An Overview of Management

CHAPTER 1

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Chapter Outline

After reading this chapter, you will be able to:

- Define management and describe its purpose in organizations.
- Determine the effect that management actions have on the manager and others in the organization.
- List the major functions of managers.
- Explain the importance of decision making in management activities.
- Describe the many roles managers play in an organization.
- Specify why different managers perform different job activities.
- Identify some emerging trends in management.
- Review what you can reasonably learn from a textbook about how to perform management activities.
- Evaluate a small business owner's management skills and propose a future course of action for the firm.

INSIDE MANAGEMENT

Lowe's Leader Takes On Home Improvement

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When Marvin Ellison was hired to lead Lowe's as the chief executive officer (CEO), he was tasked with improving the company's performance. He promised a significant overhaul that would help the company better compete against Home Depot and other retailers. Under Ellison's strategic direction as CEO, Lowe's performance steadily improved.

The organizational changes that Ellison implemented were significant. Organizing, which relates to the activities involved in designing jobs for employees, is an important function of management. Several high-level management roles were eliminated in favor of more middle-management positions. Ellison felt these changes would help the company improve operations.

Another important change was closing all of its Orchard Supply Hardware stores, which the company had previously acquired. Ellison made this decision to help streamline the company. Knowing this would result in job loss and possibly low morale, Ellison prioritized laid-off employees for Lowe's store positions and offered job-placement assistance and employee severance packages. This demonstrates Ellison's strong interpersonal skills.

Under Ellison's leadership, Lowe's adjusted its product offering, eliminating low-selling items. Using his conceptual and analytical skills, Ellison identified new opportunities to promote high-performing products, resulting in changes in store layout. High-tech items, such as Wi-Fi–enabled smart light bulbs, were given priority placement in areas with more foot traffic, and best-sellers were featured near the ends of the aisles. Experienced sales-floor managers were hired to help middle- and high-level managers understand the challenges of daily store operations.

In addition, Lowe's streamlined its operations in Canada, upgraded its business analytics, and improved its website. Lowe's remodeling has started to pay off. During the COVID-19 pandemic, sales skyrocketed as people spent more time at home and more time improving their homes. Lowe's was able to meet the demand. According to the company's research and analysis, home improvement will be important for homeowners for years to come.

Under Ellison's leadership, Lowe's has seen steady gains, but there is still work to be done. The company has stated that it will focus on increasing its operating margin, gaining market share, and improving merchandising. Many shareholders are encouraged by the performance of Lowe's, which has increased its dividends. Dividends are a way for publicly traded companies to share profits with shareholders. Lowe's has issued dividends every quarter since it went public in 1961, and these dividends have increased every year for more than 25 consecutive years.[1]

Introduction

The different skills that Lowe's CEO Marvin Ellison possesses and the actions he takes illustrate the diversity in management activities, which is one reason why management seems difficult to teach and learn. We believe that general principles or concepts exist that can be applied to all these different activities. Our purpose is to share with you these general principles, which are important for understanding and learning management.

Our basic idea in this chapter is that, in order to understand what management is, it is necessary to know how it is similar and different across organizations. There are a number of similarities. All managers make decisions about the use of organizational resources to reach organizational goals; engage in the same basic activities of planning, organizing, leading, and controlling; and act in the same general roles for their organizations. On the other hand, the specific task activities of managers can vary greatly due to differences—such as size and industry—in the characteristics of the organizations to which they belong.

The Nature of Management

Management is a set of activities designed to achieve an organization's objectives by using its resources effectively and efficiently in a changing environment. Resources are used to accomplish the manager's intended purpose. **Effectively** means having the intended result; **efficiently** means accomplishing the objectives with a minimum of resources. Both are part of good management—reaching objectives with minimum costs. On the other hand, reducing costs without considering the impact on customers and the organization will not permit reaching goals effectively.

One factor that makes management difficult is that the work situation constantly changes. That is, such factors as employees, technology, competition, and costs vary greatly. This requires managers to be flexible and adapt to the environment. **Managers** are individuals who make decisions about the use of the organization's resources and are concerned with planning, organizing, leading, and controlling the organization's activities so as to reach its objectives.

Although it may seem that management activities are quite diverse, they share some common characteristics. First, all activities occur within the context of an organization. **Organizations** are groups of individuals who work together to achieve the goals or objectives that are important to these individuals. For example, the Tampa Bay Lightning is an organization that tries to win hockey games and is in the sports and entertainment business. Habitat for Humanity is a nonprofit organization that tries to attract donations and volunteers to build affordable homes for families in need. Ford makes and sells vehicles that satisfy customers. Thus, these organizations must have managers who are essential to their success.

Second, managers are in charge of the organization's **resources**—people, equipment, finances, data—and of using these resources to help the organization reach its objectives. How well managers coordinate organizational activities and use resources determines not only how well the organization accomplishes its objectives but also how the manager will be judged in terms of job performance. Firms such as Microsoft, Walt Disney, and Starbucks are examples of companies where managers made good decisions and created success.

management: A set of activities designed to achieve an organization's objectives by using its resources effectively and efficiently in a changing environment.

effectively: Using resources in a way that produces desired results.

efficiently: Accomplishing the objectives with a minimum of resources.

managers: Individuals who make decisions about the use of the organization's resources and are concerned with planning, organizing, leading, and controlling the organization's activities so as to reach its objectives.

organizations: Groups of individuals who work together to achieve the goals or objectives that are important to these individuals.

resources: People, equipment, finances, and data used by an organization to reach its objectives.

The Impact of Management

The management practices of an individual affect more than just one person. Management is characterized by leadership, decision making, and the implementation of work tasks. Because such activities are not carried out in isolation, management reaches several different groups connected with the organization. Table 1.1 explains these three management practices in more detail.

Leadership is the process of influencing the activities of an individual or a group toward the achievement of a goal. Microsoft CEO Satya Nadella has elevated Microsoft

TABLE 1.1 Three Management Dimensions

Characteristics	Definition	Example
Leadership	Influences the activities of individuals toward the achievement of a goal	Manager sets a common goal and gets employees to work toward achieving it.
Decision making	Choosing among several courses of action to resolve a problem	Manager decides to delete a product line because it is no longer profitable.
Implementation of work tasks	Carrying out the work decision	Manager gives an assignment to the marketing department, which then proceeds to carry out the assignment.

to become one of the world's most admired companies. He has achieved this by using an empathetic approach to leadership and encouraging collaboration, clear communication, passion, and accountability.

Decision making is the process of choosing among alternative courses of action to resolve a problem. During the COVID-19 pandemic, retailers had to make many difficult decisions regarding store closures, safety practices, layoffs, and more. Supermarket chain Kroger was applauded for its pandemic response, taking extensive measures to safeguard not only its employees and customers but also its supply chain to ensure its stores would remain stocked. Leaders decided to give bonuses to front-line workers, establish exclusive shopping hours for senior citizens and other at-risk customers, and offer vaccine incentives for associates and customers.

Everyone in an organization has to carry out responsibilities. The implementation of work tasks occurs when managers or their subordinates carry out the decision. This often requires careful deliberation and planning before action is taken. For example, when high-level management at pasta company Barilla decided to adopt a new logo, it is likely that many employees at all levels were involved in related work tasks, including updating the product packaging, communicating with customers, and managing public relations. When management is an effective team, positive performance outcomes occur. On the other hand, poorly coordinated managerial decisions can lead to organizational failure.

It is important to recognize that all management decisions have consequences. Three groups that are especially affected by management activities are the manager, the manager's immediate subordinates, and the manager's organization. You can probably think of others, based on your personal and professional experiences. From the manager's perspective, those who manage well are distinctly successful. Successful managers will be given the opportunity to manage more resources and will be asked to make decisions that have even more impact on the organization.

A manager's subordinates are directly affected by the manager's actions. If the work process is organized well, everyone performs better, which is reflected by the performance appraisals of individual workers. Good performance appraisals can result in increased financial rewards and advancement opportunities. Research also suggests that employees' relationships with their managers strongly affect their work attitudes, such as commitment, satisfaction, and work involvement.[2] Managers are role models for employees and need to maintain integrity in their personal behavior and relationships with employees.

By its very nature, management affects the number and the quality of the organization's products. As we have said earlier, managers coordinate the organization's resources to help it reach organizational objectives. If the manager coordinates poorly or makes

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Leadership is the process of influencing the activities of an individual or a group toward the achievement of a goal.

poor decisions, the organization's objectives will not be met as well or as quickly. Cosmetics company Revlon, for example, failed to keep up with changing consumer tastes and social media trends, losing market share to both legacy competitors and newcomers. The company became overwhelmed by debt and filed for bankruptcy.[3] Managers must make better decisions and be more innovative if the company is to recover and survive.

We have mentioned the impact that management activities have on the manager, subordinates, and the organization. However, management activities also have a profound impact on other people and groups that have an interest in the organization. A **stakeholder** is a person or group that can affect or is affected by an organization's goals or the means to achieve those goals. Stakeholders include employees, customers, shareholders/owners, suppliers, government regulators, communities, and more. Figure 1.1 shows some of the more common stakeholders necessary for business.

stakeholder: A person or group that can affect, or is affected by, an organization's goals or the means to achieve those goals.

Consider the impact a managerial decision might have on different stakeholders involving a faulty product. If a manager notices a product is faulty or dangerous, they must make the decision whether to recall it. A massive recall would cost the organization and affect everyone within the organization, including investors/owners and employees. The widespread recall of Jif peanut butter after *Salmonella* infections were linked to the products negatively affected the firm's reputation and cost the organization millions of dollars.[4] However, failure to recall the product could have harmed consumers and warranted government action.

Sometimes stakeholders have interests that are at odds with one another. For example, in the oil and gas industry, some investors want to put their money behind the production of traditional fossil fuels, whereas other investors reject oil investments outright. Royal Dutch Shell, arguably the greenest big oil company, has made strides in reducing its greenhouse gas emissions and investing in alternative energy sources, but not all stakeholders are pleased with these decisions, which is reflected in the company's low market valuation.[5] Every managerial decision affects a stakeholder to some extent, and many decisions affect multiple stakeholders.

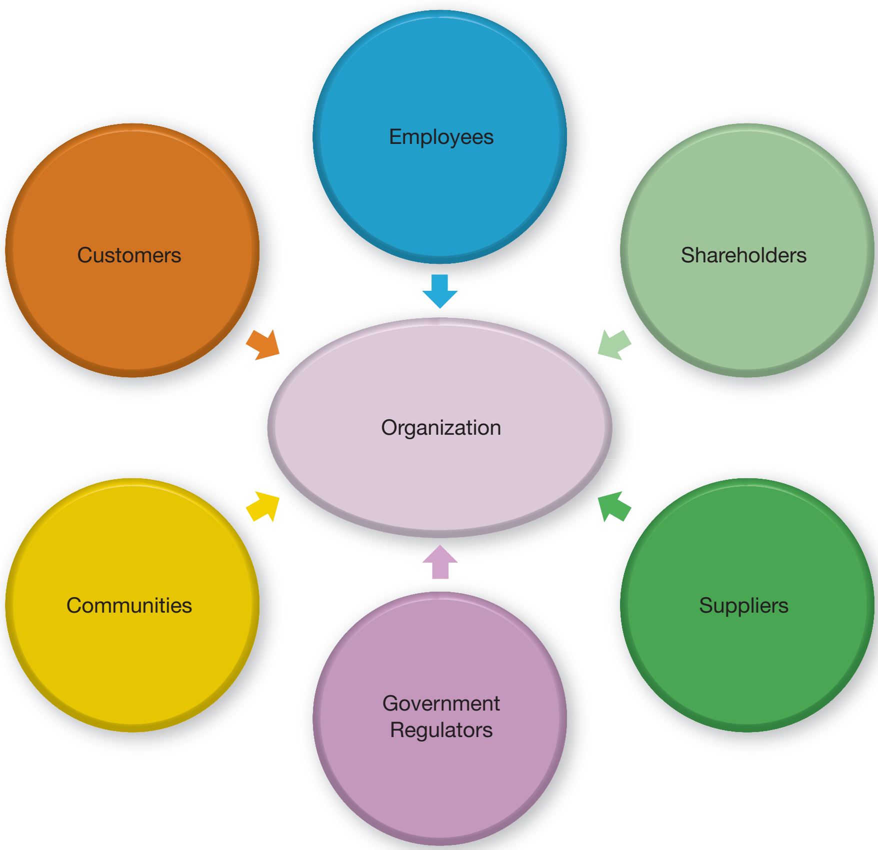

FIGURE 1.1
Stakeholder Groups

The Functions of Management

All management activities can be classified into four major functions: planning, organizing, leading, and controlling. We will discuss these separately, but they usually occur simultaneously in management activities. Table 1.2 describes these four functions.

Planning

planning: Determining what the organization will specifically accomplish and deciding how to accomplish these goals.

Planning involves determining what the organization will specifically accomplish and deciding how to accomplish these goals. How to use the resources at the command of the manager is the objective of planning. For example, the manager of the Los Angeles Rams football team has to plan the type of players and resources needed for each season. Then there are plans for the strategy and player lineups for each game. At Taco Bell, an individual store manager plans ahead by anticipating the next week's demand for food, which may be affected by variables such as weather and holidays. The manager then plans a work schedule for employees, orders supplies, and inspects all equipment, including delivery vehicles, to try to meet that demand.

artificial intelligence (AI): Systems and machines that learn and perform tasks that typically require human intelligence.

Increasingly, organizations are relying on **artificial intelligence (AI)** to help with the planning function. For example, Starbucks has an AI engine called Deep Brew that automates daily inventory orders for store managers. Also, during the COVID-19 pandemic, Starbucks used the technology to track vaccination rates around the world to predict sales recovery.[6] This type of technology, discussed later in the chapter, can help managers make data-driven decisions.

Organizing

organizing: The activities involved in designing jobs for employees, grouping these jobs together into departments, and developing working relationships among organizational units/departments and employees to carry out the plans.

Organizing refers to the activities involved in designing jobs for employees, grouping these jobs together into departments, and developing working relationships among organizational units/departments and employees to carry out the plans. Some organizing activities, such as forming committees, developing work teams, and staffing for special projects, occur frequently. Others are more periodic. For example, the departmental structure that results from the organizing function is retained until something suggests that a change in structure is needed. The management at Coca-Cola, for instance, restructured its workforce when it streamlined its product portfolio to focus on its most popular brands. Altering an organization's structure can be costly but is generally meant to drive the organization toward success and financial profits.

TABLE 1.2 Characteristics and Examples of the Four Functions of Management

	Characteristics	Retail Example
Planning	Determining appropriate goals for the firm and deciding how to accomplish these goals	Retailers set sales goals and plan inventory needs. All merchandising efforts and promotion are linked to objectives.
Organizing	Assigning responsibility to employees for task achievement to collaboratively achieve goals	Establishing a retail structure to accomplish tasks and creating collaborative ways to reach objectives.
Leading	Influencing and motivating others to achieve set goals	Performance incentives and team-building exercises lead to goals.
Controlling	Monitoring, evaluating, and maintaining desired performance	Monitoring the results of merchandising and promotion efforts and making changes when necessary.

TABLE 1.3 Ten Tips for Successful Leadership

1. Encourage employee participation and creativity.
2. Develop effective teams.
3. Listen as much as you speak.
4. Welcome employee feedback.
5. Identify and guard against ethical risks.
6. Act as a role model for employees.
7. Build solid relationships.
8. Clearly communicate company expectations.
9. Align employees behind a common vision.
10. Always look for opportunities for improvement.

Leading

Leading refers to influencing others' activities to achieve set goals. Leading is based on knowledge of the principles of human behavior. Basically, a manager attempts to organize the work environment to obtain high work performance from employees. Even though there is much more to be learned, we already understand a lot about how to influence individuals' performance. Selection, training, communication, goal-setting, compensation, and work design are among the organizational factors that managers can use to significantly affect an employee's job performance.[7]

Source: mrmohock/Shutterstock

Organizations engage in planning, organizing, leading, and controlling activities to be successful.

In each organization, the manager attempts to influence the level of employees' work performance by applying principles of human behavior. Table 1.3 describes ten tips managers can use in exhibiting successful leadership. Welcoming feedback, for instance, can help employees feel valued. Feedback can be collected through engagement surveys, pulse surveys, interviews, face-to-face meetings, and more. For example, employees at the pharmaceutical company Johnson & Johnson are invited to provide feedback regularly through surveys. After collecting and analyzing feedback, managers should take action based on the results.

leading: Influencing others' activities to achieve set goals.

Controlling

controlling: Those activities that an organization undertakes to ensure that its actions lead to the achievement of its objectives.

The management activities that we have described so far establish future goals, specify how to reach these goals, and attempt to motivate organizational members to work toward the attainment of these goals. If all these functions are carried out properly, goals should be attained. However, even the best-laid plans can go awry. The management function of **controlling** refers to those activities that an organization undertakes to ensure that its actions lead to the achievement of its objectives. It involves collecting and analyzing information about work performance and taking corrective action if this information indicates that performance is not contributing to goal achievement.

The manager of a baseball team, for example, will examine batting averages, pitching records, and other data and make changes in the lineup accordingly to try to win more games. Baseball is far more than a game, however. It is a big business. Management must consider and analyze revenue

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Controlling involves collecting and analyzing information and taking corrective action if needed.

statistics related to ticket sales, concessions, sales of team-related retail products, and other promotional items.

Management Decision Making

Along with the four basic management functions, all managers engage in the decision-making process—gathering information, using the information to reach a decision, and implementing the decision. Each of the four management functions requires a manager to make decisions. Planning, for example, requires gathering information about future objectives, assessing the organization's ability to reach those objectives, and drawing up specific actions needed to guide the organization toward the achievement of its objectives. In essence, processing the appropriate information is the key to planning.

As another example, leading—influencing employees' performance—also requires a lot of information gathering. The manager must understand the principles of human behavior and the factors that positively and negatively influence performance and be familiar with employees' characteristics such as job skills, desire for achievement, and work commitment because these are linked to individual work performance. Managers must have a good grasp of employee skills, company performance, and progress toward company goals. Moreover, the manager should know what characteristics of the work situation influence performance, such as the level of difficulty of operating the technology and the time allowed for completing each task. Obtaining this information should precede the manager's evaluation of what alternatives are available in a particular situation, as well as the implementation of the chosen alternative.

While this decision-making process may sound easy to carry out, it is very difficult. The difficulty lies in the complexity of the information gathered, the uncertainty of the decision process and the methods of implementing the decision, and the number of people involved in the decision-making process. For example, at software firms, a sales representative typically makes the sales and promises services to new clients. Next, the account manager must prepare a service plan that includes a schedule of events such as training, on-site visits, trials of the software programs, and quality-control test runs. To do this, the account manager must make specific commitments with only limited data about the expertise of the client's employees, the condition of the necessary company data and records, and the accuracy of the client's own judgment of needs. These commitments, in turn, become the milestones upon which the software company is judged by the client. A customer success manager then develops a long-term relationship with the customer, using data to engage customers, resolve problems, and identify opportunities to deepen the relationship.

Management Roles

Another aspect common to all managers is the role that management activities serve within organizations. By role, we mean a set of similar organized activities that serve a specific purpose for the organization. Henry Mintzberg, a noted management professor, has published several reports about what managers did for a number of days and took detailed notes about whom they met with, what they did, and the purpose of their activities.[8]

We have already grouped management activities into planning, organizing, leading, or controlling, all of which emphasize the work process for which managers are responsible. Mintzberg described ten specific roles that managers perform, which, in turn, can be grouped into three larger categories—interpersonal, informational, and decisional (Table 1.4). While Mintzberg's roles also categorize management activities, they describe more specific categories of work, activities with individuals external to the organization, and activities that support work activities. As such, Mintzberg's roles provide additional information for understanding management. His ten categories, taken together, also underscore our previous point that gathering information, making decisions, and implementing decisions are the critical processes of management.

MANAGEMENT INSIGHTS

Stripe CEO Offers a Fresh Perspective on Decision Making

Stripe, a payment-processing software and applications company, was founded in 2011 by brothers Patrick and John Collison. With dual headquarters, one in San Francisco, California, and one in Dublin, Ireland, Patrick Collison has had to rethink his approach to effective decision making. Managers, who are responsible for planning, organizing, leading, and controlling, make many different decisions, from the implementation of technology to the restructuring of an organization.

Whereas many managers adopt a systematic approach to decision making, Stripe's Collison opts for lateral thinking, a concept developed by Edward de Bono, a psychologist, inventor, and expert in creative thinking. It involves the ability to problem-solve using a more creative and indirect approach to come up with original and innovative solutions to hard-to-answer questions.

Collison believes traditional decision-making approaches are overrated. Collison says that rather than asking what decision to make, managers should ask how to make better decisions. Instead of settling for obvious solutions, he says individuals must first ensure the solutions being considered are the best possible options on the table and entertain the possibility that there may be more.

Collison's creative decision making shaped his company, Stripe. Both Patrick and John Collison felt that online payment processing was too difficult at the time. Although many payment software solutions at that time were designed to appeal to people working in finance, the brothers understood that in the world of e-commerce, software engineers are ultimately the most important group. With this mindset, they built Stripe to appeal to engineers with flexible, fast, and affordable integration, a strategy that proved to be successful.

Source: Tada Images/Shutterstock

Today, the company, which is valued at more than $95 billion, employs more than 4,000 individuals in 14 global offices, serving millions of Stripe users. Stripe continues to take market share from other payment service providers, including Toast and Ayden, which have historically focused on marketing to finance managers. With more and more sales occurring online, Stripe, with its innovative solutions, is sure to continue to grow.[9]

TABLE 1.4 Mintzberg's Ten Management Roles

General Role Category	Specific Role	Example Activity
Interpersonal	Figurehead	Attending award banquet
	Liaison	Coordinating production schedule with supply manager
	Leadership	Conducting performance appraisal for subordinates
Informational	Monitor	Contacting government regulatory agencies
	Disseminator	Conducting meetings with subordinates to pass along policy changes
	Spokesperson	Meeting with a consumer group to discuss product safety
Decisional	Entrepreneur	Changing a work process
	Disturbance handler	Deciding which unit moves into new facilities
	Resource allocator	Deciding who receives new computer equipment
	Negotiator	Settling union grievance

Interpersonal Roles

interpersonal roles: Activities that involve interacting with others who may be external or internal to the organization at a higher or lower level than the manager.

Interpersonal roles refer to activities that involve interacting with others who may be external or internal to the organization at a higher or lower level than the manager. These roles allow the manager to gather information for the decisions that must be made. The first of the interpersonal roles, *figurehead*, describes the formal activities in which the manager acts as a public official for the company. These activities may range from award banquets to ribbon-cutting ceremonies for the opening of new offices. In this role, managers often deal with people external to the organization, and the activities are not directly related to the work process.

In the *liaison* role, the manager interacts with peers outside the organization. This role is, therefore, composed of a network of relationships. A firm's social media manager, for example, may coordinate with an external public relations manager to align public communications.

As we have already mentioned, the *leadership* role requires actions that define and direct the work activities of employees. This role naturally requires the manager to obtain information concerning the status of the work activities of members of the organization.

Informational Roles

informational roles: Activities—including reporting, preparing data analyses, briefings, delivering mail, emailing, operating websites, and making phone calls—that focus on data important for the decisions the manager needs to make.

The second category of roles includes activities that Mintzberg regarded as focused almost exclusively on the transmission of information. **Informational roles** are activities—including reporting, preparing data analyses, briefings, delivering mail, emailing, operating websites, and making phone calls—that focus on data important for the decisions the manager needs to make. In describing these roles, Mintzberg referred to the manager as being the "nerve center" and the "focal point" of information for the organization. For example, a manager of a securities investment group receives information from the company's research division and outside consultants regarding both securities that are expected to do well in the future and those that are not, then passes this information to the brokers in the group. The brokers, in turn, gather information about clients' attitudes concerning investing. They then give this information back to the manager.

As a *monitor*, a manager seeks information to detect problems or opportunities, obtain general knowledge about the work situation, and make necessary changes. While much of this information comes from formal mechanisms such as websites, emails, reports, news media, and public forecasts, more comes from informal conversations with both organization members and those external to the organization. Managers use this information in two ways: (a) to review performance and plans for changes in the work process and (b) partly to pass it on to others in the manager's informational roles of disseminator and spokesperson.


Source: Andrii Yalanskyi/Shutterstock

A disseminator shares information with internal and external sources.

As a *disseminator*, the manager sends information from external sources to various parts of the work group and information from internal sources to those both internal and external to the organization. This information is of two types: facts and value information. Factual data are observable events that can be checked for accuracy, such as production figures, contract specifications, and so on. A retail team manager, for example, may tell store associates how close they are to reaching their monthly sales goals. Value information is about preferences—that is, the opinions and attitudes of others about "what ought to be" or the present condition of the work or products. Customer judgments of product safety are one example.

In the *spokesperson* role, the manager provides information about the work group to those outside the group. Two parties are of special concern. One is the manager's own immediate superior because the manager's boss is also involved in planning, coordinating, leading, and controlling and must have as much information as possible to perform those functions. For example, a regional sales manager needs to know the correct sales performance of all the groups in the region before planning an upcoming sales campaign. The second is the organization's "public," which includes customers, suppliers, trade organizations, government agencies, consumer groups, and the press. Because of the manager's position in the work unit, they become the expert and the logical contact person for all information about the unit.

Decisional Roles

Mintzberg describes decisional roles as the most crucial part of the manager's work. **Decisional roles** are activities that deal primarily with the allocation of resources in order to reach organizational objectives. Managers use the information gathered in the interpersonal and informational roles to make judgments that affect both the short- and long-term well-being of the firm.

decisional roles: Activities that deal primarily with the allocation of resources in order to reach organizational objectives.

In the role of *entrepreneur*, the manager acts as the initiator and designer of changes within the work group. These changes may be in employee skills, work redesign, information reports, and goods or services provided. The decisions require as much factual data as possible. For example, productivity reports, customer satisfaction surveys, consumer buying patterns, trends in the cost of raw materials, and educational and training statistics are some of the data that can be used.

While the entrepreneur role deals with voluntary change by the manager, the role of the *disturbance handler* deals with change forced on the manager by other factors. The manager acts because it is a necessity—a disturbance occurs and a solution must be found. There are three types of disturbances: conflicts among individuals, interaction difficulties between one unit and another, and conflicts over the resources of conditions that may cause such disturbances as departure damage to the physical facility, the loss of an important customer, a sudden rise in the price of labor or raw materials, or a disagreement between subordinates. An economic or financial crisis can change purchasing patterns and the business environment. For example, labor costs surged during the Great Resignation, a mass exodus from the workforce amid the COVID-19 pandemic.[10] For the most part, these disturbances require quick action and solutions to the problem. More long-term adaptations are subsequently developed.

Another decisional role is that of *resource allocator*, who both protects and uses the unit's assets—money, time, material and equipment, human resources, data, and reputation. Control systems are used to protect resources such as the cost of travel, materials, and training. Such control systems are the result of decisions to conserve resources. Business travel, for example, can be quite costly, considering the cost of flights, hotels, ground transportation, meals, and more.

The final role is that of *negotiator*, which focuses on reaching agreements with others outside the work group on work-related issues or materials, such as labor unions and leasing agreements concerning machinery and vehicles. This role includes agreements with other units within the organization regarding the arrival and quantity of necessary goods, use of common equipment, and the exchange of rare personal skills. It can also include reforming and restructuring companies. This role requires planning a communication strategy for negotiation, thinking about alternatives, and analyzing the relationships in the negotiation.

Source: TH2I Shutter Rich/Shutterstock

Decisional roles deal with allocating resources to reach organizational objectives.

Mintzberg's description of roles provides important information about the specific activities that managers perform in carrying out the planning, organizing, and leading functions. In addition, it also provides more detail about activities involved in the management process of collecting information, making decisions, and implementing them. All of this information is intended to present the clear idea that management is not "the ability to work with others" or a function of the "personality" of the manager. Rather, management is a complex set of activities that use extensive skills, knowledge, and abilities to perform—many of which can be learned.

Management Skills

In a general discussion of management such as this, it is useful to describe what skills are necessary to operate successfully as a manager. Given the complexity of management, it is not possible to list all of the necessary skills; instead, we will discuss a representative sample of the general and specific skills that managers need.

General Skills

One way to categorize skills that managers need is by classifying them as interpersonal, technical, or conceptual.[11]

Interpersonal Skills

interpersonal skills: Skills such as communication, listening, conflict resolution, and leading that are necessary to work with others.

Many of the ten management roles described by Mintzberg involved interacting with others inside and outside the organization. The success of these depends directly on a manager's **interpersonal skills**, such as communication, listening, conflict resolution, and leading, which are necessary to work with others.

Interactions with others take many forms. Within a work unit, for example, a manager might select and set up new computer systems, review an employee's work performance, or try to determine if an employee's poor performance is a result of time theft. Activities outside the work unit are equally varied and may include responding to inquiries from environmental groups concerning the firm's sustainability, joining a trade association to learn more about ethics and compliance programs, or donating time to a community service organization. In each of these instances, the manager's interpersonal skills in clearly

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Interpersonal communication includes clear statements, listening, and reaching mutually acceptable agreements.

communicating, listening to others, and arriving at a mutually acceptable agreement become essential to the organization's well-being.

Many job applications request applicants with interpersonal skills. Increasingly, companies are looking for leaders with strong social skills, according to an analysis by *Harvard Business Review*. Leaders must be good communicators and skilled at building relationships.[12]

Technical Skills

Most managers work within a specific department or administrative unit of an organization, and, in most cases, such departments handle a specialized portion of the firm's work. Therefore, there are accounting managers, research and development managers, sales managers, scheduling managers, and so on. These managers use their departments' resources to plan, organize, lead, and control the work of the organization.

To manage their departments' work, managers must have **technical skills**, or the knowledge and ability to accomplish the specialized activities of the work group. Technical skills are sometimes called *hard skills*. Examples of technical skills include knowledge of blockchain, graphic design, analytical reasoning, search-engine optimization, AI, sales, video production, and coding, just to name a few. These skills are typically learned through education, professional experience, and training.

technical skills: The knowledge and ability to accomplish the specialized activities of the work group.

For example, accounting managers must know current tax reporting regulations, how to apply accounting systems to new products, and how to compile financial reporting data. If managers lack these skills, they will not be able to make correct decisions or answer employees' questions about job tasks. The more complex and advanced the work of the department becomes, the more technical skill the manager requires.

For example, financial managers in investment banks frequently are concerned with only one investment area, such as bonds, derivatives, or hedge funds. Therefore, these managers must be extremely knowledgeable about the particular investment area they are managing. In many organizations, a manager's career track is within one technical area until they reach the very highest level of management.

Conceptual Skills

Earlier, we said that a key part of management is gathering information and making and implementing decisions. **Conceptual skills**, the intellectual abilities to process information and make accurate decisions about the work group and the job tasks, are essential to this process. Interpersonal skills and conceptual skills are considered *soft skills*, personal attributes that are applicable to all professions. First, a manager must be able to understand and retain a large amount of data obtained while carrying out informational roles. Second, a manager must analyze data in various ways in order to understand their meaning.

conceptual skills: The intellectual abilities to process information and make accurate decisions about the work group and the job tasks.

Some analyses are statistical, such as forecasts of consumer demand based on past buying patterns. Other analyses are essentially judgmental, such as estimating consumer demand by taking into account expected changes in the local economy. Third, the manager must use analysis to select a course of action among several options. If the economy is expected to expand over the next six months, for example, should the firm increase production and marketing activities? These decisions require the conceptual skills of reasoning, information processing, and evaluation.

Specific Skills

For many years, organizations have been trying to identify the specific soft skills that are related to managerial job performance. The following are a few skills that researchers have identified across several different organizations:

- *Job knowledge:* Knowing the facts about equipment, materials, and the work process, as well as the relationships among all parts of the work organization. Example: A project manager having working knowledge of project management software.

- *Oral communication:* Verbally presenting information to others in such a manner that the information means the same to everyone. Example: Effectively communicating work objectives to all members of a work team.
- *Persuasiveness:* Influencing others who have different viewpoints to reach an agreement on an acceptable plan of action. Example: A committee member explaining a possible solution that would affect future group actions.
- *Problem analysis:* Determining why a situation does not conform to standards and deciding what to do about it. Example: Determining why a group of products has failed final inspection.
- *Cooperativeness:* Working easily and well with others in group projects. Example: The interaction of members of a strategic planning committee.
- *Tolerance of stress:* Continuing work performance in adverse or hostile circumstances. Example: Multiple projects coming to completion at approximately the same time.
- *Negotiation:* Arriving at mutually acceptable joint decisions. Example: Agreeing with a supplier as to a mutually acceptable price for raw materials.
- *Assertiveness:* Clearly and consistently expressing a point of view on a topic being discussed. Example: Individual performance review with a subordinate who has a deficiency in work activities.
- *Initiative:* Determining what work activities must be pursued and starting them. Example: Proactively researching a prospective client.

These are only a few of the skills research has identified as necessary for successful managerial work. Hopefully, the relationship between these specific skills and the general categories of technical, interpersonal, and conceptual skills is obvious: These specific skills are subparts of the general categories. They all involve interacting with others, evaluating the work process, or making decisions.

Situational Differences in Management Activities

The main emphasis of this chapter so far has been on the similarities of management activities across organizations. However, if you were to observe the activities of several managers, you would probably be impressed with how different their specific tasks are, even though these tasks address the same management process and functions. In this section, we will explore some of the characteristics of organizations that cause these differences in management activities: level of management, area of management, organizational size, organizational culture, industry, and whether the organization is for-profit or nonprofit.

Level of Management

high-level managers: Managers who spend most of their time planning and leading because they make decisions about the overall performance and direction of the organization.

middle managers: Managers who receive broad statements of strategy and policy from high-level managers and develop specific objectives and plans.

Managers may be classified according to their level or position within the organization. We commonly categorize managers as being high-level, middle, or front-line managers; however, these terms generally apply only in organizations large enough to have specialization. **High-level managers** spend most of their time planning and leading because they make decisions about the overall performance and direction of the organization. Therefore, they are usually involved in the development of goals and strategies to achieve those goals. Conceptual and interpersonal skills are especially important. Chief executive officer (CEO), chief financial officer (CFO), chairperson, president, and executive vice president are common titles at this level.

Middle managers are those managers who receive broad statements of strategy and policy from high-level managers and develop specific objectives and plans. They spend a large portion of their time planning and organizing activities. Conceptual and technical skills underlie these activities. Examples of the titles of middle managers are marketing director, product manager, department head, plant manager, and quality control manager.

BUSINESS DILEMMA

You're the Manager . . . What Would You Do?

THE COMPANY: Forever Green
YOUR POSITION: CEO
THE PLACE: Los Angeles, California

Source: FiledIMAGE/Shutterstock

Forever Green, a clothing retailer based in Los Angeles, California, was founded by Oliver Smith with the promise of transparency. Smith set out to make good on his "100 percent transparency" promise by revealing often-guarded information on the company's supply chain and pricing, including pricing markups and the ecological impact of the company's garments. This concept was a hit with young shoppers who highly value social responsibility. For this reason, Forever Green became wildly popular and grew quickly. Now, many years after the company's founding, some people question the authenticity of the company's ethical image and organizational culture.

Forever Green wants to make a difference in the fashion industry with high-quality clothes, responsibly sourced materials, ethical factories, fair wages, and transparent business practices. Employees, however, have criticized Forever Green's management, accusing leaders of promoting poor working conditions and hiding behind a false ethical image. Allegedly, managers discouraged subordinates from unionizing and attempted to stop employees from sharing salary information with one another, rights that are protected by law. Forever Green was also accused of discriminatory behavior by former employees.

With the spotlight on the leaders at Forever Green, Smith launched an investigation that uncovered many issues, including unclear promotion policies, a lack of pay transparency, an isolating and unwelcoming workplace culture, and the use of inappropriate language when referring to people of color. Additionally, the company lacked an official reporting procedure for harassment and discrimination complaints. In particular, several high-level managers were criticized for poor interpersonal skills, which contributed to a high turnover rate.

After the investigation, Smith hired an executive coach to advise the company's high-level managers. He revisited the company's code of ethics and committed to new diversity initiatives, such as ensuring Black, Indigenous, and people of color (BIPOC) representation in high-level management and on the board of directors, diversifying the senior leadership team, working with racism accountability organizations, and establishing anti-racism training. These changes were intended to increase empathy and create a culture of accountability.

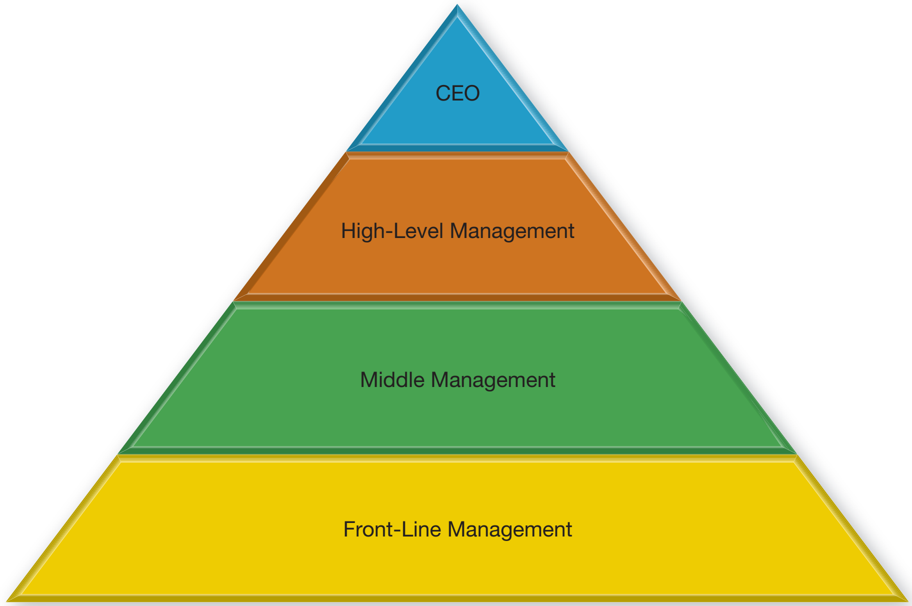
At the same time, critics have questioned Forever Green's commitments to ethical labor and sustainability. Although the company is working toward environmental goals, such as reducing greenhouse gas emissions and eliminating virgin plastic, some say Forever Green is not doing enough and does not adequately back up its claims regarding environmental progress and living wages. Many companies publish annual social responsibility reports, but Forever Green does not.

There are many ways Forever Green could double down on its commitment to 100 percent transparency. For example, it could publish more data to back up its corporate social responsibility initiatives. There are many frameworks, including the environmental, social, and governance (ESG) framework, to guide corporations that disclose this type of information. Stakeholders have lost trust in the organization, so Forever Green's leaders must recommit to the firm's values.

QUESTIONS

1. How did Forever Green fall short of its "100 percent transparency" promise?
2. How did high-level managers weaken Forever Green's corporate culture?
3. What is your recommendation for the future of Forever Green's business?

FIGURE 1.2
Different Levels of Management



Front-line managers are concerned with operations and services.

front-line managers: Managers concerned with the direct production of items or the delivery of services.

Front-line managers are those concerned with the direct production of items or the delivery of services. These actions require leading and controlling. Because front-line managers train and monitor the performance of their subordinates, technical skills are especially important. Common titles are supervisor, sales manager, loan officer, and store manager. Middle- and high-level managers coordinate the activities of specialized front-line managers.

In terms of differences in activities necessary for performance, high-level managers have numerous contacts with people external to the organization, such as when they negotiate agreements or provide information about organizational activities. Middle managers often associate with other managers of the organization to collect information and plan how to implement programs. Lower-level managers generally work with non-managerial employees on technical tasks. Figure 1.2 shows the different levels of management.

Area of Management

human resources managers: Managers concerned with developing and carrying out systems that are used to make decisions about employees, such as selection, training, and compensation.

marketing managers: Managers who develop marketing strategies and make decisions about how to implement those strategies.

We will discuss functional units, or areas of an organization, in more detail later on. For now, we will refer to these functional areas in terms of jobs with similar technical content. Human resources management, marketing, and production could all be functional areas of one organization, and managers in each of these areas must gather information, make decisions, and implement programs that are appropriate for their area. For example, **human resources managers** are concerned with developing and carrying out systems that are used to make decisions about employees, such as selection, training, and compensation.

Marketing managers develop marketing strategies and make decisions about how to implement those strategies. Marketing managers are responsible for selecting target markets and planning, pricing, promoting, and distributing products. **Finance managers** focus on obtaining the money needed for the successful operation of the organization and using that money in accordance with organizational goals. Financial managers project income and expenses, determine short- and long-term financing needs, and monitor and protect the financial resources of the organization. Accountants maintain and monitor a

Source: metamorworks/Shutterstock

Information technology (IT) managers implement, maintain, and control technology applications.

firm's financial records. Public corporations develop financial statements, including the balance sheet, statement of cash flows, and income statement.

Production and operations managers schedule and monitor the work process that turns out the goods or services of the organization. They help to convert resources into final products. **Information technology (IT) managers** implement, maintain, and control technology applications. For instance, an IT manager might develop and maintain the company's computer network. Other managers manage areas such as ethics and compliance, public relations, and administrative functions.

Although each of these managers engages in planning, organizing, leading, and controlling, these functions take different forms due to the different technical information among them. The human resources manager may plan an instructional program on sexual harassment, while a marketing manager may plan a national television sales campaign. Both programs are developed to provide information to others, but the activities that they perform are quite different.

finance managers: Managers who focus on obtaining the money needed for the successful operation of the organization and using that money in accordance with organizational goals.

production and operations managers: Managers who schedule and monitor the work process that turns out the goods or services of the organization.

information technology (IT) managers: Managers who implement, maintain, and control technology applications.

Organizational Size

Generally, the larger a firm is, the more specialized will be its managers' activities. For example, the owner of a small business often functions as the chief executive officer, chief financial officer, marketing director, and production manager. On the other hand, large firms tend to employ managers who have the specialized training and experience required to work in a narrow range of activities.

Large organizations are also characterized by more formalized rules, procedures, and policies, which are essential in coordinating the work activities of a large number of employees. Formalization affects a manager's activities in many ways, including the requirement of much more paperwork and reporting forms—such as work schedules, selection procedures for hiring new employees, and production or quality reports. Many interactions between managers and subordinates are also formalized, such as grievance and discipline meetings, performance evaluation sessions, and salary adjustment discussions.

Small firms frequently have much less formalization, and coordination of employees is achieved through daily interaction. Often the only reports or forms a small business manager must complete are those necessary for legal compliance or financial reporting. Whereas some employees prefer fewer policies and procedures, others may feel lost without structure.

Organizational Culture

organizational culture: The values, norms, and artifacts shared by members of an organization.

Organizational culture refers to the values, norms, artifacts, and behaviors shared by members of an organization. This results in the beliefs, traditions, philosophies, rules, and heroes that are shared by organizational members. The culture of an organization distinguishes it from others and shapes the actions of its members. For example, by spending the necessary time and resources, Google encourages employees to experiment with the development of products. Much latitude is given to an individual to pursue ideas outside their regular projects to fuel a culture of empowerment, innovation, and creativity. This has become known as the *20 percent rule* because employees are expected to spend about 20 percent of their work time exploring new opportunities that they believe will benefit the organization. Google News, AdSense (now called Google Ads), Gmail, and Wear OS are all examples of products that can be credited to this initiative.[13]

There are four main components of culture. *Values* are the basic beliefs that define the success of employees in the organization. They are viewed as long-term, enduring beliefs about decisions. Home-improvement giant Home Depot, for example, values giving back, excellent customer service, creating shareholder value, entrepreneurial spirit, taking care of its people, respect for all people, doing the right thing, and building strong relationships. The company's success and organizational culture are built on these eight values.[14] Individuals use the norms of the organization in their decisions.

Norms are expectations that dictate and clarify appropriate behaviors. For example, an airline pilot is expected to wear a uniform to work every day. Virgin Atlantic Airways established a new norm when it announced it would loosen long-standing uniform rules, allowing uniformed employees to show some of their tattoos and no longer requiring women to wear makeup. According to Virgin Atlantic, the changes were made to strengthen its commitment to inclusion and diversity.[15] Norms are often so rigidly enforced that they become rules that state explicit requirements for the job.

The third component, *artifacts*, includes rites, rituals, routines or ceremonies, and websites the company uses to show employees more tangible examples of expectations. Artifacts are more obvious elements of organizational culture that can typically be seen even by outsiders. For example, office layout and design can play a major role in setting the tone. Ford Motor Company, which embraced a hybrid work model, changed its office layout to allow for more collaborative space. This design is based on the idea that employees will work remotely when they need to focus, and they will come together in the office when they need to work as a team. About 75 percent of the office is dedicated to conference rooms, social spaces, library zones, and thinking spaces. This artifact reflects Ford Motor Company's commitment to productivity and flexibility.[16]

Finally, *behavior* results in actions, activities, and relationships in carrying out tasks. Values, norms, and artifacts are the basis for most behavior in organizations. All organizations have a culture, even if a manager does not actively work to develop one. Figure 1.3 shows the four different elements of culture.

Industry

The industry that an organization operates in determines the knowledge and skills its managers must possess. A manager in an oil-refining company needs knowledge of manufacturing, chemistry, and environmental laws, whereas a banking manager needs knowledge of investments, risk management, and currency exchange rates. There are major differences in the activities of managers with the same titles but who operate in different industries. For example, a regional marketing manager for a consumer packaged goods company may deal extensively with planning, advertising, social media, and sales promotions. On the other hand, a regional marketing manager for an industrial equipment manufacturing company may spend little time with such activities and instead communicate directly with current and potential clients to determine specifications and the uses of equipment for the future. A manager in a health care organization may spend a great deal of time managing government regulations and ethics and compliance requirements.

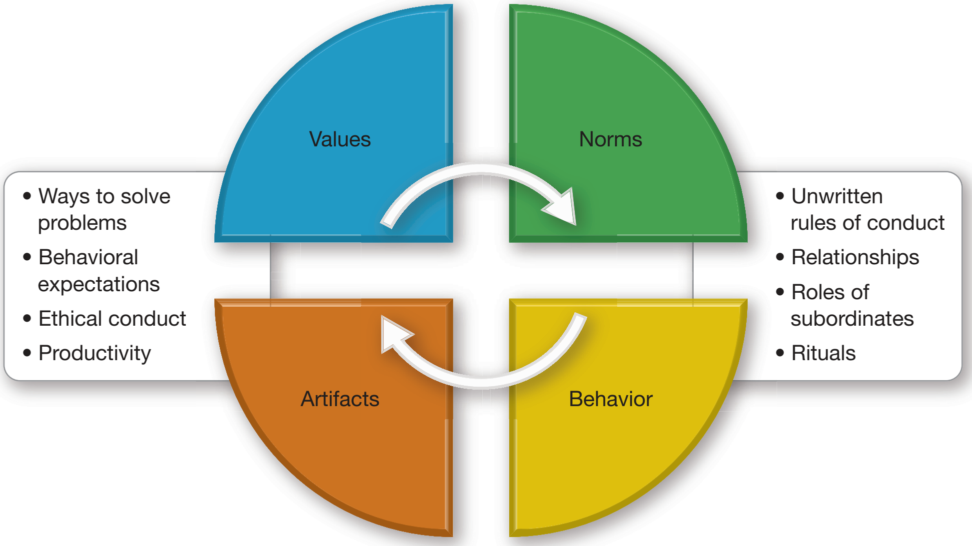


FIGURE 1.3
Elements of an Organizational Culture

Profit versus Nonprofit Organizations

For-profit companies are owned either privately by one or more individuals or publicly by stockholders. These organizations must pay taxes on profits and may be bought and sold. **Nonprofit organizations** are institutions such as governments, social cause organizations, and religious groups that cannot retain earnings over expenses, do not have equity interests, and cannot be bought or sold. United Way Worldwide, Feeding America, the Salvation Army, St. Jude Children's Research Hospital, and Direct Relief are examples of nonprofits.

for-profit companies: Organizations owned either privately by one or more individuals or publicly by stockholders.

nonprofit organizations: Institutions such as governments, social cause organizations, and religious groups that cannot retain earnings over expenses, do not have equity interests, and cannot be bought or sold.

There are two differences between these two types of organizations that affect management activities. First, nonprofit organizations frequently have several groups of individuals who have a major influence in setting the goals of the organization. For example, state universities are influenced by legislators, university administrators, faculty, staff, students, and state taxpayers in determining their goals and operations. Often, these groups have conflicting opinions as to what is desirable. For example, faculty may wish for fewer classes and more time allocated for research. State legislators often ask for more classes and less time for research. In contrast, for-profit organizations, such as CVS Health or AT&T, ordinarily have a closer agreement as to their goals and activities.

The second difference is in how funds are generated and what may be done with them. Nonprofit organizations generally raise part of their necessary funds from the sale of goods or services; the remainder is often from government support or charitable contributions. For-profit organizations exist primarily on the sale of goods and services and secondarily on investments of corporate assets. These differences affect, among other things, the planning and organizing activities of managers in the two types of organizations.

Source: Andrey Popov/Shutterstock

Nonprofit organizations do not have typical business goals, but effective management remains important to their success.

Emerging Trends in Management

Management remains a very dynamic area requiring an understanding of emerging trends. Changes in technology, transportation, and social concerns all influence the nature of management. Although a number of these trends will be addressed and integrated with the content of this book, we introduce three important trends that are affecting businesses today: adoption of technology; remote work; and ethics, social responsibility, and ESG.

Adoption of Technology

Technology has reshaped the modern workplace. The internet, for example, has changed the face of management, allowing businesses to connect with customers, develop collaborative relationships with suppliers and employees, and make the company's products more accessible globally. The internet enables more efficient transactions in working with suppliers as well as those firms to which they outsource activities. The opportunities created by the internet do not change the basic management functions and responsibilities but have drastically changed how activities are carried out and the implementation of strategies. For instance, the internet has facilitated online business models such as Amazon and Google that do not have physical retail locations but primarily take place on the internet. Traditional retailers have overhauled their strategies to streamline the customer experience, syncing online and offline shopping, returns, and shipping, all driven by interconnected software solutions.

Emerging technologies that are influencing management include AI and its enablers, big data, blockchain, drones, and robotics. AI can help with planning, organizing, leading, and controlling. AI software can collect and analyze data, create work schedules, order inventory, identify and solve problems, manage budgets, evaluate performance, and more. For example, IBM's Watson data analytics processor is an AI solution for businesses that uses real-time data to help managers predict business outcomes, automate processes, and optimize employees' time. Marketing managers, for instance, can utilize Watson's weather-targeting abilities to anticipate consumer behavior and trigger ads accordingly. AI systems do not replace management but rather supplement it.

Remote Work

Telecommuting and hybrid work arrangements are becoming increasingly common. Many employees prefer working from home for better work–life balance and increased productivity. The remote work trend was accelerated by the onset of the COVID-19 pandemic, and although many companies returned to the office, others permanently adopted hybrid working models that allow employees to split their time between their homes and the office. Companies with remote work policies include 3M, Coinbase, Reddit, Spotify, and Twitter.

Remote work has many implications for management in terms of communication, productivity, motivation, and employee monitoring. Videoconferencing and collaboration software can help bridge the gap, reducing the need for in-person meetings and business travel. Also, although some employees are happier and more productive working from home, others thrive in a traditional office setting. Managers must use their interpersonal skills to effectively communicate and gauge their subordinates' needs in a hybrid or fully remote work environment.

Source: fizkes/Shutterstock

Flexible work arrangements are becoming increasingly popular.

Ethics, Social Responsibility, and ESG

Leadership in promoting ethical and socially responsible business decisions has become a significant managerial responsibility. Today, top managers and the board of directors are responsible for creating an ethical organizational culture that responds to the desires of stakeholders. Many companies have suffered reputational damage and fines for business

PROFILES IN MANAGEMENT

NAME: Julie Sweet
ORGANIZATION: Accenture
INDUSTRY: Information Technology
POSITION: Board Chair and CEO

Source: OleksSH/Shutterstock

Julie Sweet is the board chair and CEO of Accenture, an Irish American global services company specializing in digital, cloud, and security solutions. She has been recognized by *Fortune* as one of the "Most Powerful Women in Business" and by *Forbes* as one of the "Most Powerful Women in the World." After serving as general counsel, secretary, and chief compliance officer at Accenture for five years, Sweet became the CEO of Accenture's North American business. She was appointed companywide CEO in 2019 and chair in 2021. Sweet brought a legal background with her, having formerly been a partner at a law firm for ten years.

Sweet serves on the World Economic Forum Board of Trustees. The World Economic Forum is an independent international organization that engages political, business, cultural, and other leaders to support global public interests and uphold high governance standards. Sweet is also involved with Catalyst, a global nonprofit focused on supporting women in the workplace; the Center for Strategic and International Studies, a think tank in Washington, DC; and the Marriott Foundation for People with Disabilities—Bridges from School to Work, a leader in youth opportunity programs.

According to Sweet, two of the most valuable skills for employees at all levels are the ability to learn and digital literacy. All 700,000 of Accenture's employees have completed and passed a technology quotient assessment to verify basic technology skills, regardless of their position. As an IT firm, Accenture takes a high-tech approach to recruiting and hiring new talent. Sweet believes AI and other technologies can help reskill the workforce to keep up with changing demands.

One issue Sweet champions is the responsible use of AI. According to Accenture research, during the pandemic, about half of U.S. companies increased spending on AI technologies. The rate of adoption is expected to continue to increase. Sweet sees AI as a differentiator for companies but also recognizes the risks that come alongside the rewards. She encourages CEOs and high-level managers to establish a new governance approach to ensure AI is used responsibly.[17]

misconduct. On the other hand, ethical and socially responsible companies create an environment where there are more loyal employees and satisfied consumers.

While ethics in an organization can relate to all managerial decisions, social responsibility refers to an organization's obligation to maximize its positive impact and minimize its negative impact on society. This results in understanding stakeholders and social responsibility issues that are important to them. Some of the more important areas today include concerns about sustainability, community relations, product safety, and social issues, including employee well-being. Although all of these issues are important, many businesses are focusing on sustainability to protect the long-term well-being of the natural environment as it relates to individuals, organizations, and business strategies. Stockholders should support sustainability advancement because it has been directly tied to profitability.

Source: PX Media/Shutterstock

Ethics can relate to all managerial decisions.

Stakeholders are increasingly demanding that firms operate sustainably, address social issues, and communicate transparently. ESG is a framework for evaluating an organization's performance in three areas: environmental, social, and governance. Whereas social responsibility is an ideal that affects a company's culture, priorities, and actions, ESG is the measurable outcome. Investors, for example, rely on ESG metrics to determine which funds to invest in. Microsoft, Texas Instruments, and Salesforce are examples of companies with high ESG scores. Managers must make decisions about how to use the organization's resources to reach ESG goals. Executing an effective ESG strategy requires careful management of risks and opportunities, regular monitoring of activities and key metrics, and continuous assessment and improvement of activities. Managers who proactively and passionately embrace ethics, social responsibility, and ESG stand to position themselves as strong leaders.

Can You Learn Management in Class?

The answer to this is "Sure!" If the answer were no, what would we do with the rest of the book? You can certainly learn valuable aspects of management in a college or university class. As evidence, many organizations develop or require formal training in management that is very similar to the topics of this text and the format of your class.[18]

We have discussed that management is a process of collecting information, making decisions, and implementing decisions about how to use the organization's resources to reach its objectives. Formal classes like this one are valuable for learning what data sources and types of information are useful for making specific decisions. Classes can also point out the relationships among variables used in decision making. For example, you will learn about the relationship of organizational rewards to the employee's job performance in a later chapter. Knowing this relationship will be useful in deciding how to use rewards within the organization.

In addition to presenting factual data and relationships among data, formal classes can help you develop conceptual and analytical skills, which are needed by all managers. The vignettes, cases, and boxes in the chapters of this text describe work situations that can be valuable in helping you develop these skills. Finally, the discussion of organization and human behavior principles should serve as an important basis for the managerial activities associated with leading.

However, there are two aspects of management that cannot be taught fully in an introductory management textbook or class. The first is the job knowledge necessary to be successful as a manager in a specific functional area of an organization; you must acquire this knowledge from your other courses and job experience. If you are interested in being a financial manager, for example, you must acquire the basic knowledge from your finance courses and perhaps from internships or other employment in the finance industry; if your interest is in marketing management, this job knowledge must come from your marketing courses as well as from experience as a consumer and employee.

The second aspect that cannot be taught fully is the implementation of decision making. We will discuss how managers go about getting their plans and decisions carried out within organizations. Simulations, role plays, and exercises can help you reproduce and develop these skills. However, these teaching techniques frequently lack the long-term, repetitive interaction that characterizes management. Some form of on-the-job training is a more appropriate vehicle for teaching this skill.

Summary and Review

- ***Define management and describe its purpose in organizations.*** Management is concerned with using the resources of the organization to reach the organization's objectives. Its purpose is to use these resources effectively and efficiently so that the objectives of the organization are achieved with minimum costs.
- ***Determine the effect that management actions have on the manager and others in the organization.*** Because management is essentially a decision-

making process, it affects others. The consequences of a manager's decisions may have either a positive or negative effect on the manager, the manager's subordinates, and the organization, as well as other groups.

- ***List the major functions of managers.*** The four management functions are planning (determining what the organization will specifically accomplish and deciding how to accomplish these goals), organizing (designing jobs for employees, grouping these jobs together into departments, and developing working relationships between organizational departments and employees to carry out the plans), leading (influencing others' activities to achieve set goals), and controlling (ensuring that an organization's actions lead to the achievement of its objectives).
- ***Explain the importance of decision making in management activities.*** Because managers must use resources to reach the organization's objectives, they insist on continuously making decisions about how to best use these resources. The manager must gather important data to be considered and, based on the data, make and then implement the decision required. A correct decision can be useless if it is not implemented appropriately.
- ***Describe the many roles managers play in an organization.*** Henry Mintzberg described ten specific roles that can be placed into three broad categories. Interpersonal roles involve interaction with others who are external or internal to the organization, at the same level as the manager or at higher or lower levels. Informational roles focus on obtaining data that are important for the decisions made by the manager. Decisional roles deal primarily with the allocation of resources in order to reach organizational objectives. Mintzberg's detailed description of each of the specific roles provides valuable descriptions of management tasks.
- ***Specify why different managers perform different job activities.*** Management is similar across all organizations in that managers are all involved with planning, organizing, leading, controlling, and decision making; their activities may also be described in terms of common roles they play within their organizations. However, the specific job activities of managers differ greatly both among and within organizations because of differences in the level of management, functional area, organizational size and culture, and industry.
- ***Identify some emerging trends in management.*** There are three major trends affecting businesses today: adoption of technology; remote work; and ethics, social responsibility, and ESG. The internet has changed the face of management, allowing businesses to connect with customers, develop collaborative relationships with suppliers and employees, and make the company's products more accessible globally. Emerging technologies that are influencing management include AI and its enablers, big data, blockchain, drones, and robotics. Remote work has many implications for management in terms of communication, productivity, motivation, and employee monitoring. Leadership in promoting ethical and socially responsible business decisions has become a significant managerial responsibility. ESG is a framework for evaluating an organization's performance in these three areas. Managers who proactively and passionately embrace ethics, social responsibility, and ESG stand to position themselves as strong leaders.
- ***Review what you can reasonably learn from a textbook about how to perform management activities.*** Some aspects of management can be learned in formal classroom situations. Most organizations teach management to their employees through training programs that are similar in format to college classrooms. Learning management in this format can help you understand sources of information and relationships among variables, basic principles to use in decision making, and the fundamentals of how to implement decisions. However, job knowledge relevant to specific functional areas of an organization and the requisite interpersonal skills can most effectively be learned in one's unique working environment.
- ***Evaluate a small business owner's management skills and propose a future course of action for the firm.*** The "Business Dilemma" box presents questions for the owner of the firm. How did the company fall short on its promises, and what is your recommendation for the future of the business? Your assessment of the dilemma will determine your answers.

Key Terms and Concepts

artificial intelligence (AI) 6
conceptual skills 13
controlling 7
decisional roles 11
effectively 3
efficiently 3

finance managers 16
for-profit companies 19
front-line managers 16
high-level managers 14
human resources managers 16
information technology (IT) managers 17
informational roles 10
interpersonal roles 10
interpersonal skills 12
leading 7
management 3
managers 3
marketing managers 16
middle managers 14
nonprofit organizations 19
organizational culture 18
organizations 3
organizing 6
planning 6
production and operations managers 17
resources 3
stakeholder 5
technical skills 13

Ready Recall

1. Define management and indicate what its principal purposes are and why managers are essential to organizations.
2. What are the resources of the organization? How are these used in management decision making?
3. What are the four functions of management? How are they related to the work process?
4. Describe the steps in management decision making. What are the difficulties in making management decisions?
5. Discuss the three general roles of management. What are the purposes of these roles? What specific roles fall under each general role?
6. Discuss the general skills necessary to be successful in management. How do these relate to both the management roles and management decision making?
7. How do management activities differ across organizations? Describe the specific effects of organization size, industry type, organizational culture, and profit vs. nonprofit organizations on these differences.
8. How do management activities differ within an organization? Describe the specific effects of level of management and functional specialty on these differences.
9. Discuss the impact that management decisions have on others.
10. Discuss how management may be learned in a class setting.

Chapter Quiz

1. What is management?
   A. Activities that deal primarily with the allocation of resources in order to reach organizational objectives
   B. Influencing others' activities to achieve set goals
   C. A set of activities designed to achieve an organization's objectives by using its resources effectively and efficiently in a changing environment
   D. Those activities that an organization undertakes to ensure that its actions lead to the achievement of its objectives
2. What name is given to individuals who make decisions about the use of the organization's resources and are concerned with planning, organizing, leading, and controlling the organization's activities so as to reach its objectives?
   A. Leaders
   B. Auditors
   C. Managers
   D. Supervisors
3. What is an organization?
   A. People, equipment, finances, and data used to reach objectives
   B. Institutions that cannot retain earnings over expenses, do not have equity interests, and cannot be bought or sold
   C. The knowledge and ability to accomplish the specialized activities of the work group
   D. A group of individuals who work together to achieve the goals or objectives that are important to these individuals
4. Which of the following refers to a person or group that can affect, or is affected by, an organization's goals or the means to achieve those goals?
   A. Human resources managers
   B. Front-line managers
   C. Middle managers
   D. Stakeholder

5. What term describes determining what the organization will specifically accomplish and deciding how to accomplish these goals?
   A. Leading
   B. Controlling
   C. Planning
   D. Organizing
6. Which of the following refers to activities that involve interacting with others who may be external or internal to the organization and at a higher or lower level than the manager?
   A. Leading
   B. Interpersonal roles
   C. Informational roles
   D. Interpersonal skills
7. What name is given to activities that deal primarily with the allocation of resources in order to reach organizational objectives?
   A. Informational roles
   B. Interpersonal roles
   C. Finance roles
   D. Decisional roles
8. What name is given to managers who receive broad statements of strategy and policy from high-level managers and develop specific objectives and plans?
   A. Production and operations managers
   B. Middle managers
   C. Information technology (IT) managers
   D. Finance managers
9. What term describes institutions such as governments, social cause organizations, and religious groups that cannot retain earnings over expenses, do not have equity interests, and cannot be bought or sold?
   A. For-profit companies
   B. Nonprofit organizations
   C. Stakeholder organizations
   D. Informational companies
10. An organization owned privately by individuals, or publicly by stockholders, that pays taxes on net earnings and may be bought or sold is called a
   A. capitalistic venture.
   B. human enterprise.
   C. for-profit company.
   D. nonprofit organization.

Answers can be found in the end-of-book Answers section.

Expand Your Experience

1. Interview a small sample of managers. Discuss the specific, major tasks that these managers perform. Relate these tasks to the management functions of planning, organizing, leading, and controlling.
2. Obtain descriptions of recent decisions made by managers in specific organizations as reported in sources such as the *Wall Street Journal*. Discuss what information would be useful to know before making the decisions. Also, discuss how accessible and accurate such information may be.
3. Obtain job descriptions of various management positions. Discuss the specific skills that are necessary to perform the tasks of these job descriptions.

Management Skills

For each statement, check the column that best describes you. When you are finished, calculate your score.

Management Skills Self-Assessment

		Always	Almost Always	Sometimes	Almost Never	Never
1	I try to solve problems myself before asking anyone for help.					
2	I delegate work to those who have the most free time.					
3	I follow up with team members when their behavior creates a negative impact.					
4	I make decisions based on analysis rather than instinct.					
5	I let my team members figure out how to work together without my input.					
6	I give team members a chance to correct their mistakes before reprimanding them.					
7	I believe that technical skills are the most important skills needed to be an effective manager.					
8	I talk with my team about successes and areas for improvement.					
9	I assist team members in gaining a better understanding of issues and forging agreements.					
10	I try to resolve inefficiencies in my department's processes.					
11	When constructing a team, I ensure that each person has a set of different but complementary skills.					
12	I try to avoid conflict when interacting with team members.					
13	I approach motivating team members based on their individual characteristics.					
14	When a significant mistake is made, I notify my superior and learn from the mishap.					
15	I accept conflict in a newly formed team as an inevitable stage in the team development process.					
16	I try to relate team members' individual goals to those of the organization.					
17	When constructing a team, I avoid choosing individuals with similar skills and characteristics.					
18	I trust team members to do a good job.					
19	I maintain open communication with each team member individually so that they feel like they are an active participant in the group.					
20	I keep team members up-to-date on recent changes in the organization.					

Scoring Your Assessment

Never = 1
Almost Never = 2
Sometimes = 3
Almost Always = 4
Always = 5

Add your score according to the previous rubric, and then find the category that corresponds to your score in the text that follows.

20–45 If your score falls in this range, your management skills need improvement. This textbook will help you become aware of the behaviors and characteristics that make a good manager. Organization, communication, and leadership are just a few examples of these types of skills.

46–75 If your score falls in this range, you are exhibiting good managerial skills. Take note of your strengths and begin practicing behaviors in areas that need improvement. This textbook will give you direction in the areas where your scores are low, so be alert for concepts and exercises that will help you improve your managerial skills.

76–100 If your score falls in this range, you are probably an excellent manager. Beware of becoming complacent and strive to strengthen your skills further. Take note of the areas wherein your scores were low and work to develop them. This textbook will keep you focused on managerial skills and will give you some examples that you can follow.

Case 1: Order Up: Potbelly under New Management

In 1977, Peter Hastings and his wife served sandwiches at their Chicago antique shop using the store's potbelly stove to toast sandwiches to sell to visitors. In 1996, Bryant Keil, one of the shop's regular patrons, bought Potbelly from Hastings, embarking on a journey to expand the sandwich concept across the country. Over the course of 12 years, Keil grew the company to 250 shops. At one point, Potbelly was recognized as being one of the fastest-growing companies in the United States. Today, Potbelly Sandwich Shop has more than 400 locations in the United States, Canada, the United Kingdom, and the Middle East.

Source: Hiram Rios/Shutterstock

Despite its years of success, Potbelly has struggled with overexpansion and declining sales. Former CEO Alan Johnson was hired to reinvigorate the company. He renamed sandwiches to help influence customer purchase decisions and condensed the menu so that store associates could improve quality control. In an overhaul of Potbelly's management, Johnson hired a new vice president of culinary innovation and product development to optimize the menu and find operational efficiencies for the company. The company also invested in a customer loyalty program to reward frequent visitors.

Although sales increased for a time under Johnson's watch, the company's stock price steadily declined. Then, the COVID-19 pandemic struck, severely hampering restaurant sales. The pandemic wiped out any sign of improvements the sandwich chain made after years of hard work, decreasing same-store sales significantly. Potbelly announced plans to permanently shutter multiple underperforming shops to improve profitability as it became clear that the company might not be able to meet its debt obligations with its lender. Shareholders expressed discontent with the company's performance, calling it dreadful and unacceptable.

Ultimately, Johnson was replaced with a new CEO, Robert "Bob" Wright. During his more than 30 years in the restaurant industry, Wright served as the chief operations officer at Charley's Grilled Subs and the executive vice president and chief operations officer at Wendy's. Wright was hired for his experience in transforming brands and revitalizing sales through marketing, standardization, and quality initiatives. He also had experience in transitioning more than 1,000 company-owned restaurants to franchise ownerships during his tenure at Wendy's, something Potbelly said it planned to leverage.

Wright's goals are to accelerate the company's turnaround, improve the guest experience, enhance the company's brand, and reduce costs. To avoid closing up to 100 shops, which would require a bankruptcy filing to break the necessary leases, Potbelly hired a restructuring advisor. The company only ended up closing 28 stores, successfully renegotiating more than 300 leases. Although the closures cost the company an estimated $3 million, Potbelly saved $4 million in rent costs and avoided $15 million in store losses.

Under Wright's leadership, the company made fundamental changes to its corporate team, including reorganizing, restructuring, and reducing, while avoiding the elimination of front-line positions. These adjustments resulted in millions of dollars saved. According to Wright, he is attempting to identify areas at all levels of the company that aren't generating customer satisfaction and growth and determining how to improve, putting his conceptual skills to the test.

Wright created a formalized plan to save Potbelly, introducing a five-pillar recovery strategy: (1) food quality at great value, (2) positive work environment, (3) customer experiences that drive growth, (4) digitally driven awareness, and (5) franchised-focused development. Under the first pillar, the company has simplified its menu once again, in addition to improving the design of its menu boards and improving pricing to better deliver on value. A simplified menu can help stores operate more efficiently and result in a faster guest experience. To create a more positive work environment, Potbelly found opportunities to become more efficient with scheduling and implemented the use of real-time performance monitoring and management. Potbelly appointed a new chief people officer to lead human resources and strengthen the organization's culture. The company is also offering more financial incentives to motivate employees. To enhance the customer experience, Potbelly hired a new chief operations officer to lead the company's efforts and enhance shop margins. A new scorecard for stores measures the company's standards, guest satisfaction, and employee engagement. This type of tool can help managers in the controlling function of management.

One trend that cannot be ignored is the shift to online ordering. About half of Potbelly's revenue is from off-premise sales, compared to only 30 percent prior to the pandemic. This has contributed to Potbelly's focus on its digitally driven awareness. Potbelly revamped its loyalty program, which now has more than 2.1 million members. With the use of sales data, the company has been able to create promotions and programs to drive sales. For example, Thursday sales were low compared to other days of the week, so the chain implemented a double-points program, resulting in Thursday sales increasing by 9 percent compared to the prior year. The company also revamped its website and app for easier ordering.

The final pillar in Wright's strategy is franchised-focused development. Currently, 90 percent of the stores are company-owned outlets, but Wright believes offering franchise licenses presents a significant growth opportunity. He hopes that one day, about 85 percent of the stores will be franchised. A franchise is a license to sell another's product or to use another's name in business. In this case, franchisees would run Potbelly shops, likely paying a fee to the company based on a percentage of sales. Many successful restaurant chains, such as Taco Bell, McDonald's, and Jersey Mike's Subs, engage in franchising. To lead the charge, the company appointed a chief development officer.

Wright's work to date has been a turning point for Potbelly. According to Wright, the company's forward momentum so far has exceeded expectations. Sales have begun to recover in its drive-thru, suburban, urban, and university locations, whereas airport and central business district units still have room for improvement. The simplified menu has been a success, improving profit margins and customers' perception of value. Potbelly's dreams are also underway. Looking to the future, Potbelly hopes to have 2,000 restaurants within the next decade.[19]

1. How did management perform in the role of disturbance handler amid the COVID-19 pandemic?
2. What management skills does CEO Robert Wright bring to Potbelly?
3. Why do you think Potbelly appointed new high-level managers?

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