

Ricky W. Griffin

Eighth Edition

Fundamentals of
MANAGEMENT



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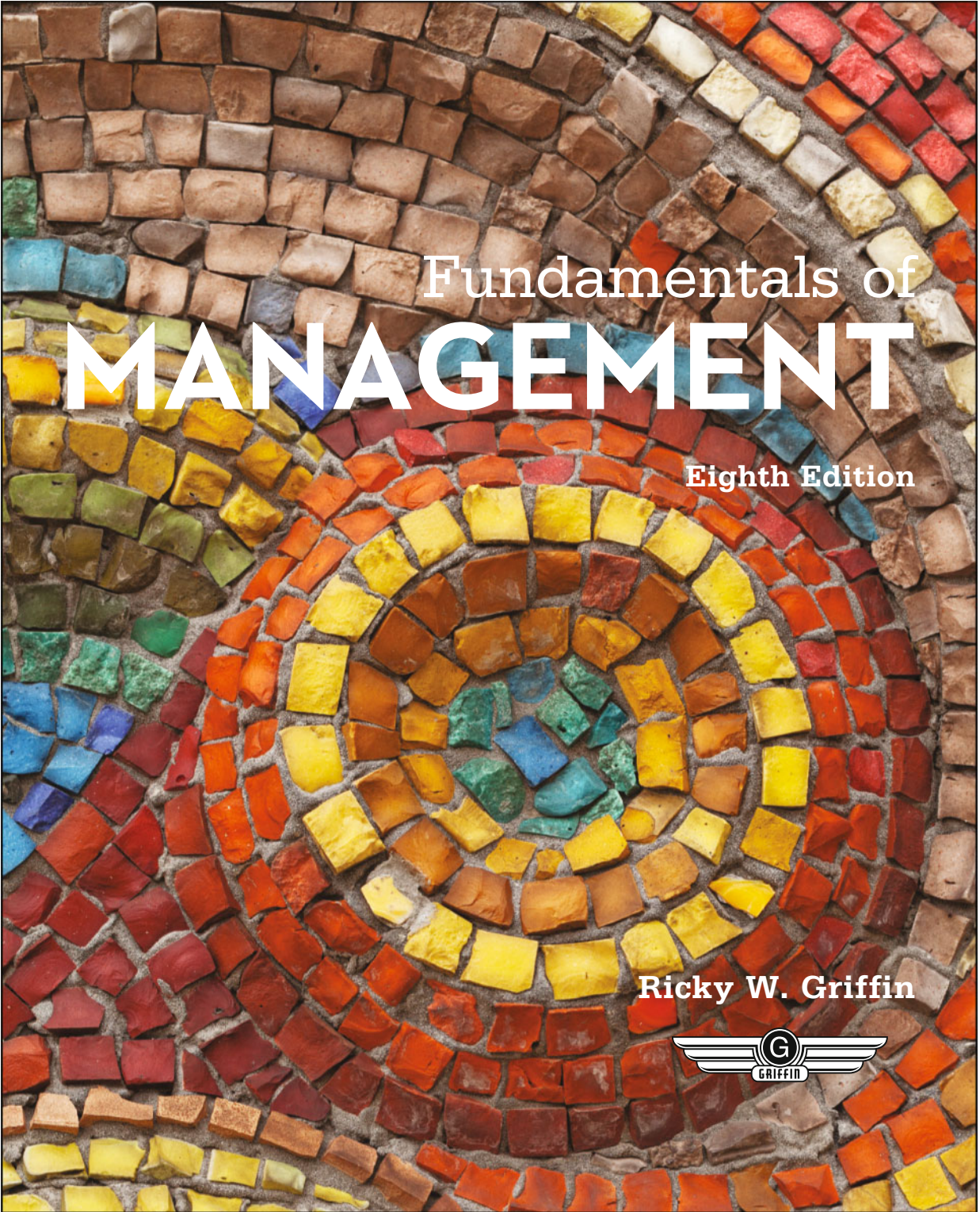
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MANAGEMENT

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Ricky W. Griffin



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Fundamentals of Management,
Eighth Edition
Ricky W. Griffin

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Integra Software Services Pvt. Ltd.

Cover Image: Sergii Tsololo/Photos.com

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WCN: 02-200-203

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Library of Congress Control Number: 2014937601

ISBN: 978-1-285-84904-1

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Printed in Canada

Print Number: 01 Print Year: 2015

For Matt and Lura—Thank you for what you add to our family.

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Preface



Literally hundreds of books have been written for introductory management courses. As the body of material comprising the theory, research, and practice of management has grown and expanded, textbook authors have continued to mirror this expansion of material in their books. Writers have understood the importance of adding new material about traditional topics, such as planning and organizing, while simultaneously adding coverage of emerging newer topics, such as sustainability, ethics, and social media. As a by-product of this trend, our general survey textbooks have grown longer and longer, making it increasingly difficult to cover all the material in one course.

Another trend in management education is a focus on teaching in a broader context—that is, introductory management courses are increasingly being taught with less emphasis on theory alone and more emphasis on application of concepts. Teaching students how to apply management concepts successfully often involves focusing more on skills development and the human side of the organization. This trend requires that textbooks cover theoretical concepts within a flexible framework that enables instructors to make use of interactive tools such as case studies, exercises, and projects. It also dictates that a text be as relevant to students as possible. Hence, while this book draws examples and cases from older large firms like Ford, IBM, and Nissan, it also makes extensive use of newer firms such as Google, Netflix, Facebook, Starbucks, Urban Outfitters, and others.

This textbook represents a synthesis of these trends toward a more manageable and practical approach. By combining concise text discussion, standard pedagogical tools, lively and current content, an emphasis on organizational behavior, and exciting skills development material, *Fundamentals of Management* answers the need for a new approach to management education. This book provides almost limitless flexibility, a solid foundation of knowledge-based material, and an action-oriented learning dimension unique in the field. Indeed, over half a million students were introduced to the field of management using the first seven editions of this book. This eighth edition builds solidly on the successes of the earlier editions.

ORGANIZATION OF THE BOOK

Most management instructors today organize their course around the traditional management functions of planning, organizing, leading, and controlling. *Fundamentals of Management* uses these functions as its organizing framework. The book consists of five parts, with fifteen chapters.

Part One introduces management through two chapters. Chapter 1 provides a basic overview of the management process in organizations, and Chapter 2 introduces students to the environment of management. Part Two covers the first basic management function, planning. Chapter 3 introduces the fundamental concepts of planning and discusses strategic management. Managerial decision making is the topic of Chapter 4. Finally, Chapter 5 covers entrepreneurship and the management of new ventures.

The second basic management function, organizing, is the subject of Part Three. In Chapter 6, the fundamental concepts of organization structure and design are introduced

and discussed. Chapter 7 explores organization change and organizational innovation. Chapter 8 is devoted to the management of human resources.

Many instructors and managers believe that the third basic management function, leading, is especially important in contemporary organizations. Thus, Part Four consists of five chapters devoted to this management function. Basic concepts and processes associated with individual behavior are introduced and discussed in Chapter 9. Employee motivation is the subject of Chapter 10. Chapter 11 examines leadership and influence processes in organizations. Communication in organizations is the topic of Chapter 12. The management of groups and teams is covered in Chapter 13.

The fourth management function, controlling, is the subject of Part Five. Chapter 14 introduces the fundamental concepts and issues associated with management of the control process. A special area of control today, managing for total quality, is discussed in Chapter 15.

SKILLS-FOCUSED PEDAGOGICAL FEATURES

Both the overarching framework and streamlined topical coverage make it possible to address new dimensions of management education without creating a book so long that it is unwieldy. Specifically, each chapter is followed by an exciting set of skills-based exercises and related activities. These resources have been created to bring an active and a behavioral orientation to management education by requiring students to solve problems, make decisions, respond to situations, and work in groups. In short, these materials simulate many of the day-to-day challenges and opportunities that real managers face.

Among these skills-based exercises are two different *Building Effective Skills* features organized around the set of basic management skills introduced in Chapter 1. The *Skills Self-Assessment Instrument* exercise helps readers learn something about their own approach to management. Feedback for the *Self-Assessment Instruments* can be found in the Appendix. Finally, an *Experiential Exercise* provides additional action-oriented learning opportunities, usually in a group setting.

New to the eighth edition, each chapter also contains interesting boxed features, two per chapter, centered around **sustainability**, **leadership**, the **service sector**, and **managing during tough times**. These features depart briefly from the flow of the chapter to highlight or extend especially interesting or emerging points and issues related to boxed feature titles.

In addition to the end-of-chapter exercises, every chapter includes important standard pedagogy: learning objectives, a chapter outline, an opening incident, key terms, a summary of key points, questions for review, questions for analysis, and an end-of-chapter case with questions.

CHANGES TO THE EIGHTH EDITION

The eighth edition of *Fundamentals of Management* retains the same basic structure and format as the previous edition. However, within that framework the content of the book has been thoroughly revised and updated. The following changes are illustrative of the new material:

- (1) New topical coverage related to both domestic and global economic conditions is included. The book also places greater emphasis on the services sector of the economy. Coverage of the economic impact of unrest in the Middle East and Hurricane Sandy has also been added. Moreover, all data regarding international business

activity, entrepreneurship and small businesses, and workforce diversity have been updated to the most current figures available.

- (2) Several new management techniques are also included in this edition. Examples include the tiered workforce and evidence-based management. These and other new techniques are discussed in several places in the book.
- (3) The latest research findings regarding globalization, strategic management, organizing, motivation, leadership, and control have been incorporated into the text and referenced at the end of the book. Over 150 new articles and books are cited.
- (4) Virtually all of the cases and boxed inserts are new to this edition of *Fundamentals of Management*, while the few retained from earlier editions have been updated as needed. They reflect a wide variety of organizations and illustrate both successful and less successful practices and decisions.
- (5) As noted earlier, this book features a rich and diverse array of end-of-chapter materials to facilitate both learning and skill development. For this edition, a substantial portion of this material has been replaced or substantially revised.

SUPPLEMENTS

Instructor Supplements

Instructor’s Resource Companion Website. Find all of the helpful, time-saving teaching resources you need to create a dynamic, interactive management course. The Instructor’s Website includes the Instructor’s Manual (IM) files, Testing files, PowerPoint slides, and a DVD Guide to help you most effectively use this edition’s accompanying video cases. Updated content throughout the IM and PowerPoint slides reflects the latest edition of the text. Almost one-third of the Test Bank questions are new. ***New to this edition, we are now providing our Test Bank in Cognero.*** Cengage Learning Testing Powered by Cognero is a flexible, online system that allows you to:

- author, edit, and manage test bank content
- create multiple test versions in an instant
- deliver tests from your LMS, your classroom, or wherever you want

Cengage Learning Testing Powered by Cognero works on any operating system or browser.

- No special installs or downloads are needed.
- Create tests from school, home, the coffee shop—anywhere with Internet access.

What will you find?

- Simplicity at every step. A desktop-inspired interface features drop-down menus and familiar, intuitive tools that take you through content creation and management with ease.
- Full-featured test generator. Create ideal assessments with your choice of question types. Searchable metadata helps ensure your tests are complete and compliant.
- Cross-compatible capability. Import and export content into other systems.

Video Case DVD. Put management in action with this edition’s new video package. All new “On the Job” videos illustrate management concepts at work within familiar companies, large and small, giving students an insider’s perspective.

Student Supplements MindTap™

Students who purchase the MindTap product will enjoy a number of innovative features designed to enhance their learning experience. The e-book has been enriched with interactive figures and animated videos that increase comprehension of the most challenging topics, and the insightful video cases are embedded directly into the end-of-chapter materials. At the beginning of each chapter, students will be asked to take a self-assessment questionnaire that introduces an important topic and shows how it relates to students' current experience. Students will also have ready access to the assignments chosen by the instructor, which may include test-prep quizzes, homework questions, Write Experience essay-writing practice, and experiential exercises (role-play activities and group project activities).

New to this edition, the role-play activities give students opportunities to practice their managerial and communication skills in an online, real-time environment, while the group project activities encourage them to take a modern approach to applying key concepts using a digital collaborative workspace. By giving them opportunities to collaborate online, apply course concepts, and create solutions to realistic management problems, all of these learning activities are designed to enable students to Engage, Connect, Perform, and Lead—in short, to learn to “Think and Act Like Managers,” with demonstrable skills in critical thinking, analysis, and much more.

Augmenting the entire MindTap experience, robust diagnostic tools powered by Knewton provide students with feedback and personalized study plans based on actual assigned coursework rather than a separate set of quizzes. Using recommendations provided by Knewton, students can focus their efforts on the most important concepts they need to learn at that moment in time, as well as more effectively prepare for exams. Furthermore, Knewton gives instructors the ability to focus class time on the most relevant material and effectively assist struggling students. Using the MindTap Progress App, instructors can track student proficiency, which will allow them to quickly react to where students are in their learning and make the best use of class time. This creates even more opportunities to train students to “Think and Act Like Managers.

Acknowledgments



I would like to acknowledge the many contributions that others have made to this book. My faculty colleagues at Texas A&M University have contributed enormously both to this book and to my thinking about management education. The fine team of professionals at Cengage Learning has also been instrumental in the success of this book. Erin Joyner, Mike Schenk, Scott Person, Julia Chase, Jennifer Ziegler, Sarah Shainwald, and the team at Integra Software Services were instrumental in the creation of this edition.

Many reviewers have played a critical role in the continuous evolution and improvement of this project. They examined my work in detail and with a critical eye. I would like to tip my hat to the following reviewers, whose imprint can be found throughout this text:

Joseph Adamo (Cazenovia College), Sally Alkazin (Linfield College), Robert Ash (Santiago Canyon College), Sherryl Berg-Ridenour (DeVry College–Pomona), Alain Broder (Touro College), Murray Brunton (Central Ohio Tech), Sam Chapman (Diablo Valley College), Elizabeth Anne Christo-Baker (Terra Community College), Gary Corona (Florida State College–Jacksonville), Dr. Anne Cowden (California State University), Suzanne Crampton (Grand Valley State University), Thomas DeLaughter (University of Florida), Anita Dickson (Northampton Community College), Joe Dobson (Western Illinois University), Michael Dutch (University of Houston), Dale Eesley (University of Nebraska–Omaha), Norb Elbert (Eastern Kentucky University), Teri Elkins (University of Houston), Jan Feldbauer (Schoolcraft College), Tamela D. Ferguson (University of Louisiana at Lafayette), Anne Fiedler (Barry University), Eugene Garaventa (College of Staten Island), Phillip Gonsler (Johnson Community College), Patricia Green (Nassau Community College), John Guess (Delgado Community College), Joseph S. Hooker, Jr. (North Greenville College), David Hudson (Spalding University), George W. Jacobs (Middle Tennessee State University), Tim McCabe (Tompkins Cortland Community College), Garry McDaniel (Franklin University), Lauryn Migenes (University of Central Florida), Christopher Neck (Arizona State University), Judy Nixon (University of Tennessee–Chattanooga), Ranjna Patel (Bethune-Cookman College), Lisa Reed (University of Portland), Virginia Rich (Caldwell College), Dr. Joan Rivera (Angelo State University), Roberta B. Slater (Pennsylvania College of Technology), Bob Smoot (Hazard Community College), Howard Stanger (Canisius College), Sheryl A. Stanley (Newman University), Roy Strickland (Ozarks Technical Community College), Mike L. Stutzman (Mt. Mercy College and Kirkwood College), Abe Tawil (Baruch University), Lynn Turner (California Polytech University–Pomona), Barry Van Hook (Arizona State University), Ruth Weatherly (Simpson College), and Mary Williams (Community College of Nevada).

My wife, Glenda, and our children, Dustin, Ashley, Matt, and Lura, are of course due the greatest thanks. Their love, care, interest, and enthusiasm help sustain me in all that I do. And my granddaughter, Griffin, brings joy to my life and a smile to my face every time I think about her.

I enthusiastically invite your feedback on this book. If you have any questions, suggestions, or issues to discuss, please feel free to contact me. The most efficient way to reach me is through e-mail. My address is rgriffin@tamu.edu.

R.W.G.

Understanding the Manager's Job



Sergii Tsololo/Photos.com

Learning Outcomes

After studying this chapter, you should be able to:

- 1 Define management, describe the kinds of managers found in organizations, identify and explain the four basic management functions, describe the fundamental management skills, and comment on management as a science and art.
- 2 Justify the importance of history and theory to managers, and explain the evolution of management thought through the classical, behavioral, and quantitative perspectives.
- 3 Identify and discuss key contemporary management perspectives represented by the systems and contingency perspectives, and identify the major challenges and opportunities faced by managers today.

Management in Action

Reed Hastings Doesn't Like Standing Still

"Don't be afraid to change the model."

—Netflix CEO Reed Hastings

Several years ago, Reed Hastings, a California entrepreneur between start-up ventures, incurred a \$40 late fee at Blockbuster. "It was six weeks late," he admits. "I had misplaced the cassette [and] I didn't want to tell my wife. . . . I was embarrassed about it." The next day he dropped off the VHS cassette and paid the late fee on his way to the gym. As it turns out, his itinerary for the day was quite opportune: In the middle of his workout, he recalls, "I realized [the gym] had a much better business model. You could pay \$30 or \$40 a month and work out as little or as much as you wanted."

Thus was born the idea for Netflix. But Hastings knew he needed to start slowly. So, when Netflix was launched in 1997, its only innovations involved the convenience of ordering movies over the Internet and receiving and returning them by mail; Netflix merely rented movies for \$4 apiece plus \$2 for postage (and, yes, it charged late fees). Basically, the customer base consisted of people who wanted to watch movies without having to leave the house. But Hastings and co-founder Marc Randolph then quickly decided to test a subscription-based model, unlimited rentals by mail for a flat fee and, perhaps most important, no due dates (and thus no late fees). Current customers were first offered the opportunity to shift from their pay-per-rental plans to subscription plans on a free, trial basis and then given the chance to renew the subscription plan on a paid basis. "We knew it wouldn't be terrible," says Hastings, "but we didn't



Mike Cassese/REUTERS

Reed Hastings has used a variety of management techniques to build Netflix into an entertainment powerhouse.

know if it would be great.” In the first month, however, 80 percent of Netflix users who’d tried the no-cost subscription plan had renewed on a paid basis.

“Having unlimited due dates and no late fees,” said Hastings back in 2003, “has worked in a powerful way and now seems obvious, but at that time, we had no idea if customers would even build and use an online queue.” The “queue,” as any Netflix user will tell you, is the list of movies that the customer wants to watch. Netflix maintains your queue, follows your online directions in keeping it up to date, and automatically sends you the next movie you want each time you send one back.

The essence of queuing—and of the Netflix business model—is clearly convenience. Although the ability to enhance customer convenience, even when combined with cost savings, often gives a company a competitive advantage in its industry, it doesn’t always have the industry-wide effect that it’s had in the case of Netflix. Not only did the Netflix subscriber model improve the service provided by the industry in an unexpected way, but ultimately it also weakened the competitive positions of companies already doing business in the industry—notably, Blockbuster. In late 2012, the onetime industry leader’s market capitalization, which had peaked at \$5 billion in 2002, was languishing at \$35 million. At the same time, Netflix’s market cap stood at nearly \$10 billion and would top \$15 billion by 2013.

How had Hastings’s upstart company managed to put itself in such an enviable position? For one thing, it got off to a fast start. In 1997, when DVDs were just being test-marketed in the United States, Hastings and Randolph gambled that the new medium would eventually overtake videocassettes as the format of choice for both the home-movie industry and the home-movie renter. They were

right, of course—by 2002, one in four U.S. households owned a DVD player, but the number today is close to nine in ten. (In any case, it would have cost about \$4 to mail a videocassette both ways, compared to the \$0.78 that it costs to ship a DVD back and forth.)

More important, as the first company to rent movies by mail, Netflix was the first to establish a rental-by-mail customer base. At first, says Hastings, “people thought the idea was crazy. But it was precisely because it was a contrarian idea that [it] enabled us to get ahead of our competitors.” As Netflix has continued to expand and nurture its subscriber base, it’s also generated both brand recognition and brand loyalty. “Netflix has customer loyalty. It’s a passion brand,” explains Hastings, who hastens to add that keeping customers happy is crucial “because the more someone uses Netflix, the more likely they are to stay with us.”

Netflix also puts a premium on hiring the very best people. Hastings hires bright people, pays them above-market wages, and provides innovative and interesting benefits. For instance, Netflix employees can take as much vacation time as they want so long as they perform their jobs at a high level. But at the same time, the firm has very high performance standards and employees sometimes complain about too much pressure. As Hastings says, “We treat our top performers very well. We provide average employees with reasonable severance package[s].”

Today Netflix continues to be at the forefront of innovation and has established a strong position in the emerging video-on-demand market. In 2013, the company obtained exclusive rights to distribute the original series *The House of Cards*, *Hemlock Grove*, *Orange Is the New Black*, and the revival of *Arrested Development*. And each proved to be a big smash. All told, Netflix’s 36 million subscribers watch about 4 billion hours of programs every quarter on more than 1,000 different devices—indeed, on a normal evening Netflix accounts for over a third of all Internet usage in North America!

Never one to stand still, Reed Hastings continues to look for the “next big thing.” Unlike most traditional managers, Hastings doesn’t have an office. He simply wanders around headquarters, talking to people about their work and their ideas, and occasionally grabbing an empty chair or desk to check his e-mail. When he needs solitude to think and ponder major decisions, he retreats to a rooftop “cube” with four glass walls overlooking the Santa Cruz mountains. And from that cube Hastings will continue to make the right moves.¹

This book is about managers like Reed Hastings and the work they do. In this chapter, we examine the general nature of management, its dimensions, and its challenges. We explain the basic concepts of management and managers, discuss the management process, and summarize the origins of contemporary management thought. We conclude this chapter by introducing critical challenges and issues that managers are facing now and will continue to encounter in the future.

organization

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

AN INTRODUCTION TO MANAGEMENT

An **organization** is a group of people working together in a structured and coordinated fashion to achieve a set of goals, which may include profit (Netflix or Starbucks), the discovery of knowledge (the University of Nebraska or the National Science Foundation), national

management

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

manager

Someone whose primary responsibility is to carry out the management process

efficient

Using resources wisely in a cost-effective way

effective

Making the right decisions and successfully implementing them

defense (the U.S. Navy or Marines), the coordination of various local charities (the United Way of America), or social satisfaction (a fraternity or sorority).

Managers are responsible for using the organization's resources to help achieve its goals. More precisely, **management** can be defined as a set of activities (including planning and decision making, organizing, leading, and controlling) directed at an organization's resources (human, financial, physical, and information), with the aim of achieving organizational goals in an efficient and effective manner. A **manager**, then, is someone whose primary responsibility is to carry out the management process. By **efficient**, we mean using resources wisely, in a cost-effective way. By **effective**, we mean making the right decisions and successfully implementing them. In general, successful organizations are both efficient and effective.²

Today's managers face various interesting and challenging situations. The average executive works 60 hours a week; has enormous demands placed on his or her time; and faces increased complexities posed by globalization, domestic competition, government regulation, shareholder pressure, emerging technologies, the rise of social media, and other Internet-related uncertainties. Their job is complicated even more by rapid changes, unexpected disruptions, and both minor and major crises. The manager's job is unpredictable and fraught with challenges, but it is also filled with opportunities to make a difference. Good managers can propel an organization into unprecedented realms of success, whereas poor managers can devastate even the strongest of organizations.³

Kinds of Managers

Many different kinds of managers work in organizations today. Figure 1.1 shows how various kinds of managers within an organization can be differentiated by level and by area.

Levels of Management One way to classify managers is in terms of their level in the organization. *Top managers* make up the relatively small group of executives who manage the overall organization. Titles found in this group include president, vice president, and chief executive officer (CEO). Top managers create the organization's goals, overall strategy, and operating policies. They also officially represent the organization to the external environment by meeting with government officials, executives of other organizations, and so forth.

Howard Schultz, CEO of Starbucks, is a top manager, as are Paula Boggs and Peter Gibbons, two of the firm's executive vice presidents. Likewise, Reed Hastings, Sergey Brin and Larry Page (Google's founders and top executives), Marissa Mayer (CEO of Yahoo!), Richard Hayne (CEO of Urban Outfitters), and Mary Barra (CEO of General Motors) are also top managers. The job of a top manager is likely to be complex and varied. Top managers make decisions about activities such as acquiring other companies, investing in research and development (R&D), entering or abandoning various markets, and building new plants and office facilities. They often work long hours and spend much of their time in meetings or on the telephone. In most cases, top managers are also very well paid. In fact, the elite top managers of very large firms sometimes make several million dollars a year in salary, bonuses, and stock.⁴ In 2012, Ford paid Alan Mulally \$1,400,000 in salary for his work as CEO. He was also awarded a bonus of \$9,450,000 and around \$15,000,000 in stock and option awards.⁵

Middle management is probably the largest group of managers in most organizations. Common middle-management titles include plant manager, operations manager, and division head. *Middle managers* are primarily responsible for implementing the policies and plans developed by top managers and for supervising and coordinating the activities

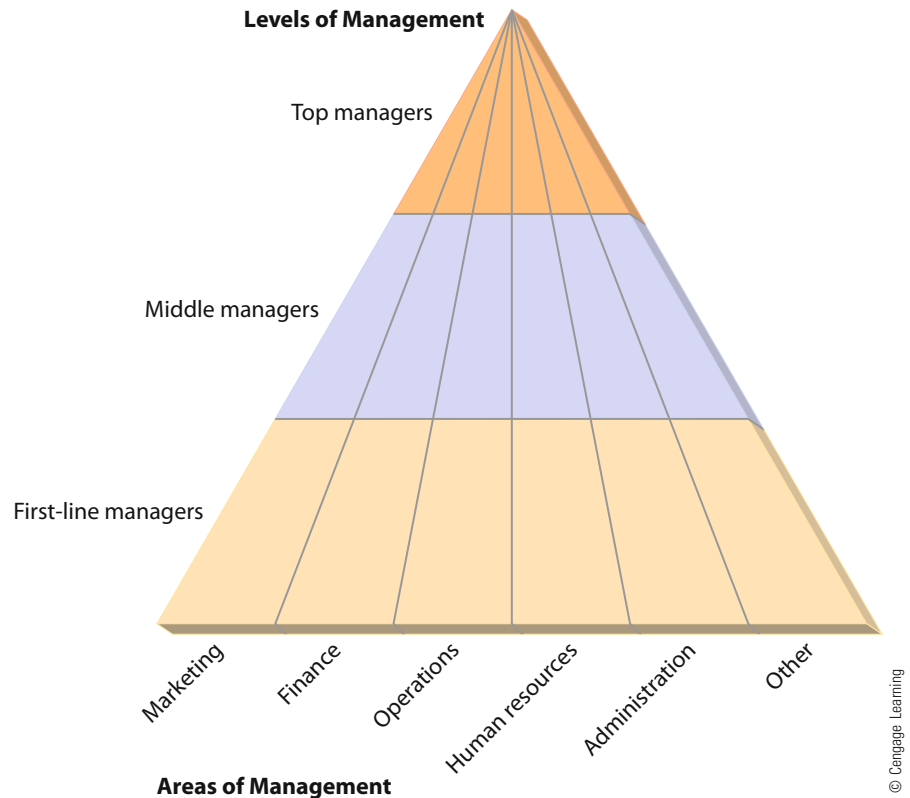


FIGURE 1.1

Kinds of Managers by Level and Area

Organizations generally have three levels of management, represented by top managers, middle managers, and first-line managers. Regardless of level, managers are also usually associated with a specific area within the organization, such as marketing, finance, operations, human resources, administration, or some other area.

of lower-level managers.⁶ Jason Hernandez, a regional manager at Starbucks responsible for the firm's operations in three eastern states, is a middle manager.

First-line managers supervise and coordinate the activities of operating employees. Common titles for first-line managers are supervisor, coordinator, and office manager. Positions like these are often the first held by employees who enter management from the ranks of operating personnel. Wayne Maxwell and Jenny Wagner, managers of Starbucks coffee shops in Texas, are first-line managers. They oversee the day-to-day operations of their respective stores, hire operating employees to staff them, and handle other routine administrative duties required of them by the parent corporation. In contrast to top and middle managers, first-line managers typically spend a large proportion of their time supervising the work of their subordinates.

Managing in Different Areas of the Organization Regardless of their level, managers may work in various areas within an organization. In any given firm, for example, these areas may include marketing, financial, operations, human resources, administrative, and others.

Marketing managers work in areas related to the marketing function—getting consumers and clients to buy the organization’s products or services (be they Samsung smartphones, Toyota automobiles, *Vogue* magazines, Associated Press news reports, streaming video rentals from Netflix, or lattes at Starbucks). These areas include new product development, promotion, and distribution. Given the importance of marketing for virtually all organizations, developing good managers in this area is critical.

Financial managers deal primarily with an organization’s financial resources. They are responsible for activities such as accounting, cash management, and investments. In some businesses, especially banking and insurance, financial managers are found in large numbers.

Operations managers are concerned with creating and managing the systems that create an organization’s products and services. Typical responsibilities of operations managers include production control, inventory control, quality control, plant layout, and site selection.

Human resources managers are responsible for hiring and developing employees. They are typically involved in human resource planning, recruiting and selecting employees, training and development, designing compensation and benefit systems, formulating performance appraisal systems, and discharging low-performing and problem employees.

Administrative, or general, managers are not associated with any particular management specialty. Probably the best example of an administrative management position is that of a hospital or clinic administrator. Administrative managers tend to be generalists; they have some basic familiarity with all functional areas of management rather than specialized training in any one area.⁷

Many organizations have specialized management positions in addition to those already described. Public relations managers, for example, deal with the public and media for firms such as Facebook and the Dow Chemical Company to protect and enhance the image of their organizations. R&D managers coordinate the activities of scientists and engineers working on scientific projects in organizations such as Google, Shell Oil, and NASA. Internal consultants are used in organizations such as Prudential Insurance to provide specialized expert advice to operating managers. International operations are often coordinated by specialized managers in organizations like Walmart and Halliburton. The number, nature, and importance of these specialized managers vary tremendously from one organization to another. As contemporary organizations continue to grow in complexity and size, the number and importance of such managers are also likely to increase.

planning

Setting an organization’s goals and deciding how best to achieve them

decision making

Part of the planning process that involves selecting a course of action from a set of alternatives

organizing

Determining how activities and resources are to be grouped

Basic Management Functions

Regardless of level or area, management involves the four basic functions of planning and decision making, organizing, leading, and controlling. This book is organized around these basic functions, as shown in Figure 1.2.

Planning and Decision Making In its simplest form, **planning** means setting an organization’s goals and deciding how best to achieve them. **Decision making**, a part of the planning process, involves selecting a course of action from a set of alternatives. Planning and decision making help managers maintain their effectiveness by serving as guides for their future activities. In other words, the organization’s goals and plans clearly help managers know how to allocate their time and resources. Part 1 of this book is devoted to planning and decision-making activities and concepts.

Organizing Once a manager has set goals and developed a workable plan, his or her next management function is to organize people and the other resources necessary to carry out the plan. Specifically, **organizing** involves determining how activities and



FIGURE 1.2

The Management Process

Management involves four basic activities—planning and decision making, organizing, leading, and controlling. Although there is a basic logic for describing these activities in this sequence (as indicated by the solid arrows), most managers engage in more than one activity at a time and often move back and forth between the activities in unpredictable ways (as shown by the dotted arrows).

resources are to be grouped. Although some people equate this function with the creation of an organization chart, we will see in Part 3 that it is actually much more.

Leading The third basic managerial function is leading. Some people consider leading to be both the most important and the most challenging of all managerial activities. **Leading** is the set of processes used to get members of the organization to work together to further the interests of the organization. We cover the leading function in detail in Part 4.

Controlling The final phase of the management process is **controlling**, or monitoring the organization's progress toward its goals. As the organization moves toward its goals, managers must monitor progress to ensure that it is performing in such a way as to arrive at its "destination" at the appointed time. Part 5 explores the control function. The "Sustainability Matters" feature also illustrates how control can be applied to waste management.

Fundamental Management Skills

To carry out these management functions most effectively, managers rely on a number of different fundamental management skills, of which the most important are technical, interpersonal, conceptual, diagnostic, communication, decision-making, and time management skills.⁸

leading

The set of processes used to get members of the organization to work together to further the interests of the organization

controlling

Monitoring organizational progress toward goal attainment



SUSTAINABILITY MATTERS

Toward Zero Waste

DuPont was once a major generator of trash, routinely dumping thousands of tons of waste materials in landfills each year. But a few years ago, the firm announced its intentions to dramatically reduce the waste it was sending to landfills, with a goal of achieving total recycling wherever possible. To initiate this effort, the firm first set a standard for each of its business units and facilities. Next, it developed procedures for monitoring progress toward those standards.

Take DuPont's Building Innovations unit, for example, which makes products like kitchen countertops and Tyvek building wrap. In 2008, the business was sending 81 million pounds of waste to landfills each year. But by January 2013, it was not sending anything to landfills! Among the new practices leading to this milestone are the following:

- Composting cafeteria waste and using it in landscaping
- Repairing shipping pallets to extend their use life, and shredding those not repairable for use as animal bedding
- Recycling countertop waste into landscape stone

A new term has even been coined to reflect this accomplishment: *zero-landfill status*. DuPont isn't alone, of course. GM recently reported that 81 of its

North American manufacturing plants have achieved zero-landfill status. Moreover, GM also says that it recycles 92 percent of all waste generated by its facilities worldwide. Honda reports that 10 of its 14 North American factories have achieved zero-landfill status. And Toyota claims that its North American operations are at "near zero" landfill status.

Outside the auto industry, Boeing says that a renovated Chinook helicopter plant is at zero landfill status. And PepsiCo's Frito-Lay facilities are, in the words of the company, approaching zero landfill status at some of its facilities. For now, though, a few roadblocks and challenges are still being faced by businesses trying to improve their environmental footprint through control procedures. For one thing, some waste products are simply difficult to recycle. For example, DuPont noted that reducing waste by 80 percent was surprisingly easy, but that last 20 percent posed real challenges. There is also no independent resource for verifying zero-landfill status. Regardless, though, critics agree that even if a firm takes small liberties in reporting waste reductions, they are still making progress.

References: "Companies Air for Zero Success in Waste Recycling," *USA Today*, January 30, 2013, p. 3B; "Ford to Accelerate Waste Reduction Effort," greenbiz.com/news, March 4, 2013; "Waste Reduction," www.gm.com/vision/waste_reduction_.html, March 5, 2013.

technical skills

The skills necessary to accomplish or understand the specific kind of work done in an organization

interpersonal skills

The ability to communicate with, understand, and motivate both individuals and groups

conceptual skills

The manager's ability to think in the abstract

Technical Skills **Technical skills** are necessary to accomplish or understand the specific kind of work done in an organization. Technical skills are especially important for first-line managers. These managers spend much of their time training their subordinates and answering questions about work-related problems. If they are to be effective managers, they must know how to perform the tasks assigned to those they supervise. While Reed Hastings now spends most of his time dealing with strategic and management issues, he also keeps abreast of new and emerging technologies and trends that may affect Netflix.

Interpersonal Skills Managers spend considerable time interacting with people both inside and outside the organization. For obvious reasons, then, they also need **interpersonal skills**—the ability to communicate with, understand, and motivate both individuals and groups. As a manager climbs the organizational ladder, he or she must be able to get along with subordinates, peers, and those at higher levels of the organization. Because of the multitude of roles that managers must fulfill, a manager must also be able to work with suppliers, customers, investors, and others outside the organization.

Conceptual Skills **Conceptual skills** depend on the manager's ability to think in the abstract. Managers need the mental capacity to understand the overall workings of the organization and its environment, to grasp how all the parts of the organization fit

together, and to view the organization in a holistic manner. This ability allows them to think strategically, to see the “big picture,” and to make broad-based decisions that serve the overall organization. Reed Hastings’s idea to extend the payment model used by health clubs to the video rental market came from his strong conceptual skills.

diagnostic skills

The manager’s ability to visualize the most appropriate response to a situation

communication skills

The manager’s abilities both to effectively convey ideas and information to others and to effectively receive ideas and information from others

decision-making skills

The manager’s ability to correctly recognize and define problems and opportunities and to then select an appropriate course of action to solve problems and capitalize on opportunities

time management skills

The manager’s ability to prioritize work, to work efficiently, and to delegate appropriately

Diagnostic Skills Successful managers also possess **diagnostic skills**—skills that enable them to visualize the most appropriate response to a situation. A physician diagnoses a patient’s illness by analyzing symptoms and determining their probable cause. Similarly, a manager can diagnose and analyze a problem in the organization by studying its symptoms and then developing a solution.⁹

Communication Skills **Communication skills** refer to the manager’s abilities to both effectively convey ideas and information to others and effectively receive ideas and information from others. These skills enable a manager to transmit ideas to subordinates so that they know what is expected, to coordinate work with peers and colleagues so that they work well together, and to keep higher-level managers informed about what is going on. In addition, communication skills help the manager listen to what others say and understand the real meaning behind e-mails, letters, reports, and other written communication.

Decision-Making Skills Effective managers also have good decision-making skills. **Decision-making skills** refer to the manager’s ability to correctly recognize and define problems and opportunities and to then select an appropriate course of action to solve problems and capitalize on opportunities. No manager makes the right decision all the time. However, effective managers make good decisions most of the time. And, when they do make a bad decision, they usually recognize their mistake quickly and then make good decisions to recover with as little cost or damage to their organization as possible. Managers at Netflix made a poor decision when they decided to split their services into two businesses, but they quickly reversed themselves before things got too bad.

Time Management Skills Finally, effective managers usually have good time management skills. **Time management skills** refer to the manager’s ability to prioritize work, to work efficiently, and to delegate work appropriately. As already noted, managers face many different pressures and challenges. It is too easy for a manager to get bogged down doing work that can easily be postponed or delegated to others.¹⁰ When this happens, unfortunately, more pressing and higher-priority work may get neglected.¹¹

The Science and the Art of Management

Given the complexity inherent in the manager’s job, a reasonable question relates to whether management is a science or an art. In fact, effective management is a blend of both science and art. Successful executives recognize the importance of combining both the science and art of management as they practice their craft.¹²

The Science of Management Many management problems and issues can be approached in ways that are rational, logical, objective, and systematic. Managers can gather data, facts, and objective information. They can use quantitative models and decision-making techniques to arrive at “correct” decisions. And they need to take such a scientific approach to solving problems whenever possible, especially when they are dealing with relatively routine and straightforward issues. When Starbucks considers entering a new market, its managers look closely at a wide variety of objective details as they formulate their plans. Technical, diagnostic, and decision-making skills are especially important when approaching a management task or problem from a scientific perspective.