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PART ONE

AN INTRODUCTION TO MANAGEMENT

- 1** Managing and the Manager's Job
- 2** Traditional and Contemporary Issues and Challenges

OUTLINE**OBJECTIVES**

After studying this chapter, you should be able to:

- Describe the nature of management, define management and managers, and characterize their importance to organizations.
- Identify and briefly explain the four basic management functions in organizations.
- Describe the kinds of managers found at different levels and in different areas of the organization.
- Identify the basic managerial roles that managers may play and the skills they need to be successful.
- Discuss the science and art of management and describe how people become managers.
- Summarize the scope of management in organizations.

An Introduction to Management**The Management Process**

Planning and Decision Making: Determining Courses of Action

Organizing: Coordinating Activities and Resources

Leading: Motivating and Managing People

Controlling: Monitoring and Evaluating Activities

Kinds of Managers

Managing at Different Levels of the Organization

Managing in Different Areas of the Organization

Basic Managerial Roles and Skills

Managerial Roles

Managerial Skills

The Nature of Managerial Work

The Science and the Art of Management

Becoming a Manager

The Scope of Management

Managing in Profit-Seeking Organizations

Managing in Not-for-Profit Organizations

It once seemed as if there might one day be a McDonald's restaurant on every street corner. But although there are certainly a large number of the venerable hamburger restaurants around today, Starbucks Corporation has, at least for the time being, replaced McDonald's as the highest-profile and fastest-growing food-and-beverage company in the United States. Starbucks was started in Seattle in 1971 by three coffee aficionados. Their primary business at the time was buying premium coffee beans, roasting them, and then selling the coffee by the pound. The business performed modestly well and soon grew to nine stores, all in the Seattle area. The three partners sold Starbucks to a former employee, Howard Schultz, in 1987. Schultz promptly reoriented the business away from bulk coffee mail-order sales and emphasized retail coffee sales through the firm's coffee bars. Today, Starbucks is not only the largest coffee importer and roaster of specialty beans but also the largest specialty coffee bean retailer in the United States.

What is the key to the phenomenal growth and success of the Starbucks chain? One important ingredient is its well-conceived and well-implemented strategy. Starbucks is on an amazing growth pace, opening a new coffee shop somewhere almost every day. But this growth is planned and coordinated at each step through careful site selection. And through its astute promotional campaigns and commitment to quality, the firm has elevated the coffee-drinking taste of millions of Americans and fueled a significant increase in demand.

Starbucks has also created an organization that promotes growth and success. As long as they follow the firm's basic principles, managers at each store have considerable autonomy over how they run things. Starbucks also uses a state-of-the-art communication network to keep in contact with its employees.

Another ingredient of Starbucks' success is its relationship with its employees. The firm hires young people and starts them at hourly wages somewhat higher than those of most entry-level food-services jobs. The company also offers health insurance to all of its employees, including part-timers, and has a lucrative stock-option plan for everyone in the firm.

Yet another key to Starbucks' success is its emphasis on quality control. For example, milk must be warmed to a narrow range of 150 to 170 degrees, and espresso shots must be pulled within twenty-three seconds or else discarded. And no coffee is allowed to sit on a hot plate for more than twenty minutes. Schultz also refuses to franchise, fearing a loss of control and a potential deterioration of quality.

Starbucks remains on the alert for new business opportunities. In 1996, for example, the firm opened its first two coffee shops in Japan and another in Singapore, and most observers suggest that there is a world of opportunity awaiting Starbucks in foreign markets. Another way the company can grow is through brand extension with other companies. For instance, the firm has collaborated with Dreyer's to distribute Starbucks coffee ice cream to grocery freezers across the country. Starbucks has also collaborated with Capital Records on two Starbucks jazz CDs. And Redhook Brewery uses Starbucks coffee extract in its double black stout beer. All things considered, then, Starbucks' future looks so bright that its employees may need to wear the sunshades the firm might soon begin to sell!¹

"One reason a lot of youths don't find corporate America so attractive is because of the IBM image: I'll become a blue suit. Starbucks makes you feel like a partner."

Karen Hunsaker, Starbucks employee, quoted in Fortune, December 9, 1996, p. 196.

organization A group of people working together in a structured and coordinated fashion to achieve a set of goals

Howard Schultz is clearly a manager. So, too, are Philip Knight (chief executive officer [CEO] of Nike), Jill Barad (CEO of Mattel), Shin-roku Morohashi (president of Mitsubishi Corporation), Sir David Wilson (director of the British Museum), Debbie Fields (president of Mrs. Fields Inc. cookie stores), Rick Pitino (president of the Boston Celtics), Bill Clinton (president of the United States), John Paul II (pope of the Roman Catholic Church), and Mark Ferguson (owner of Contemporary Landscape in Bryan, Texas). As diverse as they and their organizations are, these managers all confront many of the same challenges, they strive to achieve many of the same goals, and they apply many of the same concepts of effective management in their work.

For better or worse, our society is strongly influenced by managers and their organizations. Most people in the United States are born in a hospital (an organization), educated by public or private schools (all organizations), and buy virtually all their consumable products and services from businesses (organizations). And much of our behavior is influenced by various government agencies (also organizations). We define an **organization** as a group of people working together in a structured and coordinated fashion to achieve a set of goals. The goals may include such things as profit (Starbucks Corporation), the discovery of knowledge (Florida State University), national defense (the U.S. Army), the coordination of various local charities (United Way of America), or social satisfaction (a sorority). Because they play such a major role in our lives, understanding how organizations operate and how they are managed is important.

This book is about managers and the work they do. In Chapter 1, we examine the general nature of management, its dimensions, and its challenges. The chapter explains the concepts of management and managers, discusses the management process, presents an overview of the book, and identifies various kinds of managers. It also describes the various roles and skills of managers, discusses the nature of managerial work, and examines the scope of management in contemporary organizations. Chapter 2 describes how both the practice and theory of management have evolved. As a unit, then, these first two chapters introduce the field by presenting both contemporary and historical perspectives on management.

AN INTRODUCTION TO MANAGEMENT

Although defining “organization” is relatively simple, the concept of “management” is a bit more elusive. It is perhaps best understood from a resource-based perspective. As we will discuss in greater detail in Chapter 2, all organizations use four basic kinds of resources from their environment: human, financial, physical, and information. Human resources include managerial talent and labor. Financial resources are the capital used by the organization to finance both ongoing and long-term operations. Physical resources include raw materials, office and production facilities, and equipment. Information resources are usable data needed to make effective decisions. Examples of resources used in four very different kinds of organizations are shown in Table 1.1.

Managers are responsible for combining and coordinating these various resources to achieve the organization's goals. A manager at Royal Dutch/Shell Group, for example, uses the talents of executives and drilling platform workers, profits earmarked for reinvestment, existing refineries and office facilities, and sales forecasts to make decisions regarding the amount of oil to be refined and distributed during the next quarter. Similarly, the mayor (manager) of New York City might use police officers, a government grant (perhaps supplemented with surplus tax revenues), existing police stations, and detailed crime statistics to launch a major crime prevention program in the city.

How do these and other managers combine and coordinate the various kinds of resources? They do so by carrying out four basic managerial functions or activities: planning and decision making, organizing, leading, and controlling. Management, then, as illustrated in Figure 1.1, can be defined as follows:

■ **Management** is a set of activities (including planning and decision making, organizing, leading, and controlling) directed at an organization's resources (human, financial, physical, and information) with the aim of achieving organizational goals in an efficient and effective manner.

The last phrase in our definition is especially important because it highlights the basic purpose of management—to ensure that an organization's goals are achieved in an efficient and effective manner. By **efficient**, we mean using resources wisely and in a cost-effective way. For example, a firm like Toyota Motor Corporation that produces high-quality products at relatively low cost is efficient. By **effective**, we mean making the right decisions and successfully implementing them. Toyota also makes cars with styling and craftsmanship that inspire consumer confidence. A firm could produce black-and-white console televisions very efficiently but still not succeed because black-and-white televisions are no longer popular. A firm that produces products that no one wants is therefore not effective. In general, successful organizations are both efficient and effective.²

With this basic understanding of management, defining the term “manager” becomes relatively simple:

■ A **manager** is someone whose primary responsibility is to carry out the management process. In particular, a manager is someone who plans and makes decisions, organizes, leads, and controls human, financial, physical, and information resources.

Today's managers face a variety of interesting and challenging situations. The average executive works sixty hours a week, has enormous demands on his or her time, and faces the increased complexities posed by globalization, domestic competition, government regulation, and shareholder pressure. The task is further complicated by rapid change, unexpected disruptions, and both minor and major crises. The manager's job is unpredictable and fraught with chal-

efficient Using resources wisely and in a cost-effective way

effective Making the right decisions and successfully implementing them

lenges, but it is also filled with opportunities to make a difference.³

Many of the characteristics that contribute to the complexity and uncertainty of management stem from the environment in which organizations function. For example, as shown in Figure 1.1, all the resources used by organizations to create products and services come from the environment. Thus it is critical that managers understand this environment. Part II of the text discusses the environmental context of management in detail. Chapter 3 provides a general overview and discussion of the organization's environment, and Chapters 4 through 6 address specific aspects of the environment more fully. In particular, Chapter 4 discusses the ethical and social context of management. Chapter 5 explores the global context of management. Chapter 6 describes the cultural and multicultural environment of management. After reading these chapters, you will be better prepared to study the essential activities that comprise the management process.

We noted earlier that management involves the four basic functions of planning and decision making, organizing, leading, and controlling. Because these functions represent the framework around which this book is organized, we introduce them here and note where they are discussed more fully. Their basic definitions and interrelationships are shown in Figure 1.2. (Note that Figure 1.2 is an expanded version of the central part of Figure 1.1.)

Recall the details of Starbucks discussed earlier. Howard Schultz has created a clear set of goals that articulate what he wants Starbucks to be. He has set up an effective organization to help make that vision a reality. Schultz also pays close attention to the people who work for Starbucks. And he keeps a close eye on how well the company is performing. Each of these activities represents one of the four basic managerial functions illustrated in the figure—setting goals is part of planning, setting up the organization is part of organizing, managing people is part of leading, and monitoring performance is part of control.

It is important to note, however, that the functions of management do not usually occur in a tidy, step-by-step fashion. Managers do not plan on Monday, make decisions on Tuesday, organize on Wednesday, lead on Thursday, and control on Friday. At any given time, as illustrated in the cartoon, a manager is likely to be engaged in several different activities simultaneously. Indeed, from one setting to another, managerial work has as many differences as it has similarities. The similarities that pervade most settings are the phases in the management process. Important differences include the emphasis, sequencing, and implications of each phase.⁴ Thus, the solid lines in Figure 1.2 indicate how, in theory, the functions of management are performed. The dotted lines, however, represent the true reality of management. In the sections that follow, we explore each of these activities.

■ **Planning and Decision Making: Determining Courses of Action**

In its simplest form, **planning** means setting an organization's goals and decid-

ing how best to achieve them. **Decision making**, a part of the planning process, involves selecting a course of action from a set of alternatives. Planning and decision making help maintain managerial effectiveness by serving as guides for future activities. For example, managers at Coca-Cola are aggressively pursuing a goal set by the firm's CEO of controlling 50 percent of the U.S. market for carbonated soft drinks by the year 2001.⁵ These goals help everyone at Coca-Cola to focus on the need to constantly strive for new market opportunities and to seek every conceivable avenue for growth. Thus, the organization's goals and plans clearly help managers allocate their time and resources.

Four chapters making up Part III of this text are devoted to planning and decision making. Chapter 7 examines the basic elements of planning and decision making, including the role and importance of organizational goals. Chapter 8 looks at strategy and strategic planning, which provide overall direction and focus for the organization. Chapter 9 explores managerial decision making and problem solving in detail. Finally, Chapter 10 addresses planning and decision making as they relate to the management of entrepreneurship and new venture formation, which are increasingly important parts of managerial work.

■ **Organizing: Coordinating Activities and Resources**

Once a manager has set goals and developed a workable plan, the next management function is to organize the people and other resources necessary to carry out the plan. Specifically, **organizing** involves determining how activities and resources are to be grouped. To help achieve its goal of market share growth, Coca-Cola has established a number of new organizational groups. One group seeks new opportunities for partnering with other businesses in selling soft drinks. Another looks for opportunities on college campuses. Still another concentrates on identifying new and more efficient distribution networks for Coke products.

Organizing is the subject of Part IV. Chapter 11 introduces the basic elements of organizing such as job design, departmentalization, authority relationships, span of control, and line and staff roles. Chapter 12 explains how managers fit these elements and concepts together to form an overall organization design. Organization change and innovation are the focus of Chapter 13. Finally, processes associated with hiring and assigning people to carry out organizational roles are described in Chapter 14.

■ **Leading: Motivating and Managing People**

The third basic managerial function is leading. Some people consider leading to be both the most important and the most challenging of all managerial activities. **Leading** is the set of processes used to get people to work together to advance the interests of the organization. For example, Coca-Cola's CEO constantly encourages the firm's managers to keep pushing for growth. The firm has also established motivational incentive systems for rewarding managers

Management is a complex, challenging, and exciting process. Jeong Ju Wha, shown here on the right, is a production manager at Samsung Motors. He and other managers at Korea's Samsung Group are creating this new automobile company for the parent organization as part of its strategy for entering new businesses and markets around the world. The new automobile company makes use of a wide array of resources, such as Samsung Group's financial investment, factories and warehouses, aluminum engines, quality standards and measures, and production workers. Their responsibility as managers is to use these resources efficiently and effectively so as to help meet Samsung's goals for the new enterprise.