

FOURTH CANADIAN EDITION

MANAGEMENT

JOHN SCHERMERHORN • DANIEL BACHRACH • BARRY WRIGHT



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About the Authors

BARRY WRIGHT MA, PH.D., is an associate professor and previously the interim dean at the Goodman School of Business at Brock University in St. Catharines, Ontario, and is the former director of the Niagara Community Observatory. Dr. Wright has over 25 years of experience in the classroom. Prior to joining the faculty at Brock, he worked as a professor at St. Francis Xavier University, and taught at the International Study Centre in Herstmonceux, United Kingdom, and at Queen's University in Kingston, Ontario. He has also worked as an administrator with the City of Red Deer, Alberta. During his career as an educator, Barry has received several excellence in teaching awards at both the undergraduate and graduate student levels.

At home in the classroom, Barry is also comfortable in the boardroom. He has served on several boards of directors, most recently as board chair of the Niagara Health System, and has also provided a variety of training and research consultations to a number of Canadian private and public organizations. These services have included the development and implementation of programs in leadership, employee motivation, strategic planning, diversity management, stress management, and managing organizational change. Barry also provides one-on-one “coaching” sessions for senior executives who have expressed a desire for outside counsel.

He received his MA (Sport Psychology) and Ph.D. (Management) degrees from Queen's University. His academic research focuses on understanding and solving leadership challenges, change and its influence on organizational members, and creating effective work environments.

Barry enjoys being married and being a father, coaching sports, a trip to the art gallery, travelling, and a good laugh.

DR. JOHN R. SCHERMERHORN, JR., is the Charles G. O'Brien Professor of Management Emeritus in the College of Business at Ohio University, where he teaches graduate courses in management and organizational behaviour. Dr. Schermerhorn earned a Ph.D. in organizational behaviour from Northwestern University, an MBA (with distinction) in management and international business from New York University, and a BS in business administration from the State University of New York at Buffalo. He previously taught at Tulane University, the University of Vermont, and Southern Illinois University at Carbondale, where he also served as head of the Department of Management and associate dean of the College of Business Administration.

International experience adds a unique global dimension to Dr. Schermerhorn's teaching and writing. He holds an honorary doctorate from the University of Pécs in Hungary. He was a visiting professor of management at the Chinese

University of Hong Kong, on-site coordinator of the Ohio University MBA and Executive MBA programs in Malaysia, and Kohei Miura visiting professor at Chubu University in Japan. He has served as adjunct professor at the National University of Ireland at Galway and advisor to the Lao-American College in Vientiane, Laos. He presently teaches an MBA course at Università Politecnica Delle Marche in Ancona, Italy, and Ph.D. seminars in the Knowledge and Innovation Management doctoral program at Bangkok University, Thailand. At Ohio University he has twice been Director of the Center for Southeast Asian Studies.

A member of the Academy of Management, Dr. Schermerhorn was chairperson of the Management Education and Development Division. Management educators and students alike know him as author of *Exploring Management 4e* (Wiley, 2014) and *Management 12e* (Wiley, 2013) and co-author of *Organizational Behavior 4e* (Wiley, 2014). Dr. Schermerhorn has also published numerous articles, including ones in the *Academy of Management Journal*, *Academy of Management Review*, *Academy of Management Executive*, *Organizational Dynamics*, *Asia-Pacific Journal of Management*, *Journal of Management Development*, and *Journal of Management Education*.

Ohio University named Dr. Schermerhorn a University Professor, the university's highest campus-wide honour for excellence in undergraduate teaching. He is a popular guest speaker at colleges and universities. He is available for student lectures and classroom visits, as well as for faculty workshops on scholarly manuscript development, textbook writing, high engagement teaching, and instructional and curriculum innovations.

DR. DANIEL (DAN) G. BACHRACH is the Robert C. and Rosa P. Morrow Faculty Excellence Fellow and Professor of Management in the Culverhouse College of Commerce and Business Administration at the University of Alabama, where he teaches graduate and undergraduate courses in management. Dr. Bachrach earned a Ph.D. in organizational behaviour and human resource management—with a minor emphasis in strategic management—from Indiana University's Kelley School of Business, an MS in industrial/organizational psychology from the University of Wisconsin-Oshkosh, and a BA in psychology from Bates College in Lewiston, Maine.

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in Production and Service Settings (Oxford University Press, 2014), co-author of *Transformative Selling: Becoming a Resource Manager and a Knowledge Broker* (Apress, 2014), and senior co-author of *10 Don'ts on Your Digital Devices: The Non-Techie's Survival Guide to Digital Security and Privacy* (Apress, 2014). Dr. Bachrach also has published extensively in a number of academic journals, including *Organization Science*,

Journal of Applied Psychology, *Strategic Management Journal*, *Organizational Behavior and Human Decision Processes*, *Personnel Psychology*, *Journal of Management*, *Leadership Quarterly*, *Production and Operations Management*, *Journal of Operations Management*, *Journal of Supply Chain Management*, and *Journal of Personal Selling and Sales Management*.

Today's global workplace requires careful navigation. Sometimes the waters are choppy and sometimes it's smooth sailing. No matter the conditions, a successful organization requires skilled leaders at the helm and confident team members who know the ropes.

With ever-changing technology and market conditions and opportunities, today's organizations must be nimble. It requires strategy, planning, teamwork, communication, and preparation to be able to change course quickly. It is no longer an option to remain safe in the harbour; organizations know that taking risk is the path to success.

As you embark on your learning journey, this text will give you a firm understanding of management theory and practices that will prepare you to launch your career, no matter which way the winds blow. Whether you want to become a captain or a valued crew member, *Management 4e* presents the tools to succeed from a Canadian perspective.

New to *Management 4e*

Management 4e has been revised and updated with a focus on real-world anchors for timely content, student engagement in critical thinking about real-world and personal career issues, and instructor opportunities for enriched classroom activities and assignments.

Timely content—All content has been updated. Examples of new and expanded coverage include triple bottom line and shared value view (Chapter 3), disruptive innovation and human sustainability (Chapter 4), reshoring and tax inversions (Chapter 5), social entrepreneurship and crowdfunding (Chapter 6), data mining and analytics (Chapter 7), goal management and goal alignment (Chapter 8 and Chapter 16), employment issues and controversies (Chapter 13), leadership and followership (Chapter 14), technology personality and mood contagion (Chapter 15), and team virtuousness (Chapter 17).

Student engagement features—Student engagement is an embedded theme in *Management 4e*. Look for these features that bring life to disciplinary content: *Analysis*—Make Data Your Friend, *Choices*—Think before You Act, *Ethics*—Know Right from Wrong, *Insight*—Keep Learning about Yourself, and *Wisdom*—Learn from Role Models. Each feature is designed and visually presented to attract student attention and engage them in reflection and critical thinking. These features are introduced at the very outset of each chapter as part of *What to Look for Inside: Management Is Real*.

Enriched classroom opportunities—The active and enriched classroom is also an embedded theme in *Management 4e*. Look for these opportunities that make it easy to bring text content

to life in discussions, activities, and individual and team assignments: Evaluate Career Situations, Reflect on the Self-Assessment, Contribute to the Class Exercise, Manage a Critical Incident, Collaborate on the Team Activity, and Analyze the Case Study. These instructional enrichments are introduced at the very beginning of each chapter as part of *What to Look for Inside: Skills Make You Valuable*.

Management 4e Philosophy

Today's students are tomorrow's leaders and managers. They are our hope for the future during this time of social transformation. New values and management approaches are appearing; organizations are changing forms and practices; jobs are being redefined and relocated; the age of information is a major force in our lives; and the intricacies of globalization are presenting major organizational and economic challenges.

Management 4e is designed to help students discover their true potential and accept personal responsibilities for developing career skills.

Management 4e and its rich selection of timely examples and thought-provoking features for analysis and reflection is designed for this new world of work. It is crafted to help students understand that management is real and is an everyday part of their lives. By engaging with *Management 4e*, students explore the essentials of management while also discovering their true potential for developing useful career skills. The content, pedagogy, and features of this edition were carefully blended to support management educators who want their students to:

- grow in career readiness,
- become attractive internship and job candidates,
- gain confidence in critical thinking,
- identify timely social and organizational issues, and
- embrace lifelong learning for career success.

Management 4e Pedagogy

The pedagogical foundations of *Management 4e* are based on four constructive balances that are essential to higher education for business and management.

- **The balance of research insights with formative education.** As educators we must be willing to make choices when bringing the theories and concepts of our discipline to the attention of the introductory student. We cannot do everything in one course. The goal should be to make good content choices that set the best possible foundations for lifelong learning.

Our goal as educators should be to make good content and pedagogical choices that set the best possible foundations for lifelong learning.

- **The balance of management theory with management practice.** As educators we must understand the compelling needs of students to learn and appreciate the applications of the material they are reading and thinking about. We must continually bring to their attention interesting and relevant examples.
- **The balance of present understandings with future possibilities.** As educators we must continually search for the directions in which the real world of management is heading. We must select and present materials that can both point students in the right directions and help them develop the confidence and self-respect needed to best pursue them.
- **The balance of what “can” be done with what is, purely and simply, the “right” thing to do.** As educators we are role models; we set the examples. We must be willing to take stands on issues such as managerial ethics and social responsibility. We must be careful not to let the concept of “contingency” betray the need for positive “action” and “accountability” in managerial practice.

We are role models . . . we must be willing to take stands on issues such as managerial ethics and social responsibility.

Our students have pressing needs for direction as well as suggestion. They have needs for application as well as information. They have needs for integration as well as presentation. And they have needs for confidence that comes from solid understanding. Our goal is to put into your hands and into those of your students a learning resource that can help meet these needs.

Management 4e Highlights

Management 4e introduces the essentials of management as they apply to organizations and careers in a complex global society. The subject matter is carefully chosen to meet Association to Advance Collegiate Schools of Business (AACSB) accreditation guidelines, while still allowing extensive flexibility to fit various course designs, class sizes, and delivery formats.

The timely content offers flexibility in meeting a wide variety of course objectives and instructor preferences. The material is organized in five logical parts—Management, Environment, Planning and Controlling, Organizing, and Leading. The parts and the accompanying material can be used in any order and combination. All content has been updated and enriched with new features and examples from the latest current events.

Learning Model

The *Management 4e* learning model makes it easy for students to read, study, reflect, and use critical thinking. Their attention is focused on building management skills and competencies through active learning, and on discovering that management issues and themes permeate current events that affect everyday living.

The *Management 4e* learning model makes it easy for students to study, reflect, and use critical thinking as they read.

Each chapter opens with a compelling photo and quote, followed by a learning dashboard that provides a *Chapter Quick Start* overview, list of *Takeaway Questions*, and a *What to Look for Inside* directory in two parts: *Management Is Real*—with features on Analysis, Choices, Ethics, Insight, and Wisdom; and *Skills Make You Valuable*—with features to Evaluate, Reflect, Contribute, Manage, Collaborate, and Analyze. Figures and online animations provide visual support for student comprehension as concepts, theories, and terms are introduced. The *Management Learning Review* section helps students prepare for quizzes and exams by completing a *Takeaway Question Summary* and *Self-Test*. Interactive self-assessments give students a chance to engage with some of the end-of-chapter questions in an online environment.

Self-Reflection, Active Learning, and Critical Thinking

The *What to Look for Inside* guide in the learning dashboard points out the many features in *Management 4e* that provide students with important opportunities for self-reflection, active learning, and critical thinking. *Management Is Real* features current events, timely issues, and real people and situations to build awareness and stimulate personal reflection.

At the end of each chapter, *Skills Make You Valuable* features provide a variety of opportunities to build management skills through individual and team learning activities.

A sampling of the *Management Is Real* and *Skills Make You Valuable* features follows:

What to Look for **Inside**

Management Is Real

- 4.1 Analysis** Make Data Your Friend
Social Attitudes Shift on Women at Work, but Concerns for Equality Persist
- 4.2 Ethics** Know Right from Wrong
Offshore E-Waste Graveyards Bury a Problem
- 4.3 Insight** Keep Learning about Yourself
Risk Taking Has Its Ups and Downs
- 4.4 Wisdom** Learn from Role Models
The Westons Take the Cake
- 4.5 Choices** Think before You Act
Sustainability Ranks Low among Global Executive Challenges

Skills Make You Valuable

- **Evaluate** *Career Situations:*
What Would You Do?
- **Reflect** *On the Self-Assessment:*
Tolerance for Ambiguity
- **Contribute** *To the Class Exercise:*
The Future Workplace
- **Manage** *A Critical Incident:*
It's Also about Respect
- **Collaborate** *On the Team Activity:*
Organizational Commitment to Sustainability Scorecard
- **Analyze** *The Case Study:*
Timberland—From Bootmaker to Earthkeeper: Walking a Green Path

Management 4e Exceptional Content in Any Media

WileyPLUS is an online teaching and learning platform that integrates text with interactive and multimedia content, online tools, and resources to provide a contemporary and appealing learning experience. Offering this product in WileyPLUS along with a stand-alone eText and practical printed text options allows the flexibility to suit any course format, whether it be face-to-face, a hybrid/blended learning environment, or an online class. Features in WileyPLUS include:

- a complete version of the eText
- ORION, a personalized, adaptive learning experience that gives students the practice they need to build proficiency on topics while using their study time more effectively. The adaptive engine is powered by unique questions for the entire content, giving students endless opportunities for practice throughout the course.
- Author videos: Students can view Dan Bachrach's and John Schermerhorn's videos before class. These videos highlight core content for learning objectives. These tutorials are intended to enhance students' comprehension and facilitate students' learning in their management course and provide the additional learning assistance that students need to bridge the gap between theory and application.

- Video cases: Video cases accompanying each chapter help to illustrate and expand on relevant topics and allow for further analysis and critical thinking. The videos are accompanied by teaching notes that provide starting points for lectures or for general class discussion.
- Career Center: This special guide to building a student portfolio is complete with professional resumé and competency documentations as well as Career Coach videos. Students can also access CareerShift, a leading job search tool.
- Management Weekly Updates: These timely updates keep you and your students updated and informed on the very latest in business news stories. Each week you will find links to five new articles, video clips, business news stories, and so much more with discussion questions to elaborate on the stories in the classroom.

Management 4e Teaching and Learning Resources

Instructor's Resource Manual

The Instructor's Resource Manual offers helpful teaching ideas; advice on course development; sample assignments; and text highlights, learning objectives, lecture outlines, class exercises, lecture notes, answers to questions, and tips on using cases.

Test Bank

This comprehensive Test Bank consists of more than 200 questions per chapter. Each chapter includes true/false, multiple-choice, and short-answer questions. The questions are designed to vary in degree of difficulty to challenge your students. All questions are tagged with learning objectives, Bloom's Taxonomy categories, and AACSB Standards. The Computerized Test Bank is from a test-generating program that allows instructors to modify and add questions to the Test Bank, and to customize their exams.

Practice Quizzes

These online quizzes of varying levels of difficulty focus on key terms and concepts and are designed to help students evaluate their individual progress.

PowerPoint Presentation Slides

This robust set of slides will enhance your students' overall experience in the management classroom.

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Barry Wright
St. Catharines, Ontario
August 2017

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Management Today

Canada geese fly in formation to conserve energy and communicate better on their long journeys. Likewise, good managers can help organizations reach their ultimate destination.

Welcome to the fourth Canadian edition of *Management* and its theme of personal development for career success. We live and work in a very complex world. Unemployment and job scarcities, ethical miscues by business and government leaders,

financial turmoil and uncertainties, environmental challenges, and complex global economics and politics are regularly in the news. Today's organizations are fast changing, as is the nature of work itself. Talent and technology reign supreme in the most desired jobs. Learning, performance, and flexibility are in as individual attributes; habit, complacency, and free riding are out. Employers expect the best from us, and the best employers provide us with inspiring leadership and supportive work environments full of respect, involvement, teamwork, and rewards.¹

Chapter Quick Start

Management is part of our everyday lives. We manage ourselves, we manage relationships, we manage families, and we manage teams and co-workers. Now is a good time to study the fundamentals of management, learn more about your capabilities, and start building skills for career and life success.

CHAPTER OUTLINE

LEARNING OBJECTIVES

TAKEAWAY QUESTIONS

1.1 Working Today	1.1 Recognize the challenges of working in the new economy.	1.1 What are the challenges of working in the new economy?
1.2 Organizations	1.2 Describe the nature of organizations as work settings.	1.2 What are organizations like as work settings?
1.3 Managers	1.3 Discuss what it means to be a manager.	1.3 What does it mean to be a manager?
1.4 The Management Process	1.4 Explain the functions, roles, and activities of managers.	1.4 What are the functions, roles, and activities of managers?
1.5 Learning How to Manage	1.5 Identify essential managerial skills and discuss how they are learned.	1.5 What are the essential managerial skills and how do we learn them?

What to Look for **Inside**

Management Is Real

- 1.1 Analysis** Make Data Your Friend
Multiple Generations Meet and Greet in the New World of Work
- 1.2 Ethics** Know Right from Wrong
Social Media Searches Linked with Discrimination in Hiring
- 1.3 Wisdom** Learn from Role Models
Tonia Jahshan Turned Over a New Leaf
- 1.4 Choices** Think before You Act
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- 1.5 Insight** Keep Learning about Yourself
Self-Awareness and the Johari Window

Skills Make You Valuable

- **Evaluate** *Career Situations:*
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- **Reflect** *On the Self-Assessment:*
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The Amazing Great Job Race
- **Analyze** *The Case Study:*
Vancity: On Top of Its Game

1.1 Working Today

LEARNING OBJECTIVE 1.1

Recognize the challenges of working in the new economy.

Learn More About

Talent • Technology • Globalization • Ethics • Diversity
• Careers and connections

In her book *The Shift: The Future of Work Is Already Here*, scholar Lynda Gratton describes why things are changing so quickly today and how young people can navigate their careers through these changes. “Technology shrinks the world but consumes all

of our time,” Gratton says. “Globalization means we can work anywhere, but must compete with people from everywhere.”²² What does the changing nature of work mean as you plan for career entry and advancement? You can’t expect a guarantee of long-term employment in today’s workplace. More and more jobs have to be continually earned and re-earned through everyday performance and accomplishments. And in times of continuous change, you have to accept that your career will be defined by “flexibility,” “free agency,” “skill portfolios,” and “entrepreneurship.” There is also no escaping the fact that your career success will require a lot of initiative, self-awareness, and continuous learning. The question is: Are you ready?

Talent

A study by management scholars Charles O’Reilly and Jeffrey Pfeffer found that high-performing companies are better than

their competitors at getting extraordinary results from employees. “These companies have won the war for talent,” they argue, “not just by being great places to work—although they are that—but by figuring out how to get the best out of all of their people, every day.”³

People and their talents—what they know, what they learn, and what they achieve—are the crucial foundations for organizational performance. They represent what managers call **intellectual capital**, which is the combined brainpower and shared knowledge of an organization’s employees.⁴ Intellectual capital is a strategic asset that organizations can use to transform human creativity, insight, and decision-making into performance. Intellectual capital also is a personal asset, one to be nurtured and continually updated. It is the package of intellect, skills, and capabilities that sets us apart, and that makes us valuable to potential employers.

Think about the personal implications of this *intellectual capital equation*: Intellectual Capital = Competency × Commitment.⁵ What does it suggest in terms of developing your talents for career success? **Competency** represents your personal talents or job-related capabilities. Although extremely important, by itself competency won’t guarantee success. You have to be committed. **Commitment** represents how hard you work to apply your talents and capabilities to important tasks. Both are essential. Having one without the other won’t

allow you to achieve important career goals or to meet even basic performance requirements. It takes both competency and commitment to generate intellectual capital. The views of various generations on work elements such as competency and commitment are discussed in Management Is Real 1.1.

Workplace talents in today’s age of information, technology, and change are dominated by **knowledge workers** whose minds—their creativity and insight—are critical assets.⁶ Futurist Daniel Pink says we will soon enter a *conceptual age* where the premium will be on “whole mind” competencies. Those who have them will be both “high concept”—creative and good with ideas—and “high touch”—joyful and good with relationships.⁷ Management scholar and consultant Gary Hamel talks about a *creative economy* “where even knowledge itself is becoming a commodity” and “the most important differentiator will be how fast you can create something new.”⁸ Mastering these intellectual challenges requires ongoing development of multiple skill sets that always keep your personal competencies aligned with—and at the forefront of—emerging job trends.

Technology

Technology continuously tests our talents and intrudes into every aspect of our lives. Think Skype, Twitter, Instagram,

Management Is Real 1.1: Analysis Make Data Your Friend

72 percent of college students want “a job where I can make an impact.”

Multiple Generations Meet and Greet in the New World of Work

Is the notion of a “9 to 5” job about to become a relic? What happens as younger workers advance into management? How can baby boomers and millennials work well with each other? The changing mix of ages and attitudes in the workplace is putting the pressure on traditional employment practices. Here are some survey data to consider.

- 60 percent of millennials change their first jobs after three years and employers spend \$15,000 to \$25,000 recruiting replacements.
- The best predictor of job loyalty for millennials is “a good culture fit.”
- 45 percent of millennials rate workplace flexibility higher than pay and 71 percent hope co-workers will become a “second family.”
- 68 percent of millennials get high scores for being enthusiastic about work, 45 percent for being team players, and 39 percent for being hard-working.
- 73 percent of boomer managers get high scores for being hard-working, 55 percent for being team players, 21 percent for flexibility, and 16 percent for inclusive leadership.



© Hero Images/Getty Images

- 72 percent of college students say they want “a job where I can make an impact.”

What Are the Implications?

How do these findings compare with your own career preferences or what you hear from people you know? How might this evidence influence your approach to seeking a job? What characteristics and practices define your ideal employer? What can employers do to attract and retain talented millennials while keeping older generations happy? Is what’s good for millennials necessarily good for everyone? How can managers effectively integrate people with varying needs and interests so employees from different generations work together with respect and pride?

Facebook, and more. We are continuously bombarded with advertisements for the latest developments—smart phones, smart apparel, smart cars, smart homes. We struggle to keep up with our social media involvements, stay connected with messaging, and deal with inboxes full of email and voice mail. It is likely that, right now, you are reading this “book” on your favourite tablet or smart phone rather than in its traditional form. Given what has already happened with how we use technology, what will things look like tomorrow?

It is critical to build and to maintain a high **Tech IQ**—the ability to use current technologies at work and in your personal life, combined with the commitment to keep yourself updated as technology continues to evolve. Whether you’re checking inventory, making a sale, ordering supplies, sourcing customers, prioritizing accounts, handling payrolls, recruiting new hires, or analyzing customer preferences, Tech IQ is indispensable. More and more people spend at least part of their workday telecommuting or working from home or in mobile offices. Workplaces are full of “virtual teams” with members who meet, access common databases, share information and files, make plans and decisions, solve problems together, and complete tasks without ever meeting face to face. Tech IQ is a baseline foundation for succeeding in this fast-changing world of technological innovation.

Even finding work and succeeding in the job selection process today involves skilled use of technology. Poor communication, sloppy approaches, and under-researched attempts do not work in the world of electronic job search. Filling in your online profile with the right keywords does work. Many employers use sophisticated software to scan online profiles for indicators of real job skills and experiences that fit their needs. Most recruiters today also check social media for negative indicators about applicants.

Globalization

National boundaries hardly count anymore in the world of business.⁹ Over 1.9 million people work in Canada for foreign employers.¹⁰ We buy cars like Toyota and Honda that are assembled in Canada. We buy appliances from the Chinese firm Haier and Tetley Tea from India’s Tata Group. Top managers at Starbucks, IBM, Sony, Ford, and other global companies have little need for the words “overseas” or “international” in their vocabulary. They operate as global businesses serving customers around the world. They source materials and talent wherever in the world it can be found at the lowest cost.

These are among the many consequences of **globalization**, which is the worldwide interdependence of resource flows, product markets, and business competition.¹¹ Under its influence, government leaders worry about the competitiveness of nations, just as corporate leaders worry about business competitiveness.¹² Countries and people are interconnected through labour markets, employment patterns, and financial systems. We are hardly surprised anymore to find that our customer service call is answered in Ghana, CT scans are read by

a radiologist in India, and business records are maintained by accountants in the Philippines.

One controversial consequence of globalization is **job migration**, which is the shifting of jobs from one country to another. While Canada has been a net loser to job migration, countries like China, India, and the Philippines have been net gainers. Politicians and policy-makers regularly debate the costs of job migration as local jobs are lost and communities lose economic vitality. One side looks for new government policies to stop job migration and protect Canadian jobs. The other side calls for patience, arguing that the national economy will grow jobs in the long run as the global economy readjusts.

The flip side of job migration is **reshoring**, which is the shift of manufacturing and jobs back home from overseas. Rising global manufacturing and transportation costs, increasing labour costs in China and other manufacturing countries, growing worries about intellectual property protection in countries like China, and shortened supply chain lead times have led manufacturing firms such as Caterpillar, Ford, and General Electric to do more reshoring.¹³ A recent report by BDO Canada, an accounting firm that provides business advisory services, comments on the growing tendency toward reshoring: “A firm’s proximity to its customers is once again becoming a strategic asset and competitive advantage.”¹⁴

Ethics

It’s old news now that Bernard Madoff was sentenced to 150 years in jail for a Ponzi scheme costing investors billions of dollars. But the message is still timely and crystal clear: Commit white-collar crime and you will be punished.¹⁵ Madoff’s crime did terrible harm to numerous individuals who lost their life savings, charitable foundations that lost millions in charitable gifts, and employees who lost their jobs. Our society also paid a large price as investors’ faith in the business system was damaged by the scandal. Although very high profile, the Madoff scandal was by no means a unique or isolated case of bad behaviour by a lone executive. Fresh scandals regularly make the news.

The issues here move beyond criminal behaviour and into the broader notion of **ethics**—a code of moral principles that sets standards for conduct that is “good” and “right” as well as “bad” and “wrong.”¹⁶ At the end of the day we depend on individuals, working at all organizational levels, to conduct themselves in ethical ways. We also expect employers to act ethically (see Management Is Real 1.2). And even though ethics failures get most of the publicity, you’ll find many examples of managers who demonstrate moral leadership and integrity. Believing that most CEOs are overpaid, the former CEO of Dial Corporation, Herb Baum, once gave his annual bonus to the firm’s lowest-paid workers.¹⁷ In his book *The Transparent Leader*, he argues that integrity is a key to leadership success and that the responsibility for setting an organization’s ethical tone begins at the top. Shareholders in several companies in Canada are getting more aggressive when it comes to voting against unreasonable executive compensation.¹⁸

Management Is Real 1.2: Ethics Know Right from Wrong

Subtleties in social media postings can contribute to discrimination in the recruitment process.

Social Media Searches Linked with Discrimination in Hiring

It's no secret that a growing number of employers (more than a third) browse the Web and follow social media to gather information and impressions about job candidates. It is also well known that inappropriate postings can hurt you. So much so that people are increasingly trying to edit the bad things out of their public profiles. New research reported from Carnegie Mellon University, however, also suggests that subtleties in social media postings can contribute to discrimination in the recruitment process. One of the researchers, Professor Alessandro Acquisti, says, "There is so much information we reveal about ourselves online, sometimes in ways we do not even realize."

Researchers distributed 4,000 resumé to job posting sites and associated the resumé with Facebook profiles offering subtle cues—background photos and quotes, for example, on the candidates' religion (Muslim or Christian) and sexuality (gay or straight). Results showed that Muslims (2 percent) were less likely to be called for follow-up interviews than Christians (17 percent). Sexuality cues made no significant difference in call-back rates. It's against Canadian law to use religion or sexuality as hiring criteria, but the researchers point out that discrimination based on social media investigations can be unconscious rather than intentional, with the employer showing the bias without realizing it. Professor Acquisti says, "By and large, employers avoid asking questions about these traits in interviews. But now technology makes it easier to find that



Loic Venance/AFP/Getty Images

information." Other social media cues at risk of discriminatory behaviour are photos of women showing pregnancies or children, and applicants with names often associated with ethnic, racial, or religious communities.

What Do You Think?

Facebook offers privacy settings to shield from public consumption information intended only for friends. But does this go far enough to protect individual privacy? Is it ethical for employers to use social media to "peek" at the personal lives of prospective candidates? Should there be laws preventing them from doing so? What about individual responsibility? Given so much publicity on social media use by recruiters, shouldn't job seekers be informed and aware enough to screen out potentially harmful and discriminatory information? Are these job seekers at fault if negative consequences result when they don't?

One indicator of ethics in organizations is the emphasis given to social responsibility and sustainability practices. Telus Corporation was named among Canada's top socially responsible companies in 2015. "Sustainability is a holistic mindset," says Andrea Goertz, Telus's Chief Sustainability Officer, "that guides every decision we make and challenges us to innovate."¹⁹

Another ethics indicator is the strength of **corporate governance**. Think of it as the active oversight of top management decisions, corporate strategy, and financial reporting by a company's board of directors.

Diversity

The term **workforce diversity** describes the composition of a workforce in terms of gender, age, race, ethnicity, religion, sexual orientation, and able-bodiedness.²⁰ The changing demographics in society are well recognized. Members of minority groups now constitute more than one-fifth of the Canadian population,²¹ and women make up almost half (47 percent) of the Canadian workforce.²² By the year 2031, it is predicted that

up to 14.1 million people will be members of a visible minority, which is approximately 3 in 10 Canadians. South Asians, including Indians, Pakistanis, and Sri Lankans, are expected to make up the largest visible minority group.²³ Statistics Canada projects that roughly 37 percent of the population will be at least 65 years old.

Despite these changes, the way we deal with diversity in the workplace remains complicated. Women now lead global companies like IBM, PepsiCo, Xerox, and Kraft, but they hold just 5 percent of the top jobs.²⁴ The proportion of women at the top is growing, but female CEOs are also getting fired at a higher rate than their male counterparts.²⁵

Why aren't there more women and people of colour leading organizations? To what extent does diversity bias still influence recruitment and selection decisions? Researchers have found that resumé with white-sounding first names, such as Brett, receive 50 percent more responses from employers than equivalent resumé with black-sounding first names, such as Kareem.²⁶ Researchers also note that white leaders are viewed as more successful than non-white leaders, and that white leaders are expected to succeed because of competence while non-white leaders are expected to succeed despite incompetence.²⁷

The stage for diversity bias is set by **prejudice**—the display of negative, irrational opinions and attitudes regarding members of diverse populations. An example of bias is lingering prejudice against working mothers. The non-profit Families and Work Institute reported that in 1977, 49 percent of men and 71 percent of women believed that mothers can be good employees; by 2008 the proportions had risen to 67 percent and 80 percent.²⁸ Don't you wonder why there isn't 100 percent support for working mothers? And how do you account for a study that sent faux resumé to recruiters and found that the least desirable candidates were women with children?²⁹ The inspiring story of one working mother is in Management Is Real 1.3.

Prejudice becomes active **discrimination** when members of some groups are unfairly treated and denied the full benefits of organizational membership. One example of discrimination is a manager inventing reasons not to interview a visible minority job candidate. Another example is a supervisor who refuses to promote a working mother for fear that parenting responsibilities will make it hard for her to do a good job. This thinking shows a subtle form of discrimination called the

glass ceiling effect, an invisible barrier or ceiling that prevents women and visible minorities from rising to top jobs.

Scholar Judith Rosener warns that discrimination of any sort leads to “undervalued and underutilized human capital.”³⁰ To avoid this problem, the position of chief diversity officer, or CDO, is gaining stature in organizations. Its presence recognizes that diversity is not only a moral issue but an opportunity for real performance gains. The job of CDO is to make sure the work environment allows women and members of other groups to flourish, and fully utilizes their talents.³¹

Careers and Connections

When the economy is down and employment markets are tight, the task of finding a career entry point can be daunting. It always pays to remember the importance of online resumé and job searches, and the power of social networking with established professionals. In addition, job seekers should consider internships as pathways to first-job placements. But everything

Management Is Real 1.3: Wisdom Learn from Role Models

“I’m going to start a company,” she announced one day.

Tonia Jahshan Turned Over a New Leaf

In 2006, Tonia Jahshan was working at a sales and marketing agency she ran with her father. Because of a personal tragedy, she was feeling lost and disengaged. She began reassessing her life—asking whether she really wanted to sell electrical equipment for the rest of her career.

To help change her dismal mood, she and her husband took some time off and left their home in Ancaster, Ontario, for a getaway to Halifax to spend some time at a bed and breakfast. That little trip changed her life. For breakfast the host served a cup of cream of Earl Grey tea. “I was blown away by the taste and smell,” Jahshan recalls. She was so enthusiastic about the tea that she and her husband drove to a little boutique an hour away to stock up and bring some home.

Within two weeks Tonia knew that those little leaves of aromatic pleasure were where her future would lie. “I’m going to start a company,” she announced to her husband. “I’m going to have tea parties and sell tea leaves . . . And I’m calling it ‘Steeped Tea.’”

Her early success was tantalizing. To accomplish her vision she turned to direct selling, similar to Avon or Tupperware parties, where people would have tea parties in their homes and build friendships. Jahshan knew she wanted a scalable business where people could earn on their own terms and she could grow the company as sales increased.

By 2010 her business was growing steadily, but she wasn't making any money. Tonia set out to add a second-in-command to help clean up the books and streamline operations. She found the perfect candidate in her husband, who had just finished his MBA. Her husband joined the company as CEO and helped manage



Courtesy of Steeped Tea, Inc.

finances, negotiate with suppliers, streamline the product line, and build more efficient management systems.

In 2012, she took the risk and went on the TV show *Dragons' Den*, where she boldly presented her business model and vision. The result was that Dragons David Chilton and Jim Treiving invested \$250,000 for 20 percent of the business. Although she had several years of very hard work, and she weathered some financially tight situations, today she has an award-winning business with annual sales of \$20 million and a workforce of 9,000 salespeople in Canada and the United States.

In 2016, Jahshan was listed first among Canada's Top Female Entrepreneurs by Profit.Guide/Chatelaine.

Find Inspiration

Tonia Jahshan's trajectory from salesperson to woman entrepreneur of the year is impressive. What career lessons are here for others to follow? Which special skills and personal characteristics may have helped Jahshan grow a leadership role? She's a young Canadian woman with three children and a husband. How can her success in an entrepreneurial environment serve as a role model for others?

still depends on the mix of skills you can offer a potential employer and how well you communicate those skills. Picture yourself in a job interview. The recruiter asks this question: “What can you do for us?” How do you reply? Your answer can set the stage for your career success . . . or something less.

British scholar and consultant Charles Handy uses the analogy of the **shamrock organization** to highlight the challenges of developing skill portfolios that fit the new workplace.³² The first leaf in the shamrock is a core group of permanent, full-time employees who follow standard career paths. The number of people in this first leaf is shrinking.³³ They are being replaced by a second leaf of “freelancers” and “independent contractors” who offer specialized skills and talents on a contract basis, then change employers when projects are completed.³⁴ Full-time employees are also being replaced by a third leaf of temporary part-timers. They often work without benefits and are the first to lose their jobs when an employer runs into economic difficulties.

The fact is that you will have to succeed in a **free-agent economy**, one where people change jobs more often and work on flexible contracts with a shifting mix of employers over time. Skills like those in the list below must be kept up to date and portable.³⁵ They can’t be gained once and then forgotten. They must be carefully maintained and upgraded all the time. All this places a premium on your capacity for **self-management**—being able to assess yourself realistically, recognize strengths and weaknesses, make constructive changes, and manage your personal development. Here are the early career survival skills to acquire.

- *Mastery*: You need to be good at something. You need to be able to contribute real value to your employer.
- *Networking*: You need to know people and get connected. Networking with others within and outside the organization is essential.
- *Entrepreneurship*: You must act as if you are running your own business, spotting ideas and opportunities and pursuing them.
- *Technology*: You have to embrace technology. You have to stay up to date and fully utilize all that is available.
- *Marketing*: You need to communicate your successes and progress—both yours personally and those of your work team.
- *Renewal*: You need to learn and change continuously, always improving yourself for the future.

Connections count highly in the free-agent economy. They open doors to opportunities and resources that otherwise wouldn’t be available. People with connections gain access to valuable information about potential jobs and often score more interviews and better jobs than those without connections. While in the past the best connections may have been limited to people who had gone to the “right” kinds of schools or came from the “right” kinds of families, this is no longer the case. **Social networking** tools—such as LinkedIn, Facebook,

Google+, and Reddit—that connect users with similar interests have become the great equalizer. They make the process of connecting much easier and more democratic than ever before. Importantly, they are readily available ways for you to make connections that can help with job searches and career advancement.

Learning Check 1.1

Takeaway Question 1.1

What are the challenges of working in the new economy?

Be Sure You Can • describe how intellectual capital, ethics, diversity, globalization, technology, and the changing nature of careers influence working in the new economy • define *intellectual capital*, *workforce diversity*, and *globalization* • explain how prejudice, discrimination, and the glass ceiling can hurt people at work

1.2 Organizations

LEARNING OBJECTIVE 1.2

Describe the nature of organizations as work settings.

Learn More About

Organizational purpose • Organizations as systems • Organizational performance • Changing nature of organizations

As pointed out earlier, what happens from this point forward in your career is largely up to you. So, let’s start with organizations. In order to make good employment choices and perform well in a career, you need to understand the nature of organizations and recognize how they work as complex systems.

Organizational Purpose

An **organization** is a collection of people working together to achieve a common purpose. It is a unique social phenomenon that enables its members to perform tasks far beyond the reach of individual accomplishment. This description applies to organizations of all sizes and types that make up the life of any community, from large corporations to small businesses, as well as such non-profit organizations as schools, government agencies, and hospitals.

The broad purpose of any organization is to provide goods or services of value to customers and clients. A clear sense of purpose tied to “quality products and services,” “customer satisfaction,” and “social responsibility” can be an important

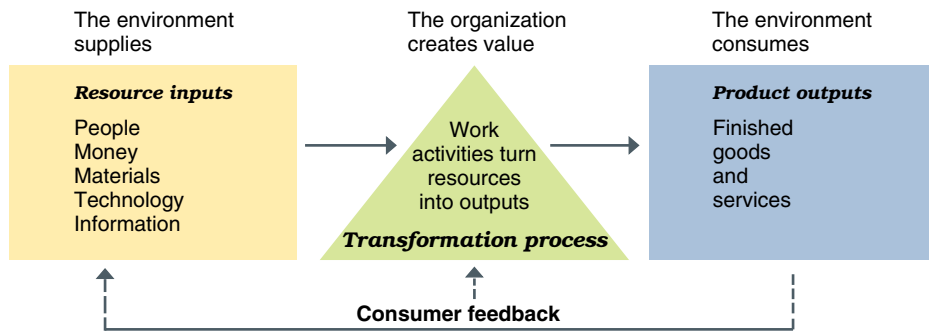


FIGURE 1.1 Organizations as open systems interacting with their environments.

source of organizational strength and performance advantage. IBM’s former CEO, Samuel Palmisano, once said: “One simple way to assess the impact of any organization is to ask the question: How is the world different because it existed?”³⁶ Whole Foods founder John Mackey answers by saying: “I think that business has a noble purpose. It means that businesses serve society. They produce goods and services that make people’s lives better.” On the Whole Foods website this is stated as a commitment to “Whole Foods—Whole People—Whole Planet.”³⁷

Organizations as Systems

All organizations are **open systems** that interact with their environments. They do so in a continual process of obtaining resource inputs—people, information, resources, and capital—and transforming them into outputs in the form of finished goods and services for customers.³⁸

As shown in **Figure 1.1**, feedback from the environment indicates how well an organization is doing. When Starbucks started a customer blog, for example, requests for speedier service popped up. The company quickly made changes that eliminated required signatures on credit card charges less than \$25. Salesforce.com is another company that thrives on feedback. It set up a website called Idea Exchange to get customer suggestions, even asking them at one point to vote on a possible name change—the response was “No!”³⁹ Gathering and listening to customer feedback is important; without loyal customers, a business can’t survive. When you hear or read about bankruptcies, they are stark testimonies to this fact of the marketplace.

Organizational Performance

Organizations create value when they use resources well to produce good products and take care of their customers. When operations add value to the original cost of resource inputs, then a business organization can earn a profit—selling a product for more than the costs of making it, and a non-profit organization can add wealth to society—providing a public service like fire protection that is worth more than its cost.

One of the most common ways to assess performance by and within organizations is **productivity**. It measures the quantity and quality of outputs relative to the cost of inputs. And as **Figure 1.2** shows, productivity involves both performance effectiveness and performance efficiency.

Performance effectiveness is an output measure of task or goal accomplishment. If you are working as a software engineer for a computer game developer, performance effectiveness may mean that you meet a daily production target in terms of the quantity and quality of lines of code written. This productivity helps the company meet customer demands for timely delivery of high-quality gaming products.

Performance efficiency is an input measure of the resource costs associated with goal accomplishment. Returning to the gaming example, the most efficient software production is accomplished at a minimum cost in materials and labour. If you are producing fewer lines of code in a day than you are capable of, this amounts to inefficiency; if you make lots of mistakes that require extensive rewrites, this is also inefficient work. All such inefficiencies drive up costs and reduce productivity.

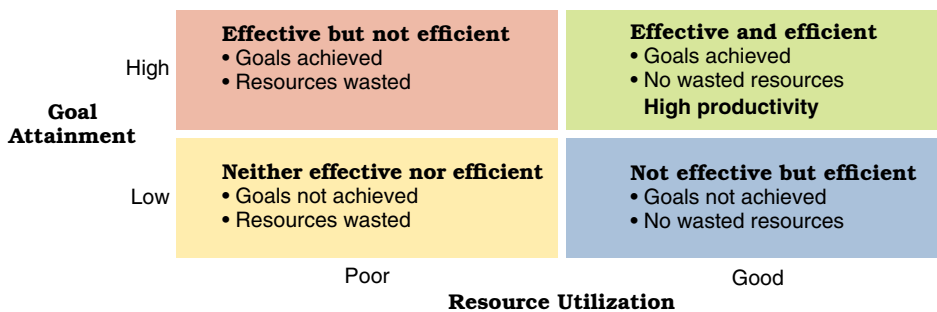


FIGURE 1.2 Productivity and the dimensions of organizational performance.

Changing Nature of Organizations

Change is a continuing theme in our society, and organizations are no exception. The following list shows some organizational trends and transitions relevant to the study of management.⁴⁰

- *Focus on valuing human capital:* The premium is on high-involvement work settings that rally the knowledge, experience, and commitment of all members.
- *Demise of “command-and-control”:* Traditional top-down “do as I say” bosses are giving way to participatory bosses who treat people with respect.
- *Emphasis on teamwork:* Organizations are becoming less hierarchical and more driven by teamwork that pools talents for creative problem solving.
- *Pre-eminence of technology:* Developments in computer and information technology keep changing the way organizations operate and how people work.
- *Importance of networking:* Organizations and their members are networked for intense, real-time communication and coordination.
- *New workforce expectations:* A new generation of workers is less tolerant of hierarchy, attentive to performance merit, more informal, and concerned for work–life balance.
- *Concern for sustainability:* Social values call for more attention on the preservation of natural resources for future generations and understanding how work affects human well-being.

Learning Check 1.2

Takeaway Question 1.2

What are organizations like as work settings?

Be Sure You Can • describe how organizations operate as open systems • explain productivity as a measure of organizational performance • distinguish between performance effectiveness and performance efficiency • list several ways in which organizations are changing today

1.3 Managers

LEARNING OBJECTIVE 1.3

Discuss what it means to be a manager.

Learn More About

Importance of managers • Levels of managers • Types of managers • Managerial performance • Changing nature of managerial work

In an article titled “Putting People First for Organizational Success,” Jeffrey Pfeffer and John F. Veiga argue forcefully that organizations perform better when they treat their members better.⁴¹ Managers in these high-performing organizations don’t treat people as costs to be controlled; they treat them as valuable strategic assets to be carefully nurtured and developed. So, who are today’s managers and just what do they do?

What Is a Manager?

You find them in all organizations and with a wide variety of job titles—team leader, department head, supervisor, project manager, president, administrator, and more. We call them **managers**, people in organizations who directly support, supervise, and help activate the work efforts and performance accomplishments of others. Whether they are called direct reports, team members, work associates, or subordinates, these “other people” are the essential human resources whose contributions represent the real work of the organization. And as pointed out by management scholar Henry Mintzberg, being a manager remains an important and socially responsible job. “No job is more vital to our society than that of the manager,” he says. “It is the manager who determines whether our social institutions serve us well or whether they squander our talents and resources.”⁴²

Levels of Managers

At the highest levels of business organizations, as shown in **Figure 1.3**, we find a **board of directors** whose members are elected by shareholders to represent their ownership interests. In non-profit organizations such as a hospital or university, this level is often called a *board of trustees*, and it may be elected by local citizens, appointed by government bodies, or invited by existing members. The basic responsibilities of board members are the same in both business and the public sector—to make sure that the organization is always being well run and managed in a lawful and ethical manner.⁴³

Common job titles just below the board level are chief executive officer (CEO), chief operating officer (COO), chief financial officer (CFO), chief information officer (CIO), chief diversity officer (CDO), president, and vice president. These **top managers** constitute an executive team that reports to the board and is responsible for the performance of an organization as a whole or for one of its larger parts. It is common to find the members of an organization’s top management team referred to as part of the *C-suite*.

Top managers are supposed to set strategy and lead the organization consistent with its purpose and mission. They should pay special attention to the external environment and be alert to potential long-run problems and opportunities. The best top managers are strategic thinkers able to make good decisions under highly competitive and even uncertain conditions. A CEO at Procter & Gamble once said the job of top managers is to “link the external world with the internal organization . . .