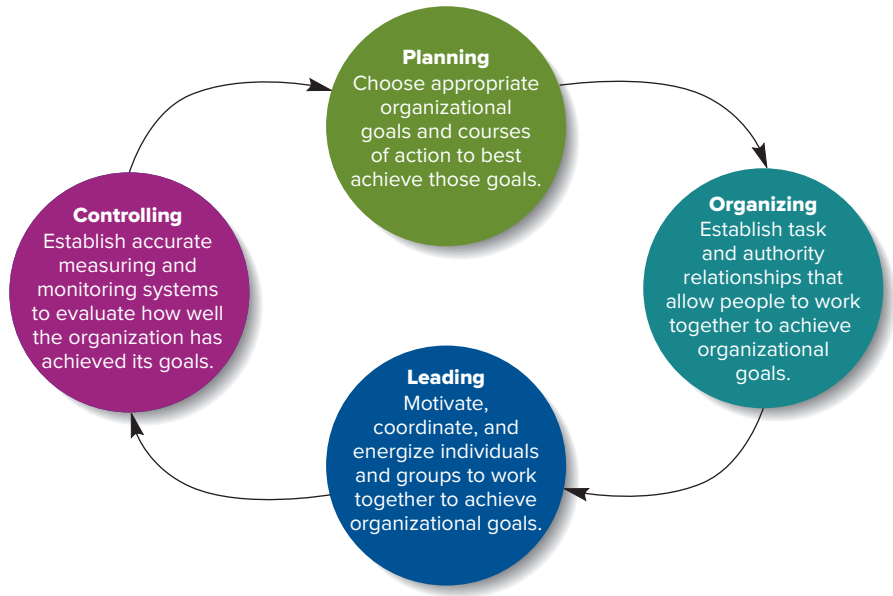
Managers at all levels and in all departments—whether in small or large companies, for-profit or not-for-profit organizations, or organizations that operate in one country or throughout the world—are responsible for performing these four tasks, which we look at next. How well managers perform these tasks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

Planning

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

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

Figure 1.2
Four Tasks of Management



those goals, and (3) deciding how to allocate organizational resources to pursue the strategies that attain those goals. How well managers plan and develop strategies determines how effective and efficient the organization is—its performance level.[12]

As an example of planning in action, consider BuzzFeed's collaborations and partnerships with "traditional" media outlets such as advertising agencies and television networks. Because of its strong reputation for effective "native" advertising on digital platforms and its data-metrics expertise, BuzzFeed partnered with GroupM, the media-buying unit of advertising conglomerate WPP, to create branded content for clients such as Unilever and Target. As part of the deal, GroupM was the first ad agency to use Pound, BuzzFeed's proprietary data system that provides insight into how content is shared among various digital platforms.[13]

In an effort to attract more Millennial viewers to the 2016 Rio Olympic Games, Comcast's NBCUniversal teamed up with BuzzFeed and used the messaging app Snapchat to distribute Olympic-related content, attracting more than 35 million viewers over the two-week sporting event. The two companies recently announced that NBCUniversal made an additional $200 million investment in BuzzFeed, doubling the original investment it made in 2015, which would help expand and fund the growth of BuzzFeed's news and entertainment network.[14] This financial investment will not only help BuzzFeed grow, but it will also shape the company's planning into an effective business **strategy**, which is a cluster of decisions concerning what organizational goals to pursue, what actions to take, and how to use resources to achieve those goals.

strategy A cluster of decisions about what goals to pursue, what actions to take, and how to use resources to achieve those goals.

Planning strategy is complex and difficult, especially because planning is done under uncertainty when the result is unknown so that either success or failure is a possible outcome of the planning process. Managers take major risks when they commit organizational resources to pursue a particular strategy.

Organizing

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

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

The outcome of organizing is the creation of an **organizational structure**, a formal system of task and reporting relationships that coordinates and motivates members so they work together to achieve organizational goals. Organizational structure determines how an organization's resources can be best used to create goods and services. As BuzzFeed grows in size and scope, management faces the issue of how to structure the company while maintaining its core values and business strategies. The company once known for silly cat videos now produces investigative news reports, entertaining "native" ads, and data analytics that have expanded the company's global reach and revenues. This requires coordinating activities of an expanding workforce employed across several countries on multiple projects on different digital platforms. To help address the company's organizational structure while growing the business, Jonah Peretti recently announced that BuzzFeed will split into two divisions: BuzzFeed News and BuzzFeed Entertainment Group.[15] We examine the organizing process in detail in Chapter 9.

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

Leading

leading Articulating a clear vision and energizing and enabling organizational members so they understand the part they play in achieving organizational goals; one of the four principal tasks of management.

An organization's *vision* is a short, succinct, and inspiring statement of what the organization intends to become and the goals it is seeking to achieve—its desired future state. In **leading**, managers articulate a clear organizational vision for the organization's members to accomplish, and they energize and enable employees so everyone understands the part he or she plays in achieving organizational goals. Leadership involves managers using their power, personality, influence, persuasion, and communication skills to coordinate people and groups so their activities and efforts are in harmony. Leadership revolves around encouraging all employees to perform at a high level to help the organization achieve its vision and goals. Another outcome of leadership is a highly motivated and committed workforce. BuzzFeed's more than 1,300 employees appreciate the core values and stability of their leadership, which contributes to their success as a workforce. In addition, because of his teaching background and previous business experience cofounding *The Huffington Post,* Jonah Peretti knows what it takes to be successful and is better able to relate to his employees. We discuss the issues involved in managing and leading individuals and groups in Chapters 9 through 12.

Controlling

controlling Evaluating how well an organization is achieving its goals and taking action to maintain or improve performance; one of the four principal tasks of management.

In **controlling**, the task of managers is to evaluate how well an organization has achieved its goals and to take any corrective actions needed to maintain or improve performance. For example, managers monitor the performance of individuals, departments, and the organization as a whole to see whether they are meeting desired performance standards. As a successful businessperson, Jonah Peretti understands the importance of monitoring performance to ensure that BuzzFeed realizes its profit objectives. When these goals fall short, Peretti and his management team must find ways to improve overall performance.

The outcome of the control process is the ability to measure performance accurately and regulate organizational efficiency and effectiveness. To exercise control, managers must decide which goals to measure—perhaps goals pertaining to productivity, quality, or responsiveness to customers—and then they must design control systems that will provide the information necessary to assess performance—that is, determine to what degree the goals have been met. The controlling task also helps managers evaluate how well they themselves are performing the other three tasks of management—planning, organizing, and leading—and take corrective action.

Cost control is a balancing act for any digital business due to the contingencies that affect the production of videos, news, images, advertising, and other original content. Schedule demands, changes in creative direction, and even current events can affect production costs, representing a constant challenge to BuzzFeed managers. However, solid business strategies and strong leadership can help give BuzzFeed an advantage over its competitors.

The four managerial tasks—planning, organizing, leading, and controlling—are essential parts of a manager's job. At all levels in the managerial hierarchy, and across all jobs and departments in an organization, effective management means performing these four activities successfully—in ways that increase efficiency and effectiveness. One manager who is passionate about his industry is Scott Parish, who is profiled in the "Manager as a Person" feature.