

Sixth Edition

MANAGEMENT

AN INTRODUCTION

David Boddy



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MANAGEMENT

An Introduction

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MANAGEMENT

An Introduction Sixth Edition

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BRIEF CONTENTS

Preface to the first edition	xiii
Preface to the sixth edition	xv
Guided tour of the book	xviii
Guided tour of MyManagementLab	xxiv
Acknowledgements	xxvi



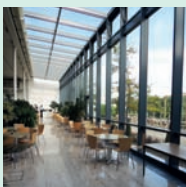
PART 1 AN INTRODUCTION TO MANAGEMENT	3
1 MANAGING IN ORGANISATIONS	4
2 MODELS OF MANAGEMENT	34
Part 1 Case: Apple Inc.	67
Part 1 Employability skills – preparing for the world of work	72



PART 2 THE ENVIRONMENT OF MANAGEMENT	77
3 ORGANISATION CULTURES AND CONTEXTS	78
4 MANAGING INTERNATIONALLY	106
5 CORPORATE RESPONSIBILITY	136
Part 2 case: BP	162
Part 2 Employability skills – preparing for the world of work	167



PART 3 PLANNING	173
6 PLANNING	174
7 DECISION MAKING	200
8 MANAGING STRATEGY	232
9 MANAGING MARKETING	264
Part 3 case: The Virgin Group	293
Part 3 Employability skills – preparing for the world of work	298



PART 4 ORGANISING	303
10 ORGANISATION STRUCTURE	304
11 HUMAN RESOURCE MANAGEMENT	338
12 INFORMATION SYSTEMS AND E-BUSINESS	362
13 CREATIVITY, INNOVATION AND CHANGE	392
Part 4 case: The Royal Bank of Scotland	421
Part 4 Employability skills – preparing for the world of work	426



PART 5 LEADING

	431
14 INFLUENCING	432
15 MOTIVATING	462
16 COMMUNICATING	496
17 TEAMS	526
Part 5 case: The British Heart Foundation	553
Part 5 Employability skills – preparing for the world of work	558



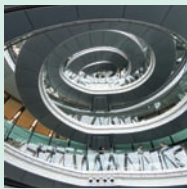
PART 6 CONTROLLING

	563
18 MANAGING OPERATIONS AND QUALITY	564
19 CONTROL AND PERFORMANCE MEASUREMENT	592
20 FINANCE AND BUDGETARY CONTROL	616
Part 6 case: Tesco	637
Part 6 Employability skills – preparing for the world of work	642

Glossary	647
References	657
Index	673

CONTENTS

Preface to the first edition	xiii	Think critically	65
Preface to the sixth edition	xv	Read more	65
Guided tour of the book	xviii	Go online	66
Guided tour of MyManagementLab	xxiv		
Acknowledgements	xxvi	Part 1 Case: Apple Inc.	67



PART 1 AN INTRODUCTION TO MANAGEMENT

CHAPTER 1

MANAGING IN ORGANISATIONS 4

Case study: Ryanair	5
1.1 Introduction	6
1.2 Managing to add value to resources	7
1.3 Meanings of management	10
1.4 Specialisation between areas of management	11
1.5 Influencing through the process of managing	14
1.6 Influencing through the tasks of managing	20
1.7 Influencing through shaping the context	23
1.8 Thinking critically	26
1.9 Integrating themes	29
Summary	30
Test your understanding	31
Think critically	32
Read more	32
Go online	33

CHAPTER 2

MODELS OF MANAGEMENT 34

Case study: Innocent drinks	35
2.1 Introduction	36
2.2 Why study models of management?	36
2.3 The competing values framework	40
2.4 Rational goal models	42
2.5 Internal process models	47
2.6 Human relations models	52
2.7 Open systems models	56
2.8 Integrating themes	61
Summary	63
Test your understanding	64

Part 1 Employability skills – preparing for the world of work	72
--	----



PART 2 THE ENVIRONMENT OF MANAGEMENT

CHAPTER 3

ORGANISATION CULTURES AND CONTEXTS 78

Case study: Nokia	79
3.1 Introduction	80
3.2 Cultures and their components	81
3.3 Types of culture	84
3.4 The competitive environment – Porter’s Five Forces	88
3.5 The general environment – PESTEL	91
3.6 Environmental complexity and dynamism	96
3.7 Stakeholders and corporate governance	97
3.8 Integrating themes	100
Summary	102
Test your understanding	103
Think critically	103
Read more	104
Go online	104

CHAPTER 4

MANAGING INTERNATIONALLY 106

Case study: Starbucks	107
4.1 Introduction	108
4.2 Ways to conduct business internationally	110
4.3 The contexts of international business – PESTEL	112
4.4 Legal context – trade agreements and trading blocs	118
4.5 Socio-cultural context	120
4.6 Hofstede’s comparison of national cultures	122

4.7	Contrasting management systems	126	6.8	Implementing, monitoring and revising	191
4.8	Forces driving globalisation	127	6.9	Integrating themes	193
4.9	Integrating themes	131		Summary	195
	Summary	132		Test your understanding	196
	Test your understanding	133		Think critically	197
	Think critically	134		Read more	197
	Read more	134		Go online	198
	Go online	135			

CHAPTER 5

CORPORATE RESPONSIBILITY 136

Case study: The Co-operative Group 137

5.1 Introduction 138

5.2 Malpractice, philanthropy and enlightened self-interest 139

5.3 Perspectives on individual responsibilities 141

5.4 Perspectives on corporate responsibility 144

5.5 An ethical decision making model 146

5.6 Stakeholders and corporate responsibility 147

5.7 Corporate responsibility and strategy 150

5.8 Managing corporate responsibility 154

5.9 Integrating themes 156

Summary 158

Test your understanding 159

Think critically 160

Read more 160

Go online 161

Part 2 Case: BP 162

Part 2 Employability skills – preparing for the world of work 167



PART 3 PLANNING

CHAPTER 6

PLANNING 174

Case study: Crossrail 175

6.1 Introduction 176

6.2 Why people plan 177

6.3 The content of plans 178

6.4 The process of planning 182

6.5 Gathering information 184

6.6 Setting goals (or objectives) – the ends 186

6.7 Deciding how to achieve the goals – the means 190

CHAPTER 7

DECISION MAKING 200

Case study: Ikea 201

7.1 Introduction 202

7.2 Tasks in making decisions 203

7.3 Programmed and non-programmed decisions 209

7.4 Decision making conditions 211

7.5 Decision making models 214

7.6 Biases in making decisions 220

7.7 Group decision making 223

7.8 Integrating themes 226

Summary 228

Test your understanding 230

Think critically 230

Read more 230

Go online 231

CHAPTER 8

MANAGING STRATEGY 232

Case study: GKN 233

8.1 Introduction 234

8.2 Strategy – process, content and context 235

8.3 Planning, learning and political perspectives 237

8.4 How do managers develop strategies? 241

8.5 Making sense – external analysis 243

8.6 Making sense – internal analysis 245

8.7 Making choices – deciding strategy at corporate level 250

8.8 Making choices – deciding strategy at business unit level 253

8.9 Making things happen – delivering strategy 255

8.10 Making revisions – implementing and evaluating 257

8.11 Integrating themes 258

Summary 260

Test your understanding 261

Think critically 261

Read more 262

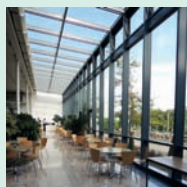
Go online 262

CHAPTER 9**MANAGING MARKETING**

Case study: Manchester United FC	264
9.1 Introduction	265
9.2 Understanding customers and markets	266
9.3 The marketing environment	267
9.4 Segments, targets, and the market offer	269
9.5 Using the marketing mix	275
9.6 The product life cycle	277
9.7 Customer relationship management	281
9.8 A marketing orientation	283
9.9 Integrating themes	285
Summary	288
Test your understanding	289
Think critically	290
Read more	291
Go online	291

Part 3 Case: The Virgin Group

Part 3 Employability skills – preparing for the world of work



PART 4 ORGANISING

CHAPTER 10**ORGANISATION STRUCTURE**

Case study: GlaxoSmithKline	304
10.1 Introduction	305
10.2 Strategy, organisation and performance	306
10.3 Designing a structure	307
10.4 Dividing work internally – functions, divisions and matrices	308
10.5 Dividing work externally – outsourcing and networks	314
10.6 Co-ordinating work	317
10.7 Mechanistic and organic forms	320
10.8 Learning organisations	322
10.9 Integrating themes	329
Summary	331
Test your understanding	333
Think critically	334
Read more	335
Go online	335

CHAPTER 11**HUMAN RESOURCE MANAGEMENT**

Case study: BMW	338
11.1 Introduction	339
11.2 HRM and performance	340

11.3 What do HR managers do?	345
11.4 Human resource planning	347
11.5 Job analysis	348
11.6 Recruitment and selection	349
11.7 Reward management	353
11.8 Managing diversity	355
11.9 Integrating themes	357
Summary	359
Test your understanding	360
Think critically	360
Read more	361
Go online	361

CHAPTER 12**INFORMATION SYSTEMS AND E-BUSINESS**

Case study: Google	362
12.1 Introduction	363
12.2 Converging technologies – new ways to add value	364
12.3 Managing the new opportunities to add value	365
12.4 Types of information system	368
12.5 The internet and e-business	372
12.6 IS strategy and organisation – the big picture	374
12.7 Integrating themes	382
Summary	385
Test your understanding	387
Think critically	388
Read more	389
Go online	389

CHAPTER 13**CREATIVITY, INNOVATION AND CHANGE**

Case study: Pixar Animation	392
13.1 Introduction	393
13.2 Creativity and innovation	394
13.3 Sources of innovation	396
13.4 Organisational influences on innovation	399
13.5 Implementing innovation and change	403
13.6 Models of change	406
13.7 Integrating themes	411
Summary	415
Test your understanding	417
Think critically	418
Read more	419
Go online	419

Part 4 Case: The Royal Bank of Scotland

Part 4 Employability skills – preparing for the world of work



PART 5 LEADING

CHAPTER 14

INFLUENCING 432

Case study: British Museum	433
14.1 Introduction	434
14.2 Managing and leading depend on influencing	435
14.3 Traits models	438
14.4 Behavioural models	442
14.5 Situational (or contingency) models	445
14.6 Gaining and using power	448
14.7 Choosing tactics to influence others	452
14.8 Influencing through networks	454
14.9 Integrating themes	456
Summary	458
Test your understanding	459
Think critically	459
Read more	460
Go online	460

CHAPTER 15

MOTIVATING 462

Case study: The Eden Project	463
15.1 Introduction	464
15.2 Perspectives on motivation – context and the psychological contract	466
15.3 Behaviour modification	470
15.4 Content theories of motivation	472
15.5 Process theories of motivation	480
15.6 Designing work to be motivating	485
15.7 Interaction of motivation and strategy	488
15.8 Integrating themes	489
Summary	492
Test your understanding	493
Think critically	493
Read more	493
Go online	494

CHAPTER 16

COMMUNICATING 496

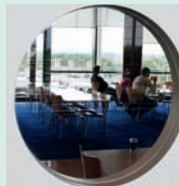
Case study: Facebook	497
16.1 Introduction	498
16.2 Communicating to add value	499
16.3 The communication process	502
16.4 Selecting communication channels	506
16.5 Communication networks	511
16.6 Interpersonal skills for communicating	516

16.7 Communication and strategy – the wider context	519
16.8 Integrating themes	521
Summary	523
Test your understanding	524
Think critically	524
Read more	525
Go online	525

CHAPTER 17

TEAMS 526

Case study: Cisco Systems	527
17.1 Introduction	528
17.2 Types of team	529
17.3 Crowds, groups and teams	532
17.4 Team composition	534
17.5 Stages of team development	538
17.6 Team processes	541
17.7 Outcomes of teams – for the members	543
17.8 Outcomes of teams – for the organisation	545
17.9 Teams in context	547
17.10 Integrating themes	548
Summary	550
Test your understanding	551
Think critically	551
Read more	552
Go online	552
Part 5 Case: The British Heart Foundation	553
Part 5 Employability skills – preparing for the world of work	558



PART 6 CONTROLLING

CHAPTER 18

MANAGING OPERATIONS AND QUALITY 564

Case study: Zara	565
18.1 Introduction	566
18.2 What is operations management?	566
18.3 The practice of operations management	570
18.4 Operations processes	574
18.5 Process design	577
18.6 Main activities of operations	582
18.7 Quality	583
18.8 Integrating themes	587
Summary	589
Test your understanding	590
Think critically	590
Read more	591
Go online	591

CHAPTER 19**CONTROL AND PERFORMANCE
MEASUREMENT****Case study:** Performance management
in the NHS

19.1	Introduction	593
19.2	What is control and how to achieve it?	594
19.3	How do you know you are in control?	595
19.4	How to measure performance?	602
19.5	Human considerations in control	604
19.6	Integrating themes	609
	Summary	611
	Test your understanding	613
	Think critically	614
	Read more	614
	Go online	615

CHAPTER 20**FINANCE AND BUDGETARY CONTROL****Case study:** BASF Group

	20.1	Introduction	618
	20.2	The world outside the organisation	618
592	20.3	Reporting financial performance externally	620
	20.4	Managing financial performance internally	626
	20.5	Other budgeting considerations	630
	20.6	Integrating themes	632
		Summary	634
		Test your understanding	635
		Think critically	635
		Read more	636
		Go online	636
		Part 6 Case: Tesco	637
		Part 6 Employability skills – preparing for the world of work	642
		Glossary	647
		References	657
		Index	673

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PREFACE TO THE FIRST EDITION

This book is intended for readers who are undertaking their first systematic exposure to the study of management. Most will be first-year undergraduates following courses leading to a qualification in management or business. Some will also be taking an introductory course in management as part of other qualifications (these may be in engineering, accountancy, law, information technology, science, nursing or social work) and others will be following a course in management as an element in their respective examination schemes. The book should also be useful to readers with a first degree or equivalent qualification in a non-management subject who are taking further studies leading to Certificate, Diploma or MBA qualifications.

The book has the following three main objectives:

- to provide newcomers to the formal study of management with an introduction to the topic;
- to show that ideas on management apply to most areas of human activity, not just to commercial enterprises; and
- to make the topic attractive to students from many backgrounds and with diverse career intentions.

Most research and reflection on management has focussed on commercial organisations. However, there are now many people working in the public sector and in not-for-profit organisations (charities, pressure groups, voluntary organisations and so on) who have begun to adapt management ideas to their own areas of work. The text reflects this wider interest in the topic. It should be as useful to those who plan to enter public or not-for-profit work as to those entering the commercial sector.

European perspective

The book presents the ideas from a European perspective. While many management concepts have developed in the United States, the text encourages readers to consider how their particular context shapes management practice. There are significant cultural differences that influence this practice, and the text alerts the reader to these – not only as part of an increasingly integrated Europe but as part of a wider international management community. So the text recognises European experience and research in management. The case

studies and other material build an awareness of cultural diversity and the implications of this for working in organisations with different managerial styles and backgrounds.

Integrated perspective

To help the reader see management as a coherent whole, the material is presented within an integrative model of management and demonstrates the relationships between the many academic perspectives. The intention is to help the reader to see management as an integrating activity relating to the organisation as a whole, rather than as something confined to any one disciplinary or functional perspective.

While the text aims to introduce readers to the traditional mainstream perspectives on management which form the basis of each chapter, it also recognises that there is a newer body of ideas which looks at developments such as the weakening of national boundaries and the spread of information technology. Since they will affect the organisations in which readers will spend their working lives, these newer perspectives are introduced where appropriate. The text also recognises the more critical perspectives that some writers now take towards management and organisational activities. These are part of the intellectual world in which management takes place and have important practical implications for the way people interpret their role within organisations. The text introduces these perspectives at several points.

Relating to personal experience

The text assumes that many readers will have little if any experience of managing in conventional organisations, and equally little prior knowledge of relevant evidence and theory. However, all will have experience of being managed and all will have managed activities in their domestic and social lives. Wherever possible the book encourages readers to use and share such experiences from everyday life in order to explore the ideas presented. In this way the book tries to show that management is not a remote activity performed by others, but a process in which all are engaged in some way.

Most readers' careers are likely to be more fragmented and uncertain than was once the case and many will be working for medium-sized and smaller enterprises. They will probably be working close to customers and in organisations that incorporate diverse cultures, values and interests. The text therefore provides many opportunities for readers to develop skills of gathering data, comparing evidence, reflecting and generally

enhancing self-awareness. It not only transmits knowledge but also aims to support the development of transferable skills through individual activities in the text and through linked tutorial work. The many cases and data collection activities are designed to develop generic skills such as communication, teamwork, problem solving and organising – while at the same time acquiring relevant knowledge.

PREFACE TO THE SIXTH EDITION

This sixth edition takes account of helpful comments from staff and students who used the fifth edition, and the suggestions of reviewers (please see below). The book retains the established structure of six parts, and the titles of the twenty chapters are substantially as they were before. Within that structure each chapter has been updated where necessary, with many new and current examples both in the narrative and in the Management in practice features, and with new empirical research strengthening the academic credentials. The main changes of this kind are:

Chapters

Chapter 3 (Organisational cultures and contexts) – more structured model (Hill and Jones, 1992) for stakeholder analysis, also used in later chapters.

Chapter 6 (Planning) – better presentation of tasks in planning, and some new section titles.

Chapter 9 (Managing marketing) – same (updated) material, but clearer structure.

Chapter 10 (Organisation structure) – topics closely related to the new chapter case study.

Chapter 12 (Information systems and e-business) – material updated; Google case strengthened by drawing on book by Levy (2011).

Chapter 13 (Creativity, innovation and change) – substantial revision and new case, with new material on creativity, and on open innovation.

Chapter 14 (Influencing) – same (updated) material, but topics now closely related to the new chapter case study.

Chapter 16 (Communicating) – Facebook case substantially strengthened by drawing on book by Kirkpatrick (2010).

Academic content This has been extended and updated where appropriate, with over 80 new articles, mostly reporting empirical research to enable students develop the habit of seeking the empirical evidence behind management ideas. Examples include: new research on complementarities in Chapter 12; a new section on creativity in Chapter 13, as well as Chesbrough (2006) on open innovation; several

studies of virtual teams in Chapter 17; and an empirical study of ‘fast fashion’ which complements the Zara case in Chapter 18.

Integrating themes – NEW theme The intention of this section is to provide a way for teachers to guide students with a particular interest in one or other of the themes to become familiar with some of the academic literature on the topic, and to see how each theme links in a coherent way to all of the topics in the text. New to this edition is the ‘entrepreneurship’ theme, followed by sustainability, internationalisation and concluding with governance. Entrepreneurship is included as the topic is of growing interest, and all aspects of the book relate to it: this is shown by, in almost all chapters, citing recent empirical work relating the topic of the chapter to entrepreneurship. The same is true of each of the other themes

The section aims to relate aspects of the chapter to each theme, bringing each chapter to a consistent close.

Teachers may want to use this feature by, for example, setting a class project or assignment on one of the themes (such as sustainable performance) and inviting students to draw on the multiple perspectives on the topic which each chapter provides. For example:

Chapter 3 (Section 3.8) provides material on sustainability from the Stern report.

Chapter 6 (Section 6.9) shows how one company is planning to work more sustainably.

Chapter 10 (Section 10.9) shows how sustainability can be supported by a suitable structure.

Chapter 15 (Section 15.8) links motivation to sustainability and illustrates it with a company which includes measures of sustainability in the management reward system.

Chapter 18 (Section 18.8) argues that all waste is the result of a failure in operations, which therefore needs to be the focus of improving sustainable performance.

Cases These have been revised and updated – and six are completely new: innocent drinks (Chapter 2, was Part 1 Case); Apple (Part 1 Case, was Chapter 14);

The Co-operative Group (Chapter 5); GKN (Chapter 8); GlaxoSmithKline (Chapter 10); Pixar (Chapter 13); The British Museum (Chapter 14); The British Heart Foundation (Part 5 Case).

MyManagementLab This title can be supported by MyManagementLab, an online homework and tutorial system designed to test and build your understanding. MyManagementLab provides a personalised approach, with instant feedback and numerous additional resources to support your learning. You need both an access card and a course ID to access MyManagementLab.

To encourage students to use this resource, each of the companies which features in the video clip also features in some way in the book itself. For example The Eden Project is the Chapter Case in Chapter 15 (Motivating) while the others provide Management in practice features in several chapters.

Features Many of the Management in Practice features have been updated and renewed, as have some Key Ideas. There are over 100 new references and additional suggestions for Further Reading. Several of the Case Questions and Activities have been revised to connect more closely with the theories being presented. The Learning Objectives provide the structure for the Summary Section at the end of each chapter.

Test your understanding As before, there is a set of questions at the end of each chapter to help students assess how fully they have understood the material.

Think critically At the end of the first chapter I continue to present ideas on the components of critical thinking – assumptions, context, alternatives and limitations. These themes are used systematically to frame many of the learning objectives, and structure the ‘Think critically’ feature at the end of each chapter.

Read more Each chapter concludes with some suggestion for students who want to read more about the topic. The format varies, but usually includes a mix of classic texts, one or two contemporary ones, and a couple of academic papers which represent good examples of the empirical research that underlies study of the topic.

Go online Each chapter concludes with a list of the websites of companies that have appeared in the chapter, and a suggestion that students visit these sites (or others in which they have an interest) to find some information and seek information on some of the themes in the chapter. This should add interest and help retain the topicality of the cases.

Part Cases In response to several reviewers’ suggestions, the Part cases have been substantially enlarged, in the hope that they will enable students to use

them to engage more fully with the text material. The common principle is to encourage students to develop their ‘contextual awareness’ by seeing how organisations act and react in relation to, amongst other things, their environment. The common structure therefore is:

- The company – material on the company and major recent developments.
- Managing to add value – some ways in which managers appear to have added value.
- The company’s context – identifying between three and five contextual factors.
- Current management dilemmas – drawing on the previous sections to identify pressing issues.
- Part Case questions – now in two groups – the first looking back to the material in the text, the second more focussed on the company, and so perhaps offering a link to ‘employability skills’ – see below. As well as supporting individual learning, these extended cases could be suitable for group assignments and other forms of assessment.

Employability skills each Part now concludes with a section on ‘Employability skills – preparing for the world of work’. This a completely new feature, responding to the growing expectations that universities and colleges do more to improve the employability of their students. The organising principle is to provide a structured opportunity for the student to develop and record evidence about six commonly cited employability skills:

- business awareness;
- solving problems;
- thinking critically;
- team working;
- communicating;
- self-management.

To help them do this they are asked to work through some specified tasks which link the themes covered in the Part to the six skills (sometimes called capabilities and attributes) which many employers value. The layout should help them to record their progress in developing these skills, and then articulate them to employers during the selection processes.

The basis of these tasks is the enlarged Part Case described above. The Employability section builds on this by setting a set of alternative tasks relating to the Part Case (to be chosen by the student or the instructor as preferred). That task in itself relates to the business awareness theme – and concludes by asking the student to write a short paragraph giving examples of the skills (such as information gathering, analysis and

presentation) they have developed from this task, and how to build this into a learning record.

The other skills are developed by successive tasks which ask them to reflect on how they worked on the 'Business awareness' task – such as solving problems, thinking critically, and so on.

I do not envisage that many will work through all of these tasks in every Part – it is a resource to be used as teachers and their students think best. I hope that teachers and students find this new feature valuable, and look forward to feedback and comments in due course.

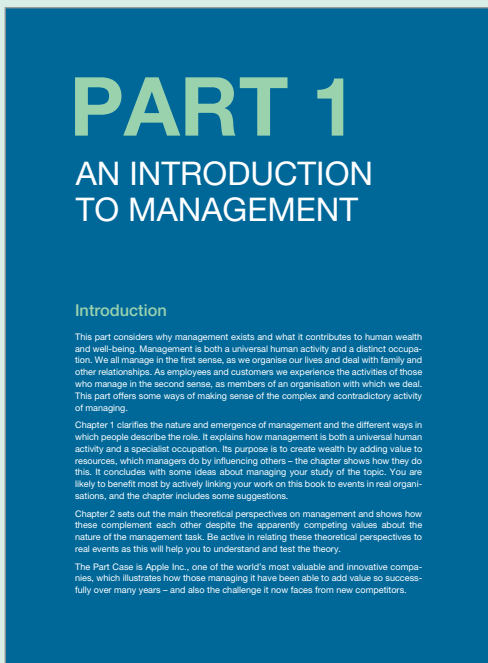
GUIDED TOUR OF THE BOOK

This new edition of *Management: An Introduction* has been designed to support you in your studies and throughout your career afterwards. Utilising both tried and tested learning features as well as innovative new learning tools, this new edition is **the** core guide to the main topics, skills and theories in management that you will study and use.

Additionally, the text places management theory in the context of everyday workplace activity. As such, this

new edition provides features and activities that will enable you to build confidence in your knowledge and understanding of current work practice, helping you to develop your skills and improve your employability in readiness for life after study.

Making full use of the text features listed below will help to improve both your learning potential and better prepare you for a successful career in the future. Good luck!



PART 1

AN INTRODUCTION TO MANAGEMENT

Introduction

This part considers why management exists and what it contributes to human wealth and well-being. Management is both a universal human activity and a distinct occupation. We all manage in the first sense, as we organise our lives and deal with family and other relationships. As employees and customers we experience the activities of those who manage in the second sense, as members of an organisation with which we deal. This part offers some ways of making sense of the complex and contradictory activity of managing.

Chapter 1 clarifies the nature and emergence of management and the different ways in which people describe the role. It explains how management is both a universal human activity and a specialist occupation. Its purpose is to create wealth by adding value to resources, which managers do by influencing others – the chapter shows how they do this. It concludes with some ideas about managing your study of the topic. You are likely to benefit most by actively linking your work on this book to events in real organisations, and the chapter includes some suggestions.

Chapter 2 sets out the main theoretical perspectives on management and shows how these complement each other despite the apparently competing values about the nature of the management task. Be active in relating these theoretical perspectives to real events as this will help you to understand and test the theory.

The Part Case is Apple Inc., one of the world's most valuable and innovative companies, which illustrates how those managing it have been able to add value so successfully over many years – and also the challenge it now faces from new competitors.

The book is divided into six Parts, each of which opens with an **Introduction** helping you to orientate yourself within the book.



PART 1 CASE

APPLE INC.

www.apple.com

The company

In 2012 Apple sold 125 million iPhones, a 73 per cent increase on the previous year; it also sold 58 million iPads, up 80 per cent on 2011. It received revenue of \$80 billion and \$32 billion respectively from these two products, together accounting for about 70 per cent of total sales that year of over \$156 billion. In the intensely competitive market for computer electronics, Apple had had a good year – though in the management commentary about the difficulties that it was likely to face in maintaining that rate of growth.

The company began in 1976, designing and making personal computers. At the time these were a novelty; most computers then were ‘mainframe’ machines, operated by companies and public bodies. By 2013 the company’s product range included the Apple Mac personal computer, iTunes (launched in 2001), iPod digital music player (also 2001), iPhone (the company’s first move into mobile phones – 2007), MacBook (2008) and iPad tablet (2010). The iPhone success was especially significant as it showed the ability of a computer maker to succeed in the mobile phone sector. The attractive design enabled the company quickly to become the leading player in the industry, helped by the thousands of applications available for the iPhone through the online Apple Store – which competitors like Nokia and Motorola could not match.

When the late Steve Jobs and Steve Wozniak set up the business in 1976, they invested \$1300 each. They secured more funds from private investors, and by 1980 required more funds to finance the rapid growth – which they raised by selling 4.6 million shares in the company to the public, for \$22 each. In early 2013 these were trading on the New York Stock Exchange at about \$227. A measure of the value it was adding to resources is the operating profit margin – broadly the difference between its expenditure and income. In 2012 this was over 43 per cent, helped by strong sales of the iPhone and the declining cost of producing each one as sales increased. The table shows some measures of performance in the two most recent financial years.

Measures of performance to 30 September in each year

	2012	2011
Total net sales (\$m)	156,508	108,249
Cost of sales (\$m)	87,846	64,431
Gross margin (\$m)	68,662	43,818
Gross margin % of sales	43.9	40.5
Net income before tax (\$m)	55,763	34,205
Net income after tax (\$m)	41,733	29,922
Earnings per share (\$)	44.64	28.05
Dividend per share	2.65	0.00

Source: Apple Inc. Annual Report filed with the United States Securities and Exchange Commission.

Managing to add value

Management style

Steve Jobs typified the distinctive business environment of ‘Silicon Valley’ – the area in California where many of the world’s leading electronic businesses have their headquarters. Even as Apple grew, Jobs worked hard to create a corporate culture characterised by an intense work ethic and casual dress code. Michael

Part Cases encourage you to develop your ‘contextual awareness’, understanding and experiencing how organisations act and react to both internal and external forces.

APPLE INC. 71

chief executive. He had worked very closely with Jobs for the whole of that time, and had a deep understanding of the values and methods which lay behind the company's success.

In 2012, Cooke appointed Jonathan Ive, the company's hardware designer to be head of software as well. He became responsible for all the company's user interfaces, giving him final say in the design and 'feel' of products and services. This perhaps recreated the dominant role which Steve Jobs played in this regard, ensuring the deep integration typical of Apple products.

Source: Muth (2008), Economist, 5 October 2008; Leahy (2012), *Financial Times*, 27 August 2012, 31 October 2012, 21 December 2012.

Part case questions


(a) Relating to Chapters 1 and 2

- 1 Refer to Table 1.1, and the 'unique' challenges listed in the right-hand column. Identify examples of these challenges which Apple faced, as it evolved from 'business start-up' to 'international business'.
- 2 Refer to Table 1.2, and the 'Activity' suggested alongside each role. Identify as many examples as you can of managers in Apple having to perform these roles.
- 3 What examples of 'specialisation between areas of management' (Section 1.4) does the case mention?
- 4 What examples can you find in the case of Apple's management influencing people by shaping the contexts in which they work? (Section 1.7)
- 5 Which values and assumptions appear to be reflected in the company's practices? (Section 2.2)
- 6 What examples can you find in the case of Apple's management practices corresponding to one or more of the models in the 'competing values' framework. Which of these appears to dominate? (Section 2.3 and rest of Chapter 2)

(b) Relating to the company

- 1 Visit the company's website (and especially its latest Annual Report), and make notes about how, if at all, the dilemmas identified in the case are still current, and how the company has dealt with them.
- 2 What has been its relative market share of smartphones and tablets in the most recent trading period? Which competitors have gained and lost share? Access this information from the websites of Economist, *Financial Times* or BBC News (Business and Technology pages).
- 3 What new issues appear to be facing the company that were not mentioned in the case?
- 4 Can you trace how one or more aspects of the history of the company as outlined in the case has helped or hindered it in dealing with a current issue?
- 5 For any one of those issues it faces, how do you think it should deal with it? Build your answer by referring to one or more features of the company's history outlined in the case.

End-of-case **questions** relate back to the Chapters within the Part and specifically to the organisation and encourage you to develop your critical thinking and employability skills.



CHAPTER 2

MODELS OF MANAGEMENT

Aim

To present the main theoretical perspectives on management and to show how they relate to each other.

Objectives

By the end of your work on this chapter you should be able to outline the concepts below in your own terms and:

- 1 Explain the value of models of management, and compare unitary, pluralist and critical perspectives
- 2 State the structure of the competing values framework and evaluate its contribution to our understanding of management
- 3 Summarise the rational goal, internal process, human relations and open systems models and evaluate what each can contribute to a manager's understanding of their role
- 4 Use the model to classify the dominant form in two or more business units, and to gather evidence about the way this affects the roles of managing in those units
- 5 Show how ideas from the chapter add to your understanding of the integrating themes

Key terms

This chapter introduces the following ideas:

model (or theory)	open system
metaphor	system boundary
scientific management	feedback
operational research	subsystem
bureaucracy	socio-technical system
administrative management	contingency approach
human relations approach	complexity theory
system	non-linear system

Each is a term defined within the text, as well as in the glossary at the end of the book.

Chapter openers provide a brief introduction to chapter **aims** and **objectives**, so you can see why the subject is important to study and what knowledge you will gain, what skills you will learn as a result of your studies.

A list of **Key terms** introduces the main ideas covered in the chapter. Each are defined within the text and also in the end-of-book Glossary

Case study innocent drinks www.innocentdrinks.com

Richard Reed, Jon Wright and Adam Balon founded innocent drinks in 1998, having been friends since they met at Cambridge University in 1991. The business was successful, and in 2013 the founders sold most of their remaining shares to Coca-Cola for an undisclosed amount, but which observers estimated to be about £100 million. They stressed the sale would not affect the character of the company, as Coca-Cola had four years previously bought a small stake in the company to help finance expansion.



Photo: Association Images/Euroart Terapicover

After they graduated, Reed worked in advertising, while Balon and Wright worked in (different) management consultancies. They often joked about starting a company together, considering several ideas before deciding on 'smoothies' – which they built into one of the UK's most successful entrepreneurial ventures of recent years.

Smoothies are blends of fruit that include the fruit's pulp and sometimes contain dairy products such as yoghurt. They tend to be thicker and fresher than ordinary juices. Some are made to order at juice bars and similar small outlets, but the trio decided to focus on pre-packaged smoothies sold mainly through supermarkets, and to offer a premium range. These contain no water or added sugar and cost more than the standard product.

Any new business requires capital and must also be assured of further cash for expansion. This is a challenge, as by definition the product is usually unknown, and the business has no record to show whether the promoters can make a profit. If investors doubt that they will get their money back, they will not lend it. Even if the initial plan succeeds, growth will require more funds – launching a new product or entering a new geographical market inevitably drains cash before it becomes profitable. The founders eventually persuaded Maurice Pinto, a private investor, to put in £235,000 in return for a 20 per cent share.

The company succeeded and, as sales grew, Pinto advised the founders to consider expanding in Europe and/or extending the product range. They initially started selling the core range in continental Europe and by early 2013 were active in 15 countries. They also diversified the product range. The table summarises the growth of the company.

The founders knew that their success would depend on the quality and commitment of their staff, including professional managers from other companies. Reed says:

	1999	2012
Number of employees	3	175
Number of recipes on sale	3	24
Market share	0%	62%
Turnover	£0	£165 million
Number of retailers	1 (on first day)	Over 11,000
Number of smoothies sold	24 (on first day)	2 million a week

'We've always set out to attract people who are entrepreneurial – we want them to stay and be entrepreneurial with innocent. But the inevitable result is that some want to go and do their own thing by setting up their own new businesses. We help and support them with whatever we can. (Quoted in Director, June 2011.)

The founders believe they are enlightened employers who look after staff well. All receive shares in the business which means they share in profits.

Sources: Based on material from 'Innocent drinks', a case prepared by William Safire (2004), Harvard Business School, Case No. 9-605-011; Gorman and Reed (2009), company website.

Case questions 2.1

Visit the website and check on the latest news about developments in the company.

- In what ways are managers at innocent adding value to the resources they use?
- As well as raising finance, what other issues would they need to decide once they had entered their chosen market?

Threat of substitutes

Substitutes are products in other industries that can perform the same function – for example, using cans instead of bottles – and close substitutes constrain the ability of firms to raise prices. This threat is high when:

- technological developments reduce the advantages of existing providers or open the way to new ones;
- buyers are willing to change their habits; and
- existing firms have no legal protection for their position.

Physical retailers and travel agents have lost market share to substitutes – online suppliers – as have print media.

Analysing the forces in the competitive environment is a useful way for companies to assess their strengths and weaknesses, and as part of their planning when considering which new markets to enter – the Virgin case illustrates this (Part 3 Case). They can consider how to improve their position by, for example, building barriers to entry: the speed and quality of Google's search responses is a high barrier for a potential competitor to overcome.

Activity 3.4 Critical reflection on the Five Forces

Conduct a Five Forces analysis for an organisation with which you are familiar. Discuss with a manager of the organisation how useful he or she finds the technique.

- Evaluate whether it captures the main competitive variables in his or her industry.
- Review the analysis you did for Nokia, and revise it to take account of the Five Forces model.

3.5 The general environment – PESTEL

Forces in the wider world also shape management policies, and a PESTEL analysis (short for political, economic, socio-cultural, technological, environmental and legal) helps to identify these – which Figure 3.5 summarises. When these forces combine their effect is more pronounced – pharmaceutical companies face problems arising from slower progress in transferring scientific knowledge into commercial products, regulators who require more costly trials, companies offering cheap alternatives to patented drugs, and governments trying to reduce the costs of healthcare.

PESTEL analysis is a technique for identifying and listing the political, economic, social, technological, environmental and legal factors in the general environment most relevant to an organisation.

Political factors

Political systems shape what managers can and cannot do. Most governments regulate industries such as power supply, telecommunications, postal services and transport by specifying, amongst other things, who can offer services, the conditions they must meet, and what they can charge. These influence managers' investment decisions.

When the UK and most European governments altered the law on financial services, non-financial companies like Virgin and Sainsbury's began to offer banking services. Deregulating air transport stimulated the growth of low-cost airlines, especially in the US (e.g. Southwest Airlines), Europe (easyJet), Australia (Virgin Blue) and parts of Asia (Air Asia). The European Commission is developing regulations to manage the environmentally friendly disposal of the millions of personal computers and mobile phones that consumers scrap each year.

Case studies help to encourage and develop key critical analysis skills and provide you with experience of management issues in the workplace, preparing you for your career ahead.

Activities enable you to personally engage and investigate managerial theory and practice and can be used to build your personal development plan.

Marginal Key terms are defined alongside the text for easy reference and for you to check your understanding.

This still left entrepreneurs across Europe and later the United States with the problem of how to manage these new factories. Although domestic and export demand for mass-produced goods was high, so was the risk of business failure. Similar problems still arise in rapidly growing manufacturing economies – see Management in practice.

Management in practice Pressure at Foxconn www.foxconn.com

In September 2012 Foxconn Technology Group's plant in Taoyuan, China, was the setting for one of China's worst incidents of labour unrest in years. Forty people were arrested after a riot by more than 2000 workers. The company is the largest private employer in China, with more than 1 million workers, making products for Apple, including most of the iPhones and iPads. A professor from the school of social sciences at Nanjing University said:

The nature of the Foxconn worker's job – the pressure, the monotony, the tediousness – has not changed. Therefore it is unavoidable that [despite the company awarding pay rises to the staff] incidents like this happen from time to time.

Such is the pressure on the company to meet demand that it planned to increase the workforce at its Zhengzhou iPhone factory from 150,000 in July 2012 to 250,000 by October.

Source: Financial Times, 25 and 26 September 2012.

Key ideas Charles Babbage

Charles Babbage supported and developed Adam Smith's observations. He was an English mathematician better known as the inventor of the first calculating engine. During his work on that project he visited many workshops and factories in England and on the Continent. He then published his reflections on 'the many curious processes and interesting facts' that had come to his attention (Babbage, 1835). He believed that 'perhaps the most important principle on which the economy of a manufacture depends is the division of labour amongst the persons who perform the work' (p. 169).

Babbage also observed that employers in the mining industry had applied the idea to what he called 'mental labour':

Great improvements have resulted ... from the judicious distribution of duties ... amongst those responsible for the whole system of the mine and its government'. (p. 292)

He also recommended that managers should know the precise expense of every stage in production. Factories should also be large enough to secure the economies made possible by the division of labour and the new machinery.

Source: Babbage (1835).

Frederick Taylor

The fullest answer to the problems of factory organisation came in the work of Frederick W. Taylor (1856–1915) who associated with the ideas of scientific management. An American mechanical engineer, Taylor focused on the relationship between the worker and machine-based production systems:

the principal object of management should be to secure the maximum prosperity for the employer, coupled with the maximum prosperity for each employee. The words 'maximum

scientific management, the school of management called "scientific" attempted to create a science of factory production.

Management in practice boxes provide real world examples and encourage you to identify and engage with managerial issues and challenges, so you can learn from the successes and failures of managers across a range of organisations.

Key ideas are short vignettes which bring management to life by illustrating how past developments in management influence practice today. These accessible summaries of core management theory and practice provide handy references for use in your essays and other course assessment, while also providing evidence for particular management practice in your future career.



PART 1 EMPLOYABILITY SKILLS – PREPARING FOR THE WORLD OF WORK

To help you develop useful skills, this section includes tasks which relate the themes covered in the Part to six employability skills (sometimes called capabilities and attributes) which many employers value. The layout will help you to articulate these skills to employers and prepare for the recruitment processes you will encounter in application forms, interviews and assessment centres.

Task 1.1 Business awareness

If a potential employer asks you to attend an assessment centre or a competency-based interview, they may ask you to present or discuss a current business topic to demonstrate your business awareness. To help you to prepare for this, write an individual or group report on ONE of these topics and present it to an audience. Aim to present your ideas in a 750-word report and/or ten PowerPoint slides at most.

- Using data from one or more websites or printed sources, outline significant recent developments in Apple, especially regarding their:
 - product range;
 - notable innovations;
 - significant moves by competitors; and
 - relations with shareholders and other stakeholders.

Include a summary of commentators' views on Apple's recent progress.

- Gather information on the interaction between Apple and their competitive environment in the consumer electronics industry, including specific examples of new challenges, or new moves by established competitors. What generally relevant lessons can you draw about competition in this sector? Use Section 3.4 (Chapter 3) to structure your answer.

- Choose another company that interests you – and which you may be considering as a career option.

- Gather information from the website and other sources about its structure and operations.
- What unique challenges does it face? (use Table 1.1 as a starting point)
- Look for clues suggesting which (possibly more than one) of the 'competing values' may be most dominant in the organisation. (Section 2.3).
- In what ways, if any, have governments and politics influenced the business?
- To what extent is it an international business?

When you have completed the task, write a short paragraph giving examples of the skills (such as in information gathering, analysis and presentation) you have developed while doing it. You can transfer a brief note of this to the Table at Task 1.7.

Employability Skills sections include tasks which allow you to relate the key managerial themes in each Part of the text to six employability skills valued by many employers, which will enable you to articulate these skills to employers during recruitment.

Summary

- 1 Explain the significance of managing strategy and show how the issues vary between sectors
 - Strategy is about the survival of the enterprise; the strategy process sets an overall direction with information about the external environment and internal capabilities. Defining the purposes of the organisation helps to guide the choice and implementation of strategy.
- 2 Compare planning, learning and political perspectives on the strategy process
 - The planning approach is appropriate in stable and predictable environments; while the emergent approach more accurately describes the process in volatile environments, since strategy rarely unfolds as intended in complex, changing and ambiguous situations. A political perspective may be a more accurate way of representing the process when it involves the interests of powerful stakeholders. It is rarely an objectively rational activity, implying that strategy models are not prescriptive but rather frameworks for guidance.
- 3 Summarise evidence on how managers develop strategies
 - The evidence is accumulating that companies in turbulent environments follow a strategy process that is relatively informal, with shorter planning meetings, and greater responsibility placed on line managers to develop strategy rather than on specialist planners.
 - Formulating strategy and designing the organisation appear to be done as closely linked practical activities.
 - Sull uses the 'strategy loop' to describe how managers continually develop and renew their strategy.
- 4 Explain the tools for external and internal analysis during work on strategy
 - External analysis can use Porter's Five Forces model and the PESTEL framework to identify relevant factors.
 - Internally managers can use the value chain to analyse their current organisation.
 - The two sets of information can be combined in a SWOT diagram.
- 5 Use the product/market matrix to compare corporate level strategies
 - Strategy can focus on existing or new products, and existing or new markets. This gives four broad directions, with options in each – such as market penetration, product development, market development or diversification.
- 6 Use the concept of generic strategies to compare business level strategies
 - Strategic choices are cost leader, differentiation or a focus on a narrow market segment.
- 7 Give examples of alternative methods of delivering a strategy
 - Strategy can be delivered by internal (sometimes called organic) development by rearranging the way resources are deployed. Alternatives include acquiring or merging with another company, or by forming alliances and joint ventures.
- 8 Show how ideas from the chapter add to your understanding of the integrating themes
 - Changes in a public organisation can represent opportunities for entrepreneurial professionals.
 - Sustainable performance in the environmental sense only works in the economic sense if it is part of the organisation's strategy, i.e., that it makes business sense as well as environmental sense. There are many examples of companies which have done this.

Chapter **Summaries** aid your revision by supplying a concise synopsis of the main chapter topics you should now understand. If you do not recognize a topics, go back to the relevant section of the chapter to refresh your memory and test your understanding with the use of the activities and other features available.

- International expansion and diversification strategies often fail, probably when managers underestimate the complexity of overseas operations.
- Pyle (2002) found that directors were more likely to be taking responsibility for strategic direction of the business as well as for their narrower governance responsibilities – emphasising the benefits of the process as much as of the final outcomes.

Test your understanding

- 1 Why do managers develop strategies for their organisation?
- 2 How does the planning view of strategy differ from the learning and political views respectively?
- 3 Describe what recent research shows about how managers develop strategy.
- 4 Draw Sull's strategy loop, and explain each of the elements.
- 5 Discuss with a manager from an organisation how his or her organisation developed its present strategy. Compare this practice with the ideas in the chapter. What conclusions do you draw?
- 6 What are the main steps to take in analysing the organisation's environment? Why is it necessary to do this?
- 7 Describe each stage in value chain analysis and illustrate them with an example. Why is the model useful to management?
- 8 The chapter described three generic strategies that organisations can follow. Give examples of three companies each following one of these strategies.
- 9 Give examples of company strategies corresponding to each box in the product/market matrix.
- 10 What are the main ways of delivering strategy?
- 11 Summarise an idea from the chapter that adds to your understanding of the integrating themes.

Think critically

Think about the way your company, or one with which you are familiar, approaches issues of strategy. Review the material in the chapter, and perhaps visit some of the websites identified. Then make notes on these questions:

- What examples of the issues discussed in this chapter are currently relevant to your company – such as whether to follow a differentiation or focus strategy?
- In responding to these issues, what assumptions about the strategy process appear to have guided people? To what extent do these seem to fit the environmental forces as you see them? Do they appear to stress the planning or the learning perspectives on strategy?
- What factors such as the history or current context of the company appear to have influenced the prevailing view? Is the history of the company constraining attempts to move in new directions?
- Have people put forward alternative strategies, or alternative ways of developing strategy, based on evidence about other companies?
- What limitations can you see in any of the ideas presented here? For example does Porter's value chain adequately capture the variable most relevant in your business, or are there other features you would include?

Test your understanding questions provide you with a quick way to check your understanding of the main themes and concepts in the chapter. Determine what you know and what needs further study.

Think critically features provide you with a series of questions intended to develop critical thinking skills (assumptions, context, alternatives and limitations) and analysis of key debates. These are key skills to develop for success in both your academic studies, but also within your future career.

- What assumptions appear to guide the culture, and the factors in the external environment which managers believe matter to the business? How do these views affect the managers' task?
- What factors in the context appear to shape the prevailing view about which parts of the environment matter most to the business? Do people have different views?
- Can you compare your business environment with that of colleagues on your course. Does this show up alternative ways to see the context and to deal with stakeholders?
- What are the limitations of the ideas on culture and stakeholders which the chapter has presented. For example, are the cultural types transferable across nations, or how may they need to be adapted to represent different ways of managing?

Read more

Frooman, J. (1999), 'Stakeholder Influence Strategies', *Academy of Management Review*, vol. 24, no. 2, pp. 191–205.

Pajunen, K. (2006), 'Stakeholder Influences on Organisational Survival', *Journal of Management Studies*, vol. 43, no. 6, pp. 1351–88.

These two articles provided a comprehensive theoretical background to case studies of stakeholder management.

Roeder, M. (2011), *The Big Mo: Why Momentum Now Rules Our World*, Virgin Books, London.

An account of how forces such as those discussed in the chapter sometimes gain progressively greater momentum, often with devastating results for businesses affected by them, and how difficult it is to react against them.

Tappscott, E. and Williams, A.D. (2006), *Wikinomics: How Mass Collaboration Changes Everything*, Viking Penguin, New York.

Best-selling account of the radical changes which convergent technologies bring to society, especially the relationship between producers and consumers.

Go online

These websites have appeared in the chapter:

www.nokia.com
www.josch.com
www.walmart.com
www.unilever.com
www.irishair.com
www.ipcc.com
www.tata.com

Visit some of these, or any other companies which interest you, and navigate to the pages dealing with recent news, press or investor relations.

- What can you find about their culture?
- What are the main forces in the environment which the organisation appears to be facing?

Read more sections provide you with some direction for further reading you should consider if you want to access more detail about the chapter topics. A mix of classic texts, more contemporary sources and academic papers provide a good mix of primary and secondary sources for use in your studies and beyond.

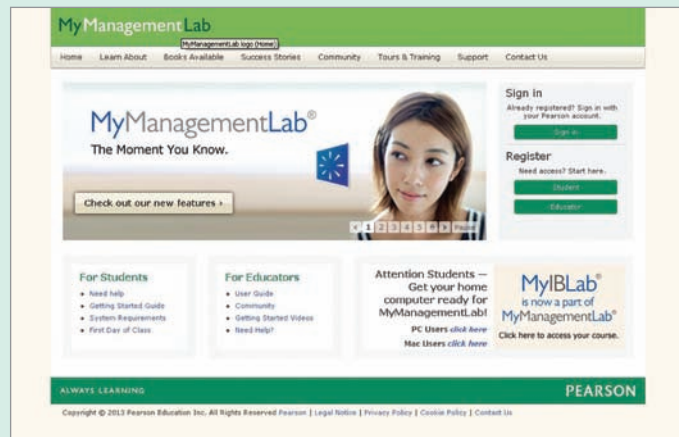
Go online features at the end of each chapter list the websites of the organisations mentioned within the chapter. Activities are suggested, that you might want to perform, to get a better understanding how each organization is relevant to the themes studied within the chapter and how they might provide models for management practice.

GUIDED TOUR OF MYMANAGEMENTLAB

The sixth edition of comes with **MyManagementLab**. Management: An Introduction MyManagementLab is an online resource bank, offering a tutorial, homework and assessment system for Management and Organizational Behaviour courses. It enables lecturers to set assignments and use an online gradebook to track student progress. For students, it provides interactive, multimedia experiences that support your learning, helping you to revise and practise via a personalized study plan.

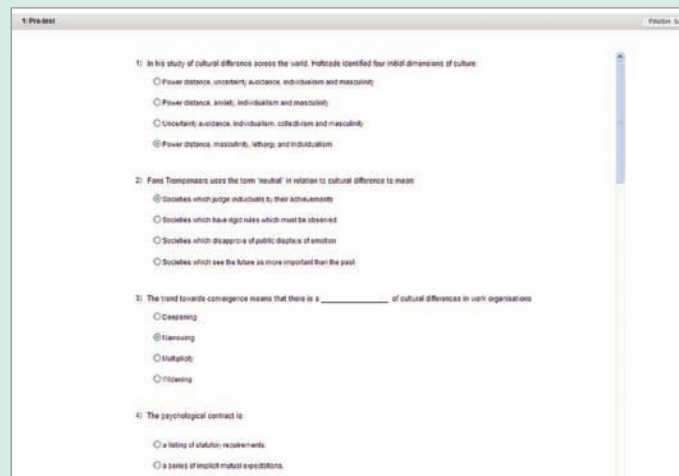
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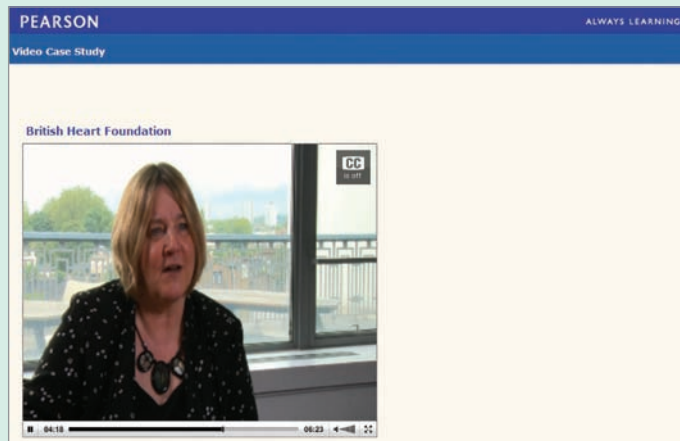
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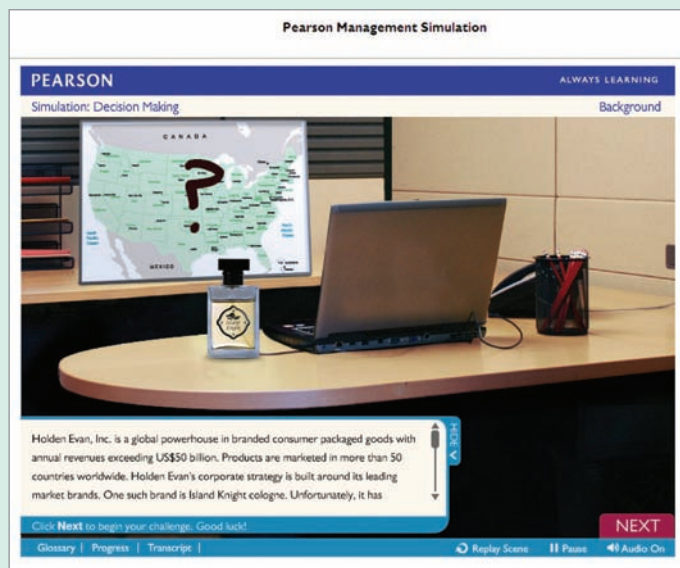
Case study videos

Watch interviews with managers from a range of firms discussing how their organizations function, and then answer questions designed to help you relate the video material to the book content. These organizations range from SMEs to well-known multinationals.



Mini-simulations

Mini-simulations are engaging interactive exercises that allow you to apply your knowledge to real-life situations and see the results of making certain decisions



ACKNOWLEDGEMENTS

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contributed new material to Chapters 13 and 19. In this edition both chapters were revised by the author. Chapter 20 (Financial and budgetary control) was created by Douglas Briggs: in the fifth edition it was revised by Dr Steve Paton, and in this edition by Janan Sulaiman. I also thank Dickon Copsey, Employability Officer in the College of Social Sciences, University of Glasgow, for his advice on the employability and skills development material at the end of each Part. Errors and omissions are the author's responsibility.

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David Boddy
University of Glasgow, April 2013

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Figures

Figure 2.2 from *Becoming a Master Manager: A Competency Framework* 3rd ed., Wiley, New York (Quinn, R.E., Faerman, S.R., Thompson, M.P. and McGrath, M.R. 2003) p. 13, with permission of John Wiley & Sons, Inc.; Figure 2.3 after *Behavior in Organizations*, 6th ed. (Baron, R.A. and Greenberg, J. 1997) p. 13, based on data from Roethlisberger and Dickson (1939), reprinted by permission of Pearson Education, Inc., Upper Saddle River, NJ; Figure 2.7 from *Chaos, Management and Economics: The Implications of Non-Linear Thinking*, Hobart Paper 125, Institute of Economic Affairs, London (Parker, D. and Stacey, R. 1994) first published by the Institute of Economic Affairs, London 1994; Figure 3.4 from *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, Free Press, New York (Porter, M.E. 1980) p. 5, Copyright © 1980, 1998 by The Free Press, all rights reserved, reprinted with the permission of Simon and Schuster Publishing Group from the Free

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PART 1

AN INTRODUCTION TO MANAGEMENT

Introduction

This part considers why management exists and what it contributes to human wealth and well-being. Management is both a universal human activity and a distinct occupation. We all manage in the first sense, as we organise our lives and deal with family and other relationships. As employees and customers we experience the activities of those who manage in the second sense, as members of an organisation with which we deal. This part offers some ways of making sense of the complex and contradictory activity of managing.

Chapter 1 clarifies the nature and emergence of management and the different ways in which people describe the role. It explains how management is both a universal human activity and a specialist occupation. Its purpose is to create wealth by adding value to resources, which managers do by influencing others – the chapter shows how they do this. It concludes with some ideas about managing your study of the topic. You are likely to benefit most by actively linking your work on this book to events in real organisations, and the chapter includes some suggestions.

Chapter 2 sets out the main theoretical perspectives on management and shows how these complement each other despite the apparently competing values about the nature of the management task. Be active in relating these theoretical perspectives to real events as this will help you to understand and test the theory.

The Part Case is Apple Inc., one of the world's most valuable and innovative companies, which illustrates how those managing it have been able to add value so successfully over many years – and also the challenge it now faces from new competitors.



CHAPTER 1

MANAGING IN ORGANISATIONS

Aim

To introduce the tasks, processes and context of managerial work in organisations.

Objectives

By the end of your work on this chapter you should be able to outline the concepts below in your own terms and:

- 1 Explain that the role of management is to add value to resources
- 2 Give examples of management as a universal human activity and as a distinct role
- 3 Compare the roles of general, functional, line, staff and project managers, and of entrepreneurs
- 4 Compare how managers influence others to add value to resources through:
 - a. the process of managing;
 - b. the tasks (or content) of managing; and
 - c. the contexts within which they and others work
- 5 Explain the elements of critical thinking and use some techniques to develop this skill
- 6 Suggest the implications the integrating themes of the book have for managing

Key terms

This chapter introduces the following ideas:

organisation

tangible resources

intangible resources

competences

value

management as a universal human activity

manager

management

management as a distinct role

role

general manager

functional manager

line manager

staff manager

project manager

entrepreneur

stakeholders

networking

management task

critical thinking

sustainability

corporate governance

Each is a term defined within the text, as well as in the glossary at the end of the book.

Case study

Ryanair www.ryanair.com

In 2012 Ryanair, based in Dublin, reported that it had carried almost 76 million passengers in the 12 months to the end of March, 5 per cent more than in the previous year. Revenue had grown by almost 20 per cent and profit by 25 per cent. It planned to continue to expand its route network, and therefore its staff and aircraft fleet to meet customer demand: in March 2013 it ordered 175 jets from Boeing.

Tony Ryan (1936–2007) founded the company in 1985 with a single aircraft flying passengers from Ireland to the UK. Ryan, the son of a train driver, left school at 14 to work in a sugar factory, before moving in 1954 to work as a baggage handler at Aer Lingus, the state-owned Irish airline. By 1970 he was in charge of the aircraft leasing division, lending Aer Lingus aircraft and crews to other airlines. This gave him the idea, which he quickly put into practice, to create his own aircraft leasing company. As Guinness Peat Aviation this became a world player in the aviation leasing industry, and is now part of GE Capital.

In 1985 he founded Ryanair, to compete with his former employer. Southwest Airlines in the US inspired this move by showing that a new business could enter the industry to compete with established, often state-owned, airlines. Tony Ryan turned Ryanair into a public company in 1997 by selling shares to investors.

In the early years the airline changed its business several times – initially competing with Aer Lingus in a conventional way, then a charter company, at times a freight carrier. The Gulf War in 1990 discouraged air travel and caused the company financial problems. Rather than close the airline, he and his senior managers (including Michael O’Leary, who is now Chief Executive) decided it would be a ‘no-frills’ operator, discarding conventional features of air travel like free food, drink, newspapers and allocated seats. It would serve customers who wanted a functional and efficient service, not luxury.

In 1997 changes in European Union regulations enabled new airlines to enter markets previously dominated by national carriers such as Air France and British Airways. Ryanair quickly took advantage of this, opening new routes between Dublin and continental Europe. Although based in Ireland, 80 per cent of its



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routes are between airports in other countries – in contrast to established carriers which depend on passengers travelling to and from the airline’s home country (Barrett, 2009, p. 80). The company has continued to grow rapidly, regularly opening new routes to destinations it thinks will be popular. It now refers to itself as ‘the world’s largest international scheduled airline’, and continues to seek new bases and routes.

In May 2012 the chairman of the board presented the company’s results for the latest financial year.

Measures of financial performance in financial years ending 31 March 2011 and 2012

	2012	2011
Passengers (millions)	75.8	72.1
Revenue (millions of Euros)	4,325	3,630
Profit after tax (millions of Euros)	503	401
Earnings per share (Euro cents)	34.10	26.97

Sources: *Financial Times* 24 October 2011, 21 June 2012, 20 March 2013; Kumar (2006); O’Connell and Williams (2005); Doganis (2006); and company website.

Case questions 1.1

- Identify examples of the resources that Ryanair uses, and of how managers have added value to them (refer to Section 1.2).
- Give examples of three points at which managers changed what the organisation does and how it works.

1.1 Introduction

Ryanair illustrates several aspects of management. An entrepreneur, Tony Ryan, who had already created one new business, saw a further opportunity in the market, and created an organisation to take advantage of it. He persuaded others to provide the resources he needed – especially money for the aircraft and the costs of operating it – and organised these into a service which he sold to customers. The business changed frequently in the early years, and under the current chief executive, Michael O’Leary, it has continued to be innovative in how it operates, quick to identify new routes, and imaginative in identifying new sources of revenue.

Entrepreneurs thrive on innovation as they try to make the most of new opportunities. Managers in established businesses often face the different challenge of how to meet more demand with fewer resources. Those managing the United Nations World Food Programme struggle to raise funds from donor countries: aid is falling while hunger is increasing. In almost every public healthcare organisation managers face a growing demand for treatment, but fewer resources with which to provide it.

Organisations of all kinds – from rapidly growing operations like Facebook to established businesses like Royal Dutch Shell or Marks & Spencer – depend on people at all levels who can run the current business efficiently, and also innovate. This book is about the knowledge and skills that enable people to meet these expectations, and so build a satisfying and rewarding career.

Figure 1.1 illustrates the themes of this chapter. It represents the fact that people draw resources from the external environment and manage their transformation into outputs that they hope are of greater value. They pass these back to the environment, and the value they obtain in return (money, reputation, goodwill, etc.) enables them to attract new resources to continue in business (shown by the feedback arrow from output to input). If the outputs do not attract sufficient resources, the enterprise will fail.

The chapter begins by examining the significance of managed organisations in our world. It then outlines what management means and introduces theories about the nature of managerial work. It introduces the idea of critical thinking, and ends with a section on four integrating themes which conclude each chapter – entrepreneurship, sustainability, internationalisation and governance.

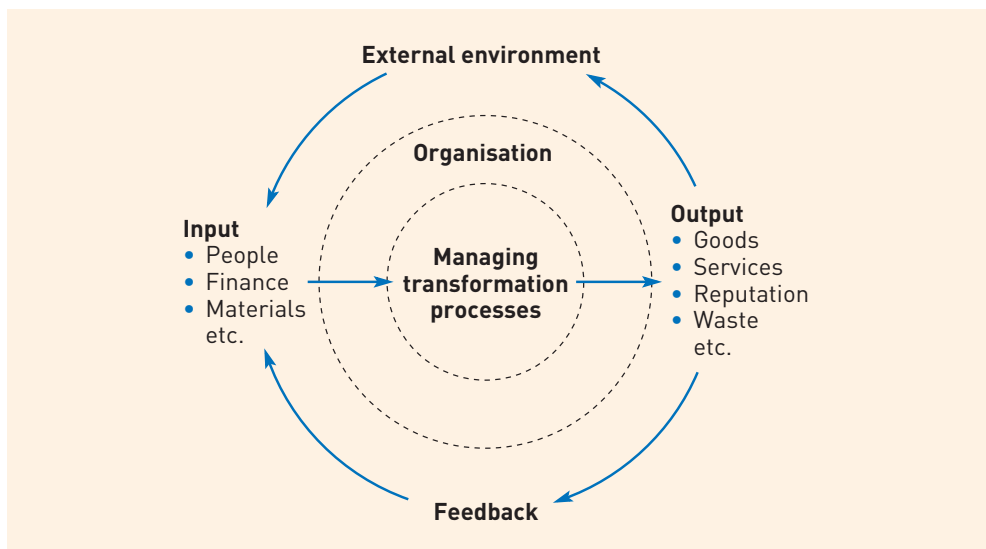


Figure 1.1
Managing
organisation and
environment

Activity 1.1 What is 'management'?

Write a few notes summarising what you think 'management' means.

- You may find it helpful to think of instances in which you have encountered 'management' – such as when you have been managed in your school or university.
- Alternatively, reflect on an occasion when you have managed something, such as a study project. Keep the notes so you can refer to them.

1.2 Managing to add value to resources

We live in a world of managed **organisations**. We experience many every day – domestic arrangements (family or flatmates), large public organisations (the postal service), small businesses (the newsagent), large businesses (the jar of coffee), or a voluntary group (the club we attended). They affect us and we judge their performance. Did the transaction work smoothly or was it chaotic? Was the service good, reasonable or poor? Will you go there again?

An **organisation** is a social arrangement for achieving controlled performance towards goals that create value.

Key ideas Joan Magretta on the innovation of management

What were the most important innovations of the past century? Antibiotics and vaccines that doubled, or even tripled, human life spans? Automobiles and aeroplanes that redefined our idea of distance? New agents of communication, like the telephone, or the chips, computers and networks that are propelling us into a new economy?

All of these innovations transformed our lives, yet none of them could have taken hold so rapidly or spread so widely without another. That innovation is the discipline of management, the accumulating body of thought and practice that makes organisations work. When we take stock of the productivity gains that drive our prosperity, technology gets all of the credit. In fact, management is doing a lot of the heavy lifting.

Source: Magretta (2002), p. 1.

As human societies become more specialised, we depend more on others to satisfy our needs. We meet some of these by acting individually or within family and social groups: organisations provide the rest. Good managers make things work – so that aid is delivered, roads are safe, shops have stock, hospitals function and all the rest. They don't do the work themselves, but build an organisation with the resources *and* competences to deliver what people need. **Tangible resources** are physical assets such as plant, people and finance – things you can see and touch. **Intangible resources** are non-physical assets such as information, reputation and knowledge.

To transform these resources into valuable goods and services people need to work together. They need to know what to do, understand their customers, deal with enquiries properly, and generally make the transaction work well. Beyond that they look for opportunities to improve, innovate and learn from experience. Good managers bring out the best in other people so that they willingly 'go the extra mile': together they develop effective ways of working that become second nature. These 'ways of working' are **competences** – skills, procedures or systems which enable people to use resources productively. Managers' role is to obtain the resources, and develop the competences to use them, so that the organisation adds **value** – by producing things that are more valuable to customers than the resources it has used.

Tangible resources are the physical assets of an organisation such as plant, people and finance.

Intangible resources are non-physical assets such as information, reputation and knowledge.

Competences are the skills and abilities which an organisation uses to deploy resources effectively – systems, procedures and ways of working.

Value is added to resources when they are transformed into goods or services that are worth more than their original cost plus the cost of transformation.

Well-managed organisations create value by delivering goods and services which make the customer feel better off in some way – a cheap and punctual flight, a bright and well-equipped gym, a trendy phone, clothes that enhance their image. Others value good service, or a clear set of instructions. Good managers understand what customers value, and allocate resources (build an organisation) to satisfy them. They provide value through the performance of the product AND through the quality of the relationship the customer has with the company (O’Cass and Ngo, 2011).

Management in practice

Creating value at DavyMarkham www.davymarkham.com

Kevin Parkin was Managing Director (and part-owner) of DavyMarkham, a heavy engineering company. Although the company has a long history, by the mid-1990s it was making regular losses, and its survival was in doubt. Since Mr Parkin joined the company he had returned it to profit by concentrating on what the company is good at, and then using tough management and financial discipline to make sure staff follow the recipe for success. Mr Parkin removed poor managers, walked the shop floor twice a day to check on progress, and engaged closely with the workforce:

It’s been essential to tell people the truth about the business, whether it’s good or bad, and giving them the enthusiasm they require to make them want to succeed . . . I also ask my ‘mentors’ – [people I have known in previous jobs] about key strategic decisions, people issues, market penetration, capital spending and general business solutions.

The business is now part of the IVRCL Group, and continues to win large orders for mining equipment, especially in South America.

Source: From an article by Peter Marsh and Andrew Bounds, *Financial Times*, 27 May 2009.

Commercial organisations of all kinds (business start-ups, small and medium-sized enterprises, large private sector businesses, often operating internationally) create wealth for their owners by adding value to resources, which they can only do if they offer goods and services that consumers want. Co-operatives (in 2012 there were 5900 co-operative enterprises in the UK, compared to 4800 in 2009, according to their trade body, Co-operatives UK: www.uk.coop) do the same, though with a different ownership structure. Some (like the many retail co-operatives, of which the largest is the Co-operative Group) are owned by customers, who receive a share of the profits as a dividend. Others are owned by their employees – the John Lewis Partnership (www.johnlewispartnership.co.uk) is the most prominent example. Similar examples include Circle (www.circlepartnership.co.uk), a healthcare company founded and owned by clinicians; and Suma (www.suma.coop) a worker-owned co-operative running a wholefoods distribution business.

Voluntary and charitable organisations aim to add value by educating people, counselling the troubled or caring for the sick (Handy, 1988). The British Heart Foundation (www.bhf.org) raised over £128 million from legacies, fundraising activities and the retail business in 2011–12, which enabled it to deliver its mission of caring for people with heart disease, and preventing others developing it in the first place. Raising the income, and ensuring that the research and other projects it supports give value for money, is a formidable management task – with over 700 shops, it is the largest charity retailer in the UK. Managing a large charity is at least as demanding a job as managing a commercial business, facing similar challenges of adding value to limited resources.

Theatres, orchestras, museums and art galleries create value by offering inspiration, new perspectives or unexpected insights. Other organisations add value by serving particular interests – such as Unison, a trade union that represents workers in the UK public sector, or the Law Society, which defends the interests of lawyers. Firms in most industries create trade organisations to protect their interests by lobbying or public relations work.

Table 1.1 Where people manage

Setting – industry or type	Examples in this book	'Unique' challenges
Business start-ups	innocent drinks in the early days (Chapter 2 case study)	Securing funding to launch, and enough sales to sustain cash-flow. Building credibility
Small and medium-sized enterprises (SMEs)	DavyMarkham (Management in practice, see above)	Generating enough funds to survive, innovate and enter new markets
Professional service firms	Hiscox (insurance) (Management in practice, Chapter 11)	Managing highly qualified staff delivering customised, innovative services.
Large private businesses, often working internationally	Virgin Group (Part 4 Case)	Controlling diverse activities, meeting shareholder expectations
Voluntary, not-for-profit organisations and charities	Eden Project (Chapter 15 case study)	Providing visitors with an experience which encourages them to return, raising funds for educational work, fulfilling mission.
Co-operatives – customer or employee-owned	The Co-operative Group (Chapter 5 case study)	Balancing democratic and commercial interests; raising capital.
Public sector organisations	Crossrail (Chapter 6 case study)	Managing high profile political and commercial interests.

While organisations aim to add value, many do not do so. If people work inefficiently they use more resources to make a product than customers will pay for, and so destroy value – as does pollution and waste. Motorways create value for drivers, residents of by-passed villages, and shareholders – but destroy value for some people if the route damages an ancient woodland rich in history and wildlife. Deciding if managers have created value can be subjective and controversial.

Some issues that managers face arise in most organisations (business planning or ensuring quality). Others are unique to the setting in which they operate (charities need to maintain the support of donors). Table 1.1 illustrates some of these diverse settings, and their (relatively) unique management challenges – which are in addition to challenges that are common to all.

Whatever its nature, the value an organisation creates depends on how well those who work there understand their situation, and use that knowledge to develop the right resources and competences. Even within the broad categories shown there is great variation in circumstances. As an example, 'professional services' includes legal, auditing, and engineering consultancy businesses, but they differ in terms of the nature of their knowledge base, their degree of jurisdictional control, and the nature of their client relationships.

Activity 1.2 Focus on diverse management settings

Choose ONE of the settings in Table 1.1 which interests you. Gather information about an organisation of that type (using, for example, case studies in this book or someone you know who works in that setting) so you can:

- name one organisation in that setting;
- identify how it adds value to resources, and the main management challenges it faces;
- compare your evidence with someone who has gathered data about a different setting, and summarise similarities or differences in the management challenges.