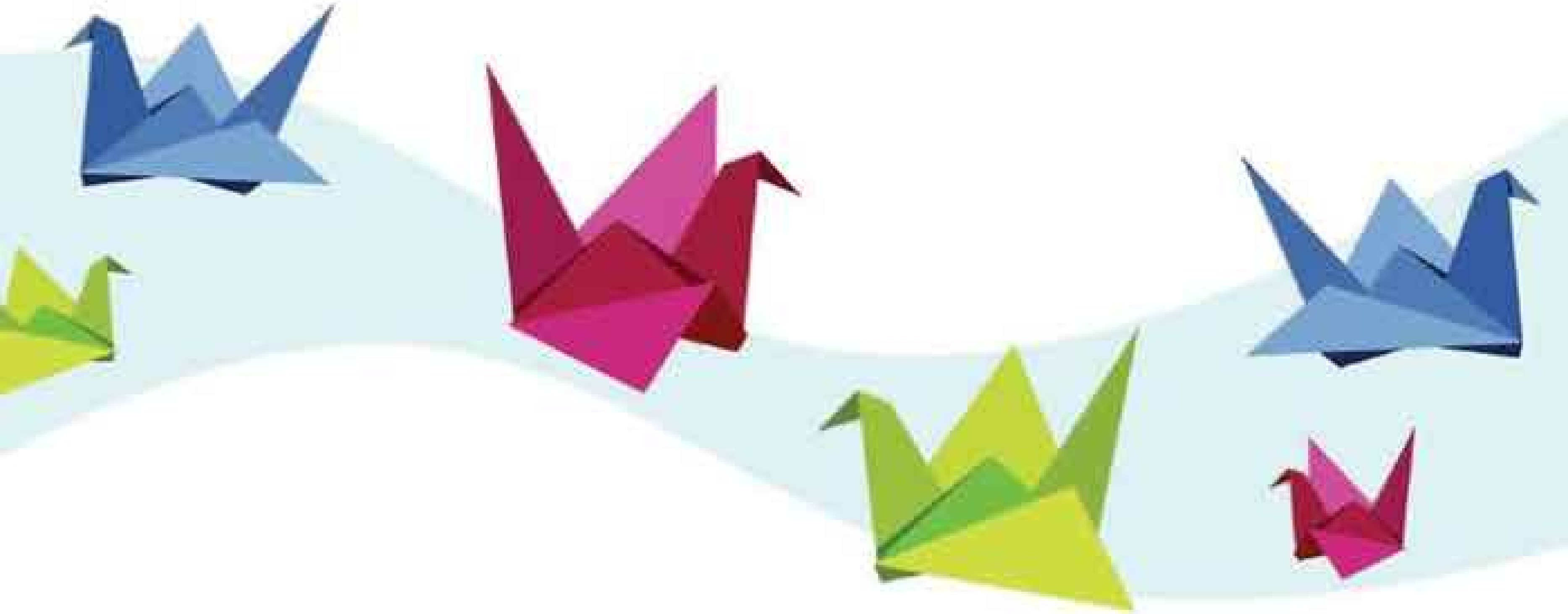
Contemporary Management

eighth edition



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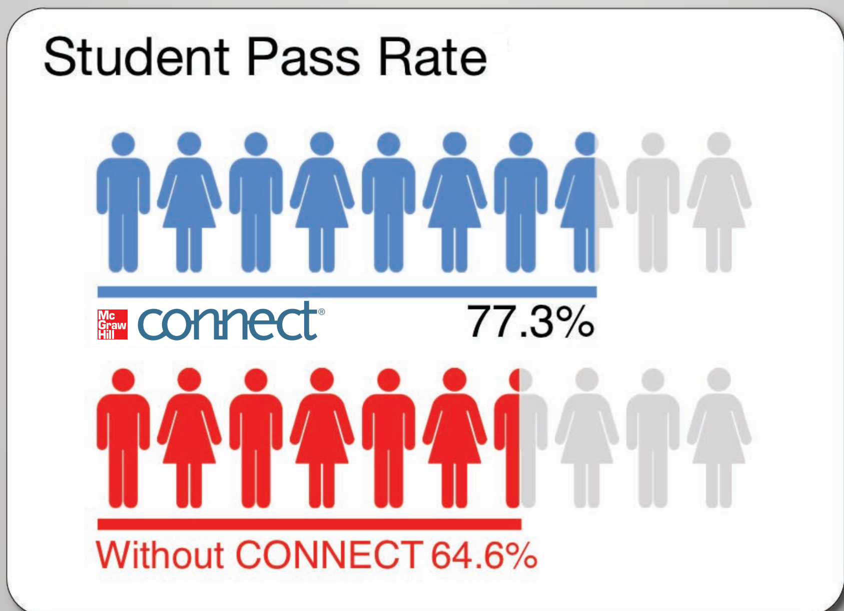

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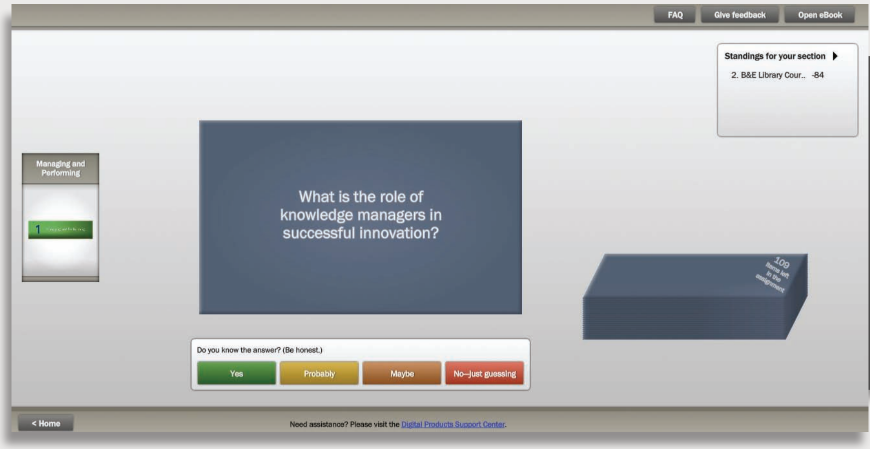

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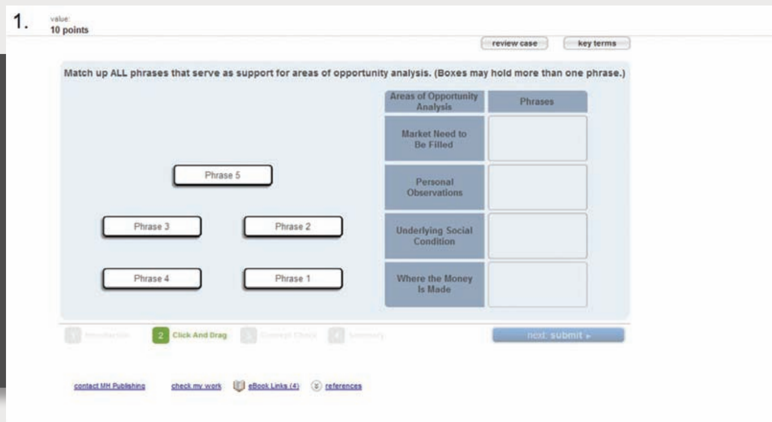

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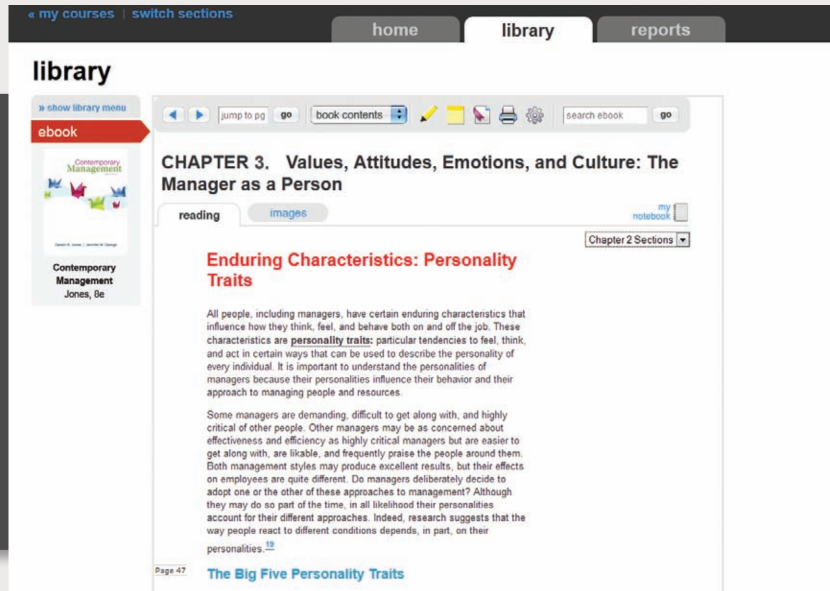

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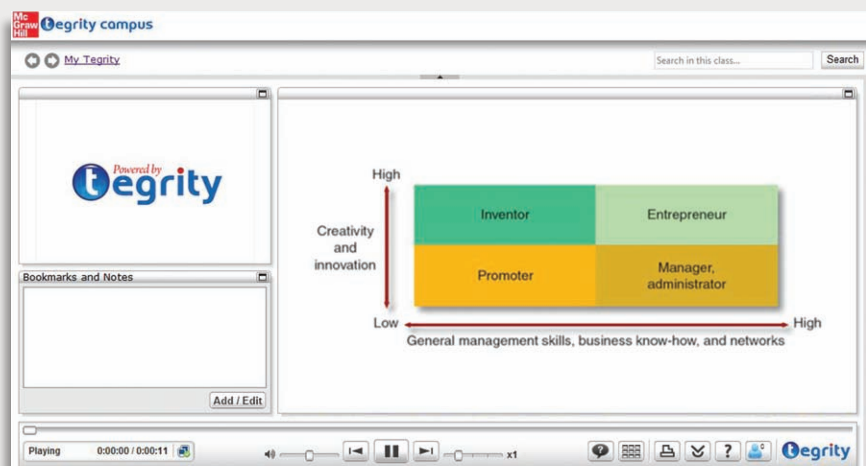

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Contemporary Management

Eighth Edition

Gareth R. Jones

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McGraw-Hill Irwin

The McGraw-Hill Companies

McGraw-Hill Irwin

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PREFACE

Since the seventh edition of *Contemporary Management* was published, our book has strengthened its position as a leader in the management market. This tells us that we continue to meet the expectations of our existing users and attract many new users to our book. It is clear that most management instructors share with us a concern for the need to continuously introduce new and emerging issues into the text and its examples to ensure that cutting-edge issues and new developments in the field of contemporary global management are addressed.

In the new eighth edition of *Contemporary Management,* we continue with our mission to provide students the most current and up-to-date account of the changes taking place in the world of business management. The fast-changing domestic and global environment continues to pressure organizations and their managers to find new and improved ways to respond to changing events in order to maintain and increase their performance. Today, increases in the fortunes of global leaders such as Apple, Samsung, and Google and the challenges facing some of their competitors such as Nokia, Dell, and Microsoft show how fast the success and even survival of companies can change. In particular, the continuing global recession as well as the increasing complexity of the exchanges between global companies has profoundly affected the management of both large and small organizations. Today, there is increased pressure on managers to find new management practices that can increase their companies' efficiency and effectiveness and ability to survive and prosper in an increasingly competitive global environment.

In revising our book, we continue our focus on making our text relevant and interesting to students—something that we know from instructor and student feedback engages them and encourages them to make the effort necessary to assimilate the text material. We continue to mirror the changes taking place in management practices by incorporating recent developments in management theory and research into our text and by providing vivid, current examples of how managers of companies large and small have responded to the changes taking place. Indeed, we have made the way managers and organizations have responded to recent global economic events a focus of the new edition, and following the last edition many more examples of the opportunities and challenges facing founders, managers, and employees in a variety of types of organizations are integrated into the text.

The number and complexity of the strategic, organizational, and human resource challenges facing managers and all employees has continued to increase throughout the 2000s. In most companies, managers at all levels are playing catch-up as they work toward meeting these challenges by implementing new and improved management techniques and practices. Today relatively small differences in performance between companies, such as in the speed at which they can bring new products or services to market or in how they motivate their employees to find ways to reduce costs or improve performance, can combine to give one company a significant competitive advantage over another. Managers and companies that use proven management techniques and practices in their decision making and actions increase their effectiveness over time. Companies and managers that are slower to implement new management techniques and practices find themselves at a growing competitive disadvantage that makes it even more difficult to catch up. Thus many industries have widening gaps between weaker competitors and the most successful companies, whose performance reaches new heights because their managers have made better decisions about how to use a company's resources in the most efficient and effective ways.

The challenges facing managers continue to mount as changes in the global environment, such as increasing global outsourcing and rising commodity prices, impact organizations large and small. In the eighth edition, we extend our treatment of global outsourcing and examine the many managerial issues that must be addressed when millions of functional jobs in information technology, customer service, and manufacturing are sent to countries overseas. Similarly, increasing globalization means managers must respond to major differences in the legal rules and regulations and ethical values and norms that prevail in countries around the globe. Many companies and their managers, for example, have been accused of ignoring "sweatshop" working conditions under which the products they sell are manufactured abroad.

Moreover, the revolution in information technology (IT) has transformed how managers make decisions across all levels of a company's hierarchy and across all its functions and global divisions. The eighth edition of our book continues to address these ongoing challenges as IT continues to evolve rapidly, especially in the area of mobile digital devices such as smartphones and tablet computers that can access ever more sophisticated software applications that increase their functionality. Other major challenges we continue to expand on in the new edition include the impact of the steadily increasing diversity of the workforce on companies, and how this increasing diversity makes it imperative for managers to understand how and why people differ so they can effectively manage and reap the performance benefits of diversity. Similarly, across all functions and levels, managers and employees must continuously search out ways to "work smarter" and increase performance. Using new IT to improve all aspects of an organization's operations to boost efficiency and customer responsiveness is a vital part of this process. So too is the continuing need to innovate and improve the quality of goods and services, and the ways they are produced, to allow an organization to compete effectively. We have significantly revised the eighth edition of *Contemporary Management* to address these challenges to managers and their organizations.

Major Content Changes

Once again, encouraged by the increasing number of instructors and students who use each new edition of our book, and based on the reactions and suggestions of both users and reviewers, we have revised and updated our book in the following ways. First, just as we have included pertinent new research concepts in each chapter, so too have we been careful to eliminate outdated or marginal management concepts. As usual, our goal has been to streamline our presentation and keep the focus on the changes that have been taking place that have the most impact on managers and organizations. Our goal is to avoid presenting students with excessive content in too many and too long chapters just for the sake of including outmoded management theory. In today's world of instant sound bites, video uploading, text messaging, and tweets, providing the best content is much more important than providing excessive content—especially when some of our students are burdened by time pressures stemming from the need to work long hours at paying jobs and fulfilling personal commitments and obligations.

Second, we have added significant new management content and have reinforced its importance by using many new relevant small and large company examples that are described in the chapter opening cases titled "A Manager's Challenge"; in the many boxed examples featuring managers and employees in companies both large and small in each chapter; and in the new (from 2011 and 2012) "Case in the News" closing cases.

Chapter 1, for example, contains new and updated material on the way changes in IT and the products and services that result from it are affecting competition among companies. The chapter includes a new opening case about the way Tim Cook, Apple's new CEO is changing the way Apple is managed, and how his approach to the four functions of management differs from that adopted by Steve Jobs. It also contains a new discussion of insourcing, as opposed to outsourcing, and why some companies are bringing jobs back to the United States from abroad to increase performance. It also includes coverage of ethics and social responsibility using examples from the not-for-profit sphere. In addition, an expanded discussion about global crisis management is provided including an update on the consequences arising from the way BP handled the 2010 explosion of its Deepwater Horizon drilling rig that resulted in a huge oil spill in the Gulf of Mexico. Chapter 2 has updated coverage of changing manufacturing practices in the carmaking industry and of the way traditional management theories, such as Theory X and Theory Y, have been modified to suit changing work conditions today.

Chapter 3 updates material about the manager as a person and the way personal characteristics of managers (and all members of an organization) influence organizational culture and effectiveness. There is also new in-text discussion of why job satisfaction was at a record low in the United States during the recent recession and which factors employees and groups were most dissatisfied with. Also included is a discussion of how emotions can be triggers for change in organizations and a new "Management Insight" box on the factors that can affect this and their consequences.

Public concern over the ethical behavior of managers has continued to increase as a result of the major problems caused by the financial crisis that began in 2008. Chapter 4, "Ethics and Social Responsibility," provides updated material about the unethical and illegal behaviors of managers that helped to produce the crises in the banking and financial services industry including the many fund managers who engaged in insider trading. It also examines how regulators are striving to find new and better ways to reduce the likelihood of such unethical behavior in the future. We have expanded our coverage of the many issues involved in acting and managing ethically throughout the book. And Chapter 4 also examines the behavior of Apple towards its stakeholders as it became one of the world's most valuable companies. We also discuss new issues in ethics and ethical dilemmas and provide more conceptual tools to help students understand better how to make ethical decisions. We continue to highlight issues related to the high pay of CEOs, issues concerning regulations to protect consumer safety, and the problems caused by bribery and corruption in companies at home and overseas. Finally, we have expanded coverage of the ethics of nonprofits and their managers as well as how formerly ethical companies, such as Johnson & Johnson, began to behave in unethical ways in order to boost their returns to shareholders and benefit their managers. The ethical exercise at the end of every chapter continues to be a popular feature of our book.

Chapter 5, "Managing Diverse Employees in a Multicultural Environment," focuses on the effective management of the many faces of diversity in organizations for the good of all stakeholders. We have updated and expanded the text material and examples for such issues as age, gender, race and ethnicity, socioeconomic background, disabilities, and sexual orientation. We also discuss ways to effectively manage diversity and include an updated discussion of women's earnings in comparison to men's earnings. Methods to prevent discrimination and sexual harassment in an era when many companies face discrimination lawsuits involving hundreds of millions of dollars are also considered. The chapter provides expanded coverage on the way managers can take advantage of the increasing diversity of the population and workforce to reap the performance benefits that stem from diversity while ensuring that all employees are treated fairly and are not discriminated against.

Chapter 6 contains an integrated account of forces in both the domestic and global environments. It has also been revised and updated to reflect the way increasing global competition and free trade have changed the global value creation process. The chapter includes an updated account of competition in the global electronics industry, for example, among smartphone providers Apple, Samsung, and Nokia, and flatscreen TV and computer makers such as Sony, Dell, and Sharp to illustrate these issues. The chapter also has expanded discussion of issues related to global outsourcing and of the movement to insource production back to the United States as well as to find ways for companies to become powerful suppliers to emerging leading global companies in Korea and China. Finally, it continues to update the treatment of the changing dynamics of global competition—particularly in relation to how newly dominant global companies have developed successful new strategies to customize products to the tastes of customers in countries abroad.

Chapter 7, "Decision Making, Learning, Creativity, and Entrepreneurship," discusses new developments on these important issues. For example, we include a new discussion of the position of chief sustainability officer and examine how managers can make decisions to help ensure decisions contribute to sustainability. Also, we continue our discussion of social entrepreneurs who seek creative ways to address social problems to improve well-being by, for example, reducing poverty, increasing literacy, and protecting the natural environment. More generally, we discuss how managers in organizations large and small can improve decision making, learning, and creativity in their organizations. For example, we discuss ways of curbing overconfidence in decision making and how to use contests and rewards to encourage creativity and give examples of companies that use them.

As in the last edition, Chapter 8 focuses on corporate-, global-, and business-level strategies, and Chapter 9 discusses functional strategies for managing value chain activities. These two chapters make clear the links between the different levels of strategy while maintaining a strong focus on managing operations and processes. Chapter 8 contains a revised discussion of planning and levels of strategy with an increased focus on how companies can use vertical integration and related diversification to increase long-term profitability. It also includes a revised treatment of business-level strategy that focuses on the importance of low-cost strategies in a world in which the prices of many products are falling or under pressure because of recession, increased global competition, or because new dot-coms such as Zynga and Groupon find new strategies to reach customers more cost effectively. In Chapter 9 we continue to explore how companies can develop new functional-level strategies to improve efficiency, quality, innovation, and responsiveness to customers. For example, beyond increased coverage of TQM, including the Six Sigma approach, we include an expanded discussion of the importance of customer relationship management and the need to retain customers during hard economic times. We focus on the ways Internet startups and dot-coms such as Zynga, Groupon, and Dropbox have developed new functional strategies.

Chapters 10 and 11 offer updated coverage of organizational structure and control and discuss how companies have confronted the need to reorganize their hierarchies and ways of doing business as the environment changes and competition increases. In Chapter 10, for example, we discuss how companies such as UPS, Walmart and Pier 1 have reorganized to improve their domestic performance. We also discuss how Nokia has been forced to reorganize its global operating structure to slow down its declining performance and avoid bankruptcy. Because of hard economic times, we give an increased discussion of how to design global organizational structure and culture to improve performance—and we focus on the experience of Japanese companies such as Toyota. In Chapter 11 we continue this theme by looking at how companies are changing their control systems to increase efficiency and quality, for example. More generally, how to use control systems to increase quality is a theme throughout the chapter.

We have updated and expanded our treatment of the many ways in which managers can effectively manage and lead employees in their companies. For example, Chapter 12 includes an updated discussion of how treating employees well can lead to exceptional customer service. The chapter also discusses best practices to recruit and attract outstanding employees, the importance of training and development, pay differentials, and family-friendly benefit programs. In addition, there is an updated and revised text discussion of the use of background checks by employers, the use of forced ranking systems in organizations, and issues concerning excessive CEO pay and pay comparisons between CEOs and average workers and statistics on U.S. union membership. Chapter 13 continues coverage of prosocially motivated behavior including examples of people who are motivated to benefit others. It also discusses the many steps managers can take to create a highly motivated workforce and how advances in IT have dramatically simplified the administration of piece-rate pay systems.

Chapter 14 highlights the critical importance of effective leadership in organizations and factors that contribute to managers being effective leaders, including an updated discussion of servant leadership. There is a new discussion of how managers with expert power need to recognize that they are not always right. The chapter also discusses how emotional intelligence may help leaders respond appropriately when they realize they have made a mistake, and it gives updated examples of how they can use reward and expert power to increase motivation and performance.

Expanded and updated coverage of the effective management of teams, including virtual teams, is provided in Chapter 15. The chapter also has coverage of the problems that arise because of a lack of leadership in teams.

Chapter 16 includes updated coverage of effective communication and how, given the multitude of advances in IT, it is important to create opportunities for face-to-face communication. There is also updated and revised information on the ethics of monitoring e-mail and Internet use, including statistics on increased Internet use in the United States. Finally, there is increased discussion of social networking sites and why some managers attempt to limit employees' access to them while at work. Chapter 17 includes an updated discussion of the vital task of effectively managing conflict and politics in organizations and how to negotiate effectively on a global level. There are many new examples of how managers can create a collaborative work context and avoid competition between individuals and groups.

Lastly, Chapter 18 has once again been substantially revised and updated to discuss the changing nature of companywide total computing solutions—including a new opening case that discusses the growing importance of cloud computing for Microsoft. There is also an expanded discussion of the nature of bricks & mortar and mobile server computers and how "server farms" can be used to connect to mobile digital devices such as tablet computers and smartphones to enhance competitive advantage. Recent developments in mobile and tablet computing and their many uses in global communication and coordination are also a focus of discussion—as is the growing competition between global IT suppliers.

We feel confident that the major changes we have made to the eighth edition of *Contemporary Management* reflect the changes that are occurring in management and the workplace; we also believe they offer an account of management that will stimulate and challenge students to think about their future as they look for opportunities in the world of organizations.

Unique Emphasis on Contemporary, Applied Management

In revising our book, we have kept at the forefront the fact that our users and reviewers are supportive of our attempts to integrate contemporary management theories and issues into the analysis of management and organizations. As in previous editions, our goal has been to distill new and classic theorizing and research into a contemporary framework that is compatible with the traditional focus on management as planning, leading, organizing, and controlling but that transcends this traditional approach.

Users and reviewers report that students appreciate and enjoy our presentation of management—a presentation that makes its relevance obvious even to those who lack exposure to a real-life management context. Students like the book's content and the way we relate management theory to real-life examples to drive home the message that management matters both because it determines how well organizations perform and because managers and organizations affect the lives of people inside and outside the organization, such as employees, customers, and shareholders.

Our contemporary approach has led us to discuss many concepts and issues that are not addressed in other management textbooks and it is illustrated by the way we organize and discuss these management issues. We have gone to great lengths to bring the manager back into the subject matter of management. That is, we have written our chapters from the perspective of current or future managers to illustrate, in a hands-on way, the problems and opportunities they face and how they can effectively meet them. For example, in Chapter 3 we provide an integrated treatment of personality, attitudes, emotions, and culture; in Chapter 4, a focus on ethics from a student's and a manager's perspective; and in Chapter 5, an in-depth treatment of effectively managing diversity and eradicating sexual harassment. In Chapters 8 and 9, our integrated treatment of strategy highlights the multitude of decisions managers must make as they perform their most important role—increasing organizational efficiency, effectiveness, and performance.

Our applied approach can also be clearly seen in the last three chapters of the book, which cover the topics of promoting effective communication; managing organizational conflict, politics, and negotiation; and using information technology in ways that increase organizational performance. These chapters provide a student-friendly, behavioral approach to understanding the management issues entailed in persuasive communication, negotiation, and implementation of advanced information systems to build competitive advantage.

Flexible Organization

Another factor of interest to instructors is how we have designed the grouping of chapters to allow instructors to teach the chapter material in the order that best suits their needs. For example, the more micro-oriented instructor can follow Chapters 1 through 5 with Chapters 12 through 16 and then use the more macro chapters. The more macro-oriented professor can follow Chapters 1 and 2 with Chapters 6 through 11, jump to 16 through 18, and then use the micro chapters, 3 through 5 and 12 through 15. Our sequencing of parts and chapters gives instructors considerable freedom to design the course that best suits their needs. Instructors are not tied to the planning, organizing, leading, and controlling framework, even though our presentation remains consistent with this approach.

ACKNOWLEDGMENTS

Finding a way to integrate and present the rapidly growing literature about contemporary management and make it interesting and meaningful for students is not an easy task. In writing and revising the various drafts of *Contemporary Management,* we have been fortunate to have the assistance of several people who have contributed greatly to the book's final form. First, we are grateful to Michael Ablassmeir, our senior sponsoring editor, for his ongoing support and commitment to our project and for always finding ways to provide the resources that we needed to continually improve and refine our book. Second, we are grateful to Trina Hauger, our developmental editor, for so ably coordinating the book's progress; and to her and Elizabeth Trepkowski, our senior marketing manager, for giving us concise and timely feedback and information from professors and reviewers that have allowed us to shape the book to the needs of its intended market. We also thank Cara Hawthorne for executing an awe-inspiring design; Bruce Gin for coordinating the production process; Margaret Richardson de Sosa (Rice University) and Patsy Hartmangruber (Texas A&M University) for providing excellent word-processing and graphic support; and Iliya Atanasov (Rice University) for his assistance with research. We are also grateful to the many colleagues and reviewers who gave us useful and detailed feedback and perceptive comments and valuable suggestions for improving the manuscript.

Producing any competitive work is a challenge. Producing a truly market-driven textbook requires tremendous effort beyond simply obtaining reviews of a draft manuscript. Our goal was simple with the development of *Contemporary Management:* to be the most customer-driven principles of management text and supplement package ever published! With the goal of exceeding the expectations of both faculty and students, we executed one of the most aggressive product development plans ever undertaken in textbook publishing. Hundreds of faculty have taken part in developmental activities ranging from regional focus groups to manuscript and supplement reviews and surveys. Consequently, we're confident in assuring you and your students, our customers, that every aspect of our text and support package reflects your advice and needs. As you review it, we're confident that your reaction will be, "They listened!"

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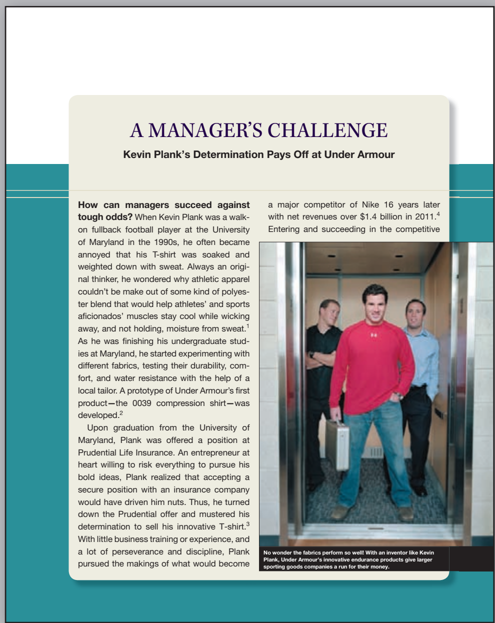
Rice University

Rich and Relevant Examples

An important feature of our book is the way we use real-world examples and stories about managers and companies to drive home the applied lessons to students. Our reviewers praised the sheer range and depth of the rich, interesting examples we use to illustrate the chapter material and make it come alive. Moreover, unlike boxed material in other books, our boxes are seamlessly integrated into the text; they are an integral part of the learning experience and are not tacked on or isolated from the text itself. This is central to our pedagogical approach.

A Manager's Challenge opens each chapter, posing a chapter-related challenge and then discussing how managers in one or more organizations responded to that challenge. These vignettes help demonstrate the uncertainty and excitement surrounding the management process.

Our box features are not traditional boxes; that is, they are not disembodied from the chapter narrative. These thematic applications are fully integrated into the reading. Students will no longer be forced to decide whether or not to read boxed material. These features are interesting and engaging for students while bringing the chapter contents to life.



A MANAGER'S CHALLENGE

Kevin Plank's Determination Pays Off at Under Armour

How can managers succeed against tough odds? When Kevin Plank was a walk-on fullback football player at the University of Maryland in the 1990s, he often became annoyed that his T-shirt was soaked and weighted down with sweat. Always an original thinker, he wondered why athletic apparel couldn't be make out of some kind of polyester blend that would help athletes' and sports aficionados' muscles stay cool while wicking away, and not holding, moisture from sweat.[1] As he was finishing his undergraduate studies at Maryland, he started experimenting with different fabrics, testing their durability, comfort, and water resistance with the help of a local tailor. A prototype of Under Armour's first product—the 0039 compression shirt—was developed.[2]

Upon graduation from the University of Maryland, Plank was offered a position at Prudential Life Insurance. An entrepreneur at heart willing to risk everything to pursue his bold ideas, Plank realized that accepting a secure position with an insurance company would have driven him nuts. Thus, he turned down the Prudential offer and mustered his determination to sell his innovative T-shirt.[3] With little business training or experience, and a lot of perseverance and discipline, Plank pursued the makings of what would become a major competitor of Nike 16 years later with net revenues over $1.4 billion in 2011.[4] Entering and succeeding in the competitive

No wonder the fabrics perform so well! With an inventor like Kevin Plank, Under Armour's innovative endurance products give larger sporting goods companies a run for their money.

Management Insight

Emotions as Triggers for Changes in Organizations

In our personal lives, intense emotional experiences can often be triggers for changes for the better. For example, the fear that accompanies a near miss auto accident may prompt a driver to slow down and leave more time to get to destinations. Embarrassment experienced from being underprepared for a major presentation might prompt a student to be more prepared in the future. Anger over being treated poorly can sometimes help people get out of bad personal relationships.

Interestingly enough, some managers and organizations are using emotions to prompt needed changes. For example, the CEO of North American Tool, Curt Lansbery, was dismayed that employees weren't contributing as much as they could to their 401(k) retirement plans because the company had a matched contribution plan whereby it contributed a percentage of an employee's contribution.[93] North American Tool makes industrial cutting machinery and each year has an annual 401(k) enrollment meeting. Lansbery decided to bring a bag full of money to the next meeting that equaled the amount of money employees did not receive the prior year because they did not contribute the maximum to their 401(k) plans. He dumped the money on a table and told the employees that this really should be their money, not the company's.[94] The negative feelings that this invoked in employees—there's a bunch of

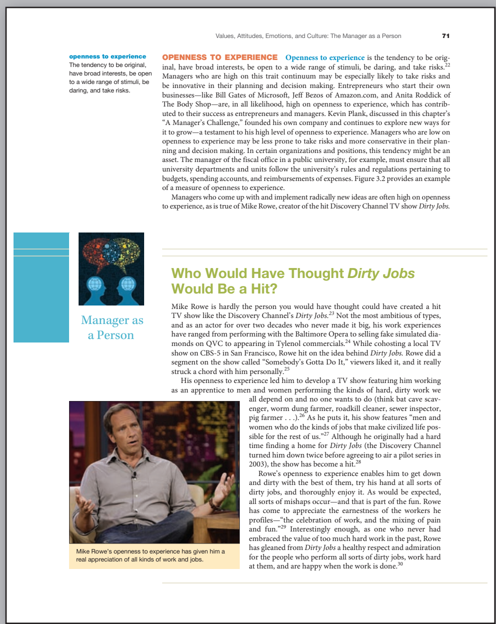
Ethics in Action

Telling the Truth at Gentle Giant Moving

Gentle Giant Moving Company, based in Somerville, Massachusetts, was founded by Larry O'Toole in 1980 and now has over $28 million in revenues and offices in multiple states.[41] Gentle Giant opened its newest office, Great Giant Moving and Storage, in 2011 in San Francisco, California.[42] Although moving is undoubtedly hard work and many people would never think about having a career in this industry, Gentle Giant's unique culture and approach to managing people have not only contributed to the company's success but also provided its employees with satisfying careers. For example, when Ryan Libby was in college, he worked for Gentle Giant during one of his summer vacations to make some extra money. After graduating from college, he was the assistant manager for the Providence, Rhode Island, Gentle Giant Office. Now Libby is branch manager for Providence.[43] As he puts it, "First it was just a paycheck, and it kind of turned into a long-term career."[44]

Libby is just the kind of employee O'Toole seeks to hire—employees who start out driving moving trucks and eventually move into management positions running offices. Whereas some moving companies hire a lot of temporary help in the summer to meet seasonal demand, 60% of Gentle Giant employees are employed full-time.[45] Because the demand for moving services is lower in the winter, Gentle Giant uses this time to give employees training and leadership development activities. Of course new employees receive training in the basics of moving: packing, lifting, and carrying house- ... in a safe manner. However, employees look-

Additional in-depth examples **Additional in-depth examples** appear in boxes throughout each chapter. **Management Insight** boxes illustrate the topics of the chapter, while the **Ethics in Action, Managing Globally, Focus on Diversity, and Information Technology Byte** boxes examine the chapter topics from each of these perspectives.



Values, Attitudes, Emotions, and Culture: The Manager as a Person 71

openness to experience The tendency to be original, have broad interests, be open to a wide range of stimuli, be daring, and take risks.

OPENNESS TO EXPERIENCE **Openness to experience** is the tendency to be original, have broad interests, be open to a wide range of stimuli, be daring, and take risks.[22] Managers who are high on this trait continuum may be especially likely to take risks and be innovative in their planning and decision making. Entrepreneurs who start their own businesses—like Bill Gates of Microsoft, Jeff Bezos of Amazon.com, and Anita Roddick of The Body Shop—are, in all likelihood, high on openness to experience, which has contributed to their success as entrepreneurs and managers. Kevin Plank, discussed in this chapter's "A Manager's Challenge," founded his own company and continues to explore new ways for it to grow—a testament to his high level of openness to experience. Managers who are low on openness to experience may be less prone to take risks and more conservative in their planning and decision making. In certain organizations and positions, this tendency might be an asset. The manager of the fiscal office in a public university, for example, must ensure that all university departments and units follow the university's rules and regulations pertaining to budgets, spending accounts, and reimbursements of expenses. Figure 3.2 provides an example of a measure of openness to experience.

Managers who come up with and implement radically new ideas are often high on openness to experience, as is true of Mike Rowe, creator of the hit Discovery Channel TV show *Dirty Jobs*.

Manager as a Person

Who Would Have Thought *Dirty Jobs* Would Be a Hit?

Mike Rowe is hardly the person you would have thought could have created a hit TV show like the Discovery Channel's *Dirty Jobs*.[23] Not the most ambitious of types, and as an actor for over two decades who never made it big, his work experiences have ranged from performing with the Baltimore Opera to selling fake simulated diamonds on QVC to appearing in Tylenol commercials.[24] While cohosting a local TV show on CBS-5 in San Francisco, Rowe hit on the idea behind *Dirty Jobs*. Rowe did a segment on the show called "Somebody's Gotta Do It," viewers liked it, and it really struck a chord with him personally.[25]

His openness to experience led him to develop a TV show featuring him working as an apprentice to men and women performing the kinds of hard, dirty work we all depend on and no one wants to do (think bat cave scavenger, worm dung farmer, roadkill cleaner, sewer inspector, pig farmer . . .).[26] As he puts it, his show features "men and women who do the kinds of jobs that make civilized life possible for the rest of us."[27] Although he originally had a hard time finding a home for *Dirty Jobs* (the Discovery Channel turned him down twice before agreeing to air a pilot series in 2003), the show has become a hit.[28]

Rowe's openness to experience enables him to get down and dirty with the best of them, try his hand at all sorts of dirty jobs, and thoroughly enjoy it. As would be expected, all sorts of mishaps occur—and that is part of the fun. Rowe has come to appreciate the earnestness of the workers he profiles—"the celebration of work, and the mixing of pain and fun."[29] Interestingly enough, as one who never had embraced the value of too much hard work in the past, Rowe has gleaned from *Dirty Jobs* a healthy respect and admiration for the people who perform all sorts of dirty jobs, work hard at them, and are happy when the work is done.[30]

Mike Rowe's openness to experience has given him a real appreciation of all kinds of work and jobs.

Further emphasizing the unique content covered in Chapter 3, Values, Attitudes, Emotions, and Culture: The Manager as a Person, the **Manager as a Person** boxes focus on how real managers brought about change within their organizations. These examples allow us to reflect on how individual managers dealt with real-life, on-the-job challenges related to various chapter concepts.

Small Business Examples To ensure that students see the clear connections between the concepts taught in their Principles of Management course and the application in their future jobs in a medium or small business, Jones and George have included a number of examples of the opportunities and challenges facing founders, managers, and employees in small businesses.

Experiential Learning Features We have given considerable time and effort to developing state-of-the-art experiential end-of-chapter learning exercises that drive home the meaning of management to students. These exercises are grouped together at the end of each chapter in a section called "Management in Action." The following activities are included at the end of every chapter:

- **Topics for Discussion and Action** are a set of chapter-related questions and points for reflection. Some ask students to research actual management issues and learn firsthand from practicing managers.
- **Building Management Skills** is a self-developed exercise that asks students to apply what they have learned from their own experience in organizations and from managers or from the experiences of others.
- **Managing Ethically** is an exercise that presents students with an ethical scenario or dilemma and asks them to think about the issue from an ethical perspective to better understand the issues facing practicing managers.
- **Small Group Breakout Exercise** is designed to allow instructors in large classes to use interactive experiential exercises.
- **Exploring the World Wide Web** requires students to actively search the web to find the answers to a problem.
- **Be the Manager** presents a realistic scenario where a manager or organization faces some kind of challenge, problem, or opportunity. These exercises provide students with a hands-on way of solving "real" problems by applying what they've just learned in the chapter.

Each chapter ends with a

- **Case in the News** that is an actual or shortened version of an article from a major publication such as *Bloomberg Businessweek, The Wall Street Journal,* or *Fortune.* The concluding questions encourage students to think about how real managers deal with problems in the business world.

Assurance of Learning Ready Many educational institutions today are focused on the notion of assurance of learning, an important element of some accreditation standards. *Contemporary Management, Eighth Edition,* is designed specifically to support your assurance of learning initiatives with a simple yet powerful solution.

Each test bank question for *Contemporary Management* maps to a specific chapter learning outcome/objective listed in the text. You can use our test bank software, EZ Test and EZ Test Online, or *Connect Management* to easily query for learning outcomes/objectives that directly relate to the learning objectives for your course. You can then use the reporting features of EZ Test to aggregate student results in similar fashion, making the collection and presentation of assurance of learning data simple and easy.

AACSB Statement The McGraw-Hill Companies are a proud corporate member of AACSB International. To support the importance and value of

AACSB accreditation, *Contemporary Management, Eighth Edition,* recognizes the curricula guidelines detailed in the AACSB standards for business accreditation by connecting selected questions in the text and/or the test bank to the six general knowledge and skill guidelines in the AACSB standards.

The statements contained in *Contemporary Management, Eighth Edition,* are provided only as a guide for the users of this textbook. The AACSB leaves content coverage and assessment within the purview of individual schools, the mission of the school, and the faculty. While *Contemporary Management* and the teaching package make no claim of any specific AACSB qualification or evaluation, we have within *Contemporary Management* labeled selected questions according to the six general knowledge and skill areas.

Integrated Learning System

Great care was used in the creation of the supplementary material to accompany *Contemporary Management.* Whether you are a seasoned faculty member or a newly minted instructor, you'll find our support materials to be the most thorough and thoughtful ever created:

- **Instructor's Manual (IM)** The IM supporting this text has been completely updated to save instructors' time and support them in delivering the most effective course to their students. For each chapter, this manual provides a chapter overview and lecture outline with integrated PowerPoint® slides, lecture enhancers, notes for end-of-chapter materials, video cases and teaching notes, and more.
- **PowerPoint® Presentation** 40 slides per chapter feature reproductions of key tables and figures from the text as well as original content. Lecture-enhancing additions such as quick polling questions and company or video examples from outside the text can be used to generate discussion and illustrate management concepts.
- **Test Bank and EZ Test** The test bank has been thoroughly reviewed, revised, and improved. There are approximately 100 questions per chapter, including true/false, multiple-choice, and essay. Each question is tagged with learning objective, level of difficulty (corresponding to Bloom's taxonomy of educational objectives), AACSB standards, the correct answer, and page references. The new AACSB tags allow instructors to sort questions by the various standards and create reports to help give assurance that they are including recommended learning experiences in their curricula.

McGraw-Hill's flexible and easy-to-use electronic testing program **EZ Test** allows instructors to create tests from book-specific items. It accommodates a wide range of question types, and instructors may add their own questions. Multiple versions of the test can be created, and any test can be exported for use with course management systems such as WebCT or BlackBoard. **EZ Test Online** (**www.eztestonline.com**) allows you to access the test bank virtually anywhere at any time, without installation, and it's even easier to use. Additionally, it allows you to administer EZ Test–created exams and quizzes online, providing instant feedback for students.

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Students want to make the best use of their study time. The LearnSmart adaptive self-study technology within *Connect Management* provides students with a seamless combination of practice, assessment, and remediation for every concept in the textbook. LearnSmart's intelligent software adapts to every student response and automatically delivers concepts that advance the student's understanding while reducing time devoted to the concepts already mastered. The result for every student is the fastest path to mastery of the chapter concepts. LearnSmart

- Applies an intelligent concept engine to identify the relationships between concepts and to serve new concepts to each student only when he or she is ready.
- Adapts automatically to each student, so students spend less time on the topics they understand and practice more those they have yet to master.
- Provides continual reinforcement and remediation, but gives only as much guidance as students need.
- Integrates diagnostics as part of the learning experience.
- Enables you to assess which concepts students have efficiently learned on their own, thus freeing class time for more applications and discussion.

Online Interactive Applications

Online Interactive Applications are engaging tools that teach students to apply key concepts in practice. These Interactive Applications provide them with immersive, experiential learning opportunities. Students will engage in a variety of interactive scenarios to deepen critical knowledge of key course topics. They receive immediate feedback at intermediate steps throughout each exercise, as well as comprehensive feedback at the end of the assignment. All Interactive Applications are automatically scored and entered into the instructor gradebook.

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- Access an instant view of student or class performance relative to learning objectives.
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- Go paperless with the eBook and online submission and grading of student assignments.

Instructor Library

The *Connect Management* Instructor Library is your repository for additional resources to improve student engagement in and out of class. You can select and use any asset that enhances your lecture. The *Connect Management* Instructor Library includes

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- TestBank.
- Management Asset Gallery.
- eBook.

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- Offers students quick access to lectures, practice materials, eBooks, and more.
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- Give students access to self-assessments, video materials, Manager's Hot Seat, and more.

Lecture Capture via Tegrity Campus

Increase the attention paid to lecture discussion by decreasing the attention paid to note taking. For an additional charge, Lecture Capture offers new ways for students to focus on the in-class discussion, knowing they can revisit important topics later.

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McGraw-Hill reinvents the textbook learning experience for the modern student with *Connect Plus Management.* A seamless integration of an eBook and *Management, Connect Plus Management* provides all of the *Connect Management* features plus the following:

- An integrated eBook, allowing for anytime, anywhere access to the textbook.
- Dynamic links between the problems or questions you assign to your students and the location in the eBook where that problem or question is covered.
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Tegrity Campus is a service that makes class time available 24/7 by automatically capturing every lecture in a searchable format for students to review when they study and complete assignments. With a simple one-click start-and-stop process, you capture all computer screens and corresponding audio. Students can replay any part of any class with easy-to-use browser-based viewing on a PC or Mac.

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- Record and index PowerPoint® presentations and anything shown on your computer so it is easily searchable, frame by frame.
- Offer access to lectures anytime and anywhere by computer, iPod, or mobile device.
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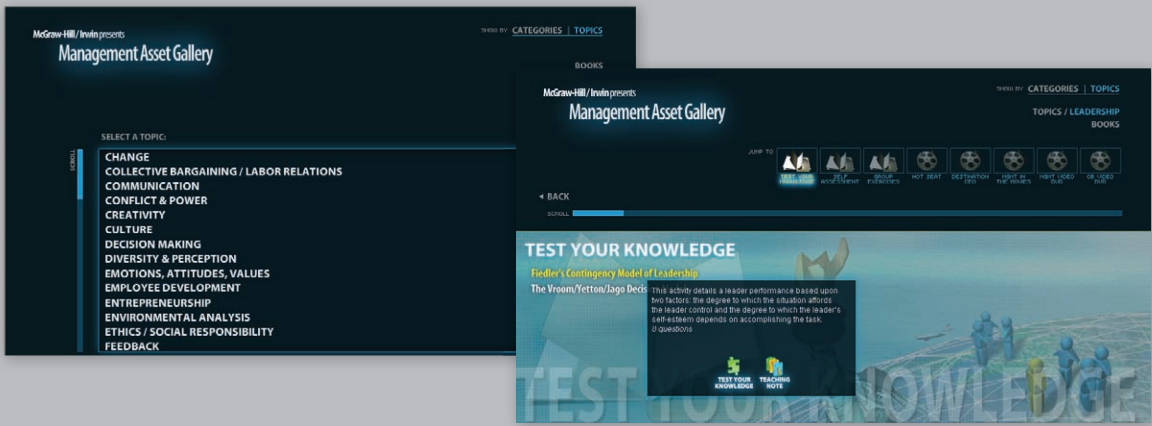
SUPPORT MATERIALS

McGraw-Hill's Management Asset Gallery

McGraw-Hill/Irwin Management is excited to now provide a one-stop shop for our wealth of assets, making it quick and easy for instructors to locate specific materials to enhance their courses.



All of the following can be accessed within the Management Asset Gallery:

Manager's Hot Seat

This interactive video-based application puts students in the manager's hot seat, builds critical thinking and decision-making skills, and allows students to apply concepts to real managerial challenges. Students watch as 15 real managers apply their years of experience when confronting unscripted issues such as bullying in the workplace, cyber loafing, globalization, intergenerational work conflicts, workplace violence, and leadership versus management.

Self-Assessment Gallery Unique among publisher-provided self-assessments, our 23 self-assessments give students background information to ensure that they understand the purpose of the assessment. Students test their values, beliefs, skills, and interests in a wide variety of areas, allowing them to personally apply chapter content to their own lives and careers.

Every self-assessment is supported with PowerPoints® and an instructor manual in the Management Asset Gallery, making it easy for the instructor to create an engaging classroom discussion surrounding the assessments.

Test Your Knowledge To help reinforce students' understanding of key management concepts, Test Your Knowledge activities give students a review of the conceptual materials followed by application-based questions to work through. Students can choose practice mode, which gives them detailed feedback after each question, or test mode, which provides feedback after the entire test has been completed. Every Test Your Knowledge activity is supported by instructor notes in the Management Asset Gallery to make it easy for the instructor to create engaging classroom discussions surrounding that materials that students have completed.

Management History Timeline This web application allows instructors to present and students to learn the history of management in an engaging and interactive way. Management history is presented along an intuitive timeline that can be traveled through sequentially or by selected decade. With the click of a mouse, students learn the important dates, see the people who influenced the field, and understand the general management theories that have molded and shaped management as we know it today.

Video Library DVDs McGraw-Hill/Irwin offers the most comprehensive video support for the Principles of Management classroom through course library video DVDs. This discipline has library volume DVDs tailored to integrate and visually reinforce chapter concepts. The library volume DVDs contain more than 90 clips! The rich video material, organized by topic, comes from sources such as *Bloomberg Businessweek* TV, PBS, NBC, BBC, SHRM, and McGraw-Hill. Video cases and video guides are provided for some clips.

Destination CEO Videos

Bloomberg Businessweek produced video clips featuring CEOs on a variety of topics. Accompanying each clip are multiple-choice questions and discussion questions to use in the classroom or assign as a quiz.

Online Learning Center (OLC)

www.mhhe.com/jonesgeorge8e

Find a variety of online teaching and learning tools that are designed to reinforce and build on the text content. Students will have direct access to the learning tools while instructor materials are password protected.

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Through CourseSmart, students have the flexibility to access an exact replica of their textbook from any computer that has Internet service without plug-ins or special software via the online version, or to create a library of books on their hard drive via the downloadable version. Access to the CourseSmart eBooks lasts for one year.

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AUTHORS

Gareth Jones currently offers pro bono advice on solving management problems to nonprofit organizations in Houston, Texas. He received his BA in Economics Psychology and his PhD in Management from the University of Lancaster, U.K. He was formerly Professor of Management in the Graduate School of Business at Texas A&M University and earlier held teaching and research appointments at Michigan State University, the University of Illinois at Urbana–Champaign and the University of Warwick, UK.

He continues to pursue his research interests in strategic management and organizational theory and his well-known research that applies transaction cost analysis to explain many forms of strategic and organizational behavior. He also studies the complex and changing relationships between competitive advantage and information technology in the 2010s.

He has published many articles in leading journals of the field and his research has appeared in the *Academy of Management Review*, the *Journal of International Business Studies*, and *Human Relations*. An article about the role of information technology in many aspects of organizational functioning was published in the *Journal of Management*. One of his articles won the *Academy of Management Journal*'s Best Paper Award, and he is one of the most cited authors in the *Academy of Management Review*. He is, or has served, on the editorial boards of the *Academy of Management Review*, the *Journal of Management*, and *Management Inquiry*.

Gareth Jones has used his academic knowledge to craft leading textbooks in management and three other major areas in the management discipline: organizational behavior, organizational theory, and strategic management. His books are widely recognized for their innovative, contemporary content and for the clarity with which they communicate complex, real-world issues to students.

Jennifer George is the Mary Gibbs Jones Professor of Management and Professor of Psychology in the Jesse H. Jones Graduate School of Business at Rice University. She received her BA in Psychology/Sociology from Wesleyan University, her MBA in Finance from New York University, and her PhD in Management and Organizational Behavior from New York University. Prior to joining the faculty at Rice University, she was a professor in the Department of Management at Texas A&M University.

Professor George specializes in organizational behavior and is well known for her research on mood and emotion in the workplace, their determinants, and their effects on various individual and group-level work outcomes. She is the author of many articles in leading peer-reviewed journals such as the *Academy of Management Journal,* the *Academy of Management Review,* the *Journal of Applied Psychology, Organizational Behavior and Human Decision Processes, Journal of Personality and Social Psychology,* and *Psychological Bulletin.* One of her papers won the Academy of Management's Organizational Behavior Division Outstanding Competitive Paper Award, and another paper won the *Human Relations* Best Paper Award. She is, or has been, on the editorial review boards of the *Journal of Applied Psychology, Academy of Management Journal, Academy of Management Review, Administrative Science Quarterly, Journal of Management, Organizational Behavior and Human Decision Processes, Organization Science, International Journal of Selection and Assessment,* and *Journal of Managerial Issues;* was a consulting editor for the *Journal of Organizational Behavior;* was a member of the SIOP *Organizational Frontiers Series* editorial board; and was an associate editor of the *Journal of Applied Psychology*. She is a fellow in the Academy of Management, the American Psychological Association, the American Psychological Society, and the Society for Industrial and Organizational Psychology and a member of the Society for Organizational Behavior. She also has coauthored a textbook titled *Understanding and Managing Organizational Behavior.*

Contemporary Management

CHAPTER 1

Managers and Managing

Learning Objectives

After studying this chapter, you should be able to:

LO1-1 Describe what management is, why management is important, what managers do, and how managers utilize organizational resources efficiently and effectively to achieve organizational goals.

LO1-2 Distinguish among planning, organizing, leading, and controlling (the four principal managerial tasks), and explain how managers' ability to handle each one affects organizational performance.

LO1-3 Differentiate among three levels of management, and understand the tasks and responsibilities of managers at different levels in the organizational hierarchy.

LO1-4 Distinguish between three kinds of managerial skill, and explain why managers are divided into different departments to perform their tasks more efficiently and effectively.

LO1-5 Discuss some major changes in management practices today that have occurred as a result of globalization and the use of advanced information technology (IT).

LO1-6 Discuss the principal challenges managers face in today's increasingly competitive global environment.

A MANAGER'S CHALLENGE

Tim Cook Succeeds Steve Jobs as CEO of Apple

What is high-performance management? In 2011 Tim Cook took full management control of Apple as its CEO six weeks after Steve Jobs stepped down as its CEO before his untimely death. Cook had been Apple's long-time chief operating officer and had been responsible for organizing and controlling its global supply chain to bring its innovative products to market as quickly and efficiently as possible.[1] One of Apple's major strengths is to continuously introduce new and improved products such as its iPhones and iPads, often at six-month and yearly intervals, to offer customers more options and to stay ahead of the competition. Cook was acknowledged as the leader who controlled Apple's purchasing and manufacturing operations, and of course he had intimate knowledge of Apple's new product design and engineering. However, Steve Jobs had been the manager who ultimately decided what kinds of new products Apple would develop and the design of their hardware and software.

Starting with Apple's founding in 1977, Jobs saw his main task as leading the planning process to develop new and improved PCs. Although this was a good strategy, his management style was often arbitrary and overbearing. For example, Jobs often played favorites among the many project teams he created. His approach caused many conflicts and led to fierce competition, many misunderstandings, and growing distrust among members of the different teams.

Jobs's abrasive management style also brought him into conflict with John Sculley, Apple's CEO. Employees became unsure whether Jobs (the chairman) or Sculley was leading the company. Both managers were so busy competing for control of Apple that the task of ensuring its resources were being used efficiently was neglected. Apple's costs

Apple CEO Tim Cook proudly shows off the third version of the iPad on March 7, 2012 in San Francisco, California. Sales have soared under Apple's new leadership.

soared, and its performance and profits fell. Apple's directors became convinced Jobs's management style was the heart of the problem and asked him to resign.

After he left Apple, Jobs started new ventures such as PC maker NEXT to develop powerful new PCs and Pixar, the computer animation company, which become a huge success after it made blockbuster movies such as *Toy Story* and *Finding Nemo,* both distributed by Walt Disney. In both these companies Jobs developed a clear vision for managers to follow, and he built strong management teams to lead the project teams developing the new PCs and movies. Jobs saw his main task as planning the companies' future product development strategies. However, he left the actual tasks of leading and organizing to managers below him. He gave them the autonomy to put his vision into practice. In 1996 Jobs convinced Apple to buy NEXT and use its powerful operating system in new Apple PCs. Jobs began working inside Apple to lead its turnaround and was so successful that in 1997 he was asked to become its CEO. Jobs agreed and continued to put the new management skills he had developed over time to good use.

The first thing he did was create a clear vision and goals to energize and motivate Apple employees. Jobs decided that, to survive, Apple had to introduce state-of-the-art, stylish PCs and related digital equipment. He delegated considerable authority to teams of employees to develop all the many different hardware and software components necessary to build the new products, but he also established strict timetables and challenging "stretch" goals, such as bringing new products to market as quickly as possible, for these teams. Moreover, he was careful to keep the different teams' activities separate; only he and his chief designers knew what the new products would actually look like and their capabilities—and his demand for secrecy increased over time.[2]

In 2003 Jobs announced that Apple was starting a new service called iTunes, an online music store from which people could download songs for 99 cents. At the same time Apple introduced its iPod music player, which can store thousands of downloaded songs, and it quickly became a runaway success. By 2006 Apple had gained control of 70% of the digital music player market and 80% of the online music download business, and its stock price soared to a new record level. The next milestone in Jobs's product strategy came in 2007 when he announced that Apple would introduce the iPhone. Once again he assembled different teams of engineers not only to develop the new phone's hardware and software but also to create an online iPhone applications platform where users could download applications to make their iPhones more valuable. In 2010 Jobs announced that Apple planned to introduce a new iPad tablet computer and after its release in April 2010 its stock rose to a new record high of $219.

Since Cook assumed leadership of Apple, it has become apparent to its employees and shareholders that he brings a new more open and participative approach to managing the company. While Jobs was respected as a guru, magician, and ruler—someone to be revered as well as feared—Cook makes himself available to employees in Apple's cafeteria and talks directly to shareholders and analysts, something that Jobs had no time for. Cook has also worked to integrate Apple's global supply chain and project management functions with its engineering functions to break down the barriers between teams in the company and increase the flow of information between product units as the company grows and becomes more complex. Following Jobs, Cook's goal is for Apple to focus on introducing innovative new products and not to lose its commitment to being the leader in every market in which it competes. However, while Cook is a demanding boss, he is down to earth, approachable, and well respected, as opposed to Jobs who became increasingly isolated, forbidding, and secretive as time went on.

Overview

The story of Tim Cook's approach to managing Apple after Steve Jobs illustrates the many challenges facing people who become managers: Managing a company is a complex activity, and effective managers must possess many kinds of skills, knowledge, and abilities. Management is an unpredictable process. Making the right decision is difficult; even effective managers often make mistakes, but the most effective managers, like Jobs and Cook, learn from their mistakes and continually strive to find ways to increase their companies' performance.

In this chapter we look at what managers do and what skills and abilities they must develop to manage their organizations successfully. We also identify the different kinds of managers that organizations need and the skills and abilities they must develop to succeed. Finally, we identify some challenges managers must address if their organizations are to grow and prosper.

What Is Management?

When you think of a manager, what kind of person comes to mind? Do you see someone who, like Tim Cook, can determine the future prosperity of a large for-profit company? Or do you see the administrator of a not-for-profit organization, such as a community college, library, or charity, or the person in charge of your local Walmart store or McDonald's restaurant, or the person you answer to if you have a part-time job? What do all these people have in common? First, they all work in organizations. **Organizations** are collections of people who work together and coordinate their actions to achieve a wide variety of goals or desired future outcomes.[3] Second, as managers, they are the people responsible for supervising and making the most of an organization's human and other resources to achieve its goals.

organizations Collections of people who work together and coordinate their actions to achieve a wide variety of goals or desired future outcomes.

management The planning, organizing, leading, and controlling of human and other resources to achieve organizational goals efficiently and effectively.

Management, then, is the planning, organizing, leading, and controlling of human and other resources to achieve organizational goals efficiently and effectively. An organization's *resources* include assets such as people and their skills, know-how, and experience; machinery; raw materials; computers and information technology; and patents, financial capital, and loyal customers and employees.

Achieving High Performance: A Manager's Goal

One of the most important goals that organizations and their members try to achieve is to provide some kind of good or service that customers value or desire. The principal goal of CEO Tim Cook is to manage Apple so it creates a continuous stream of new and improved

LO1-1 Describe what management is, why management is important, what managers do, and how managers utilize organizational resources efficiently and effectively to achieve organizational goals.

organizational performance A measure of how efficiently and effectively a manager uses resources to satisfy customers and achieve organizational goals.

efficiency A measure of how well or how productively resources are used to achieve a goal.

effectiveness A measure of the appropriateness of the goals an organization is pursuing and the degree to which the organization achieves those goals.

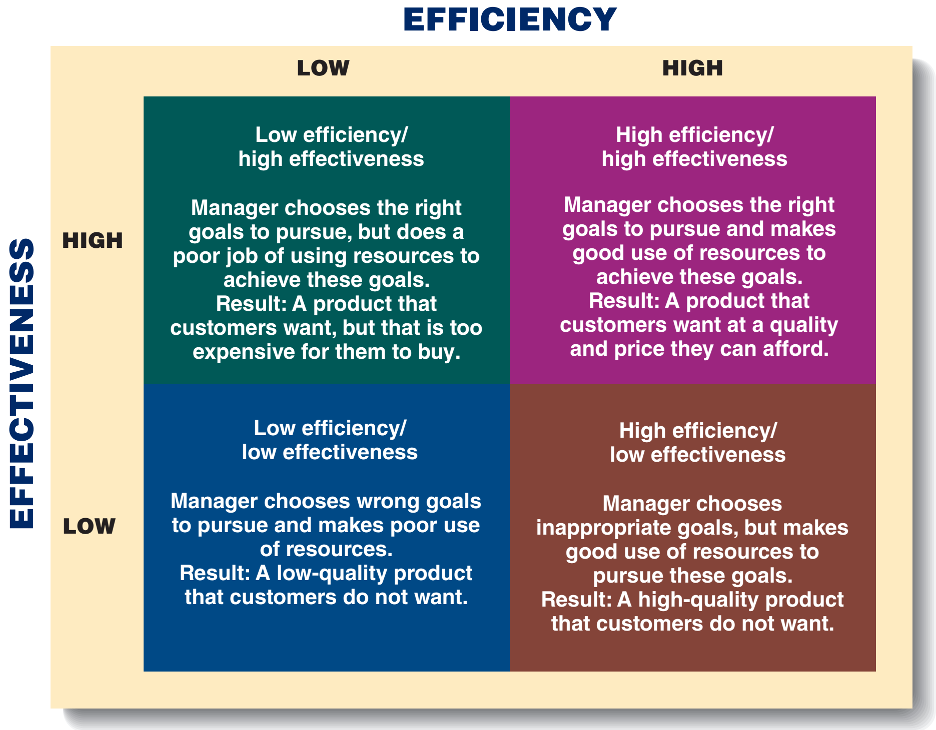
goods and services—such as more powerful PCs, more versatile iPhones and iPads, and the ability to easily download diverse kinds of digital content from the Internet—that customers are willing to buy. In 2012 Apple dominates the field in many of these areas; its managers are currently working to make its new iMacs and iPads the industry leaders. Similarly, the principal goal of doctors, nurses, and hospital administrators is to increase their hospital's ability to make sick people well—and to do so cost-effectively. Likewise, the principal goal of each McDonald's restaurant manager is to produce burgers, salads, fries, and shakes that people want to pay for and eat so they become loyal return customers.

Organizational performance is a measure of how efficiently and effectively managers use available resources to satisfy customers and achieve organizational goals. Organizational performance increases in direct proportion to increases in efficiency and effectiveness (see Figure 1.1). What are efficiency and effectiveness?

Efficiency is a measure of how productively resources are used to achieve a goal.[4] Organizations are efficient when managers minimize the amount of input resources (such as labor, raw materials, and component parts) or the amount of time needed to produce a given output of goods or services. For example, McDonald's develops ever more efficient fat fryers that not only reduce the amount of oil used in cooking, but also speed up the cooking of french fries. UPS develops new work routines to reduce delivery time, such as instructing drivers to leave their truck doors open when going short distances. Tim Cook instructed Apple's engineers and supply chain managers not only to develop ever more compact, powerful, and multipurpose models of its iPad and iPhone but also to find new cost-effective ways to do so, such as by outsourcing manufacturing to China. A manager's responsibility is to ensure that an organization and its members perform as efficiently as possible all the activities needed to provide goods and services to customers.

Effectiveness is a measure of the *appropriateness* of the goals that managers have selected for the organization to pursue and the degree to which the organization achieves those goals. Organizations are effective when managers choose appropriate goals and then achieve them. Some years ago, for example, managers at McDonald's decided on the goal of providing breakfast service to attract more customers. The choice of this goal has proved smart: Sales of

Figure 1.1
Efficiency, Effectiveness, and Performance in an Organization



High-performing organizations are efficient *and* effective.

breakfast food now account for more than 30% of McDonald's revenues and are still increasing. Jobs's goal was to create a continuous flow of innovative PC and digital entertainment products. High-performing organizations such as Apple, McDonald's, Walmart, Intel, Home Depot, Accenture, and Habitat for Humanity are simultaneously efficient and effective. Effective managers are those who choose the right organizational goals to pursue and have the skills to utilize resources efficiently.

Why Study Management?

Today more students are competing for places in business courses than ever before; the number of people wishing to pursue master of business administration (MBA) degrees—today's passport to an advanced management position—either on campus or from online universities and colleges is at an all-time high. Why is the study of management currently so popular?[5]

First, in any society or culture resources are valuable and scarce, so the more efficient and effective use that organizations can make of those resources, the greater the relative well-being and prosperity of people in that society. Because managers decide how to use many of a society's most valuable resources—its skilled employees, raw materials like oil and land, computers and information systems, and financial assets—they directly impact the well-being of a society and the people in it. Understanding what managers do and how they do it is of central importance to understanding how a society creates wealth and affluence for its citizens.

Second, although most people are not managers, and many may never intend to become managers, almost all of us encounter managers because most people have jobs and bosses. Moreover, many people today work in groups and teams and have to deal with coworkers. Studying management helps people deal with their bosses and their coworkers. It reveals how to understand other people at work and make decisions and take actions that win the attention and support of the boss and coworkers. Management teaches people not yet in positions of authority how to lead coworkers, solve conflicts between them, achieve team goals, and thus increase performance.

Third, in any society, people are in competition for a very important resource—a job that pays well and provides an interesting and satisfying career; and understanding management is one important path toward obtaining this objective. In general, jobs become more interesting the more complex or responsible they are. Any person who desires a motivating job that changes over time might therefore do well to develop management skills and become promotable. A person who has been working for several years and then returns to school for an MBA can usually, after earning the degree, find a more interesting, satisfying job that pays significantly more than the previous job. Moreover, salaries increase rapidly as people move up the organizational hierarchy, whether it is a school system, a large for-profit business organization, or a not-for-profit charitable or medical institution.

Indeed, the salaries paid to top managers are enormous. For example, the CEOs and other top executives or managers of companies such as Apple, Walt Disney, GE, and McDonald's receive millions in actual salary each year. However, even more staggering is the fact that many top executives also receive bonuses in the form of valuable stock or shares in the company they manage, as well as stock options that give them the right to sell these shares at a certain time in the future.[6] If the value of the stock goes up, the managers keep the difference between the price at which they obtained the stock option (say, $10) and what it is worth later (say, $33). When Tim Cook joined Apple in 1998, a year after Steve Jobs became its CEO, he was awarded stock options that, with the fast rise in Apple's stock price throughout the 2010s, are worth billions of dollars today (he declined to accept the $75 million dividend that he was entitled to based on his stock ownership in 2012).[7] In 2010 Goldman Sachs paid its top managers stock bonuses worth $16.2 billion, and its CEO Lloyd Blankfein received Goldman Sachs stock worth over $8 billion—but this was only half the value of the stock that JPMorgan Chase CEO Jamie Dimon received from his company![8] These incredible amounts of money provide some indication of both the responsibilities and the rewards that accompany the achievement of high management positions in major companies—and go to anybody who successfully creates and manages a small business. What is it that managers actually do to receive such rewards?[9]

Essential Managerial Tasks

The job of management is to help an organization make the best use of its resources to achieve its goals. How do managers accomplish this objective? They do so by performing four essential managerial tasks: *planning, organizing, leading,* and *controlling.* The arrows linking these tasks in Figure 1.2 suggest the sequence in which managers typically perform them. French manager Henri Fayol first outlined the nature of these managerial activities around the turn of the 20th century in *General and Industrial Management,* a book that remains the classic statement of what managers must do to create a high-performing organization.[10]

LO1-2 Distinguish among planning, organizing, leading, and controlling (the four principal managerial tasks), and explain how managers' ability to handle each one affects organizational performance.

Managers at all levels and in all departments—whether in small or large companies, for-profit or not-for-profit organizations, or organizations that operate in one country or throughout the world—are responsible for performing these four tasks, which we look at next. How well managers perform these tasks determines how efficient and effective their organizations are.

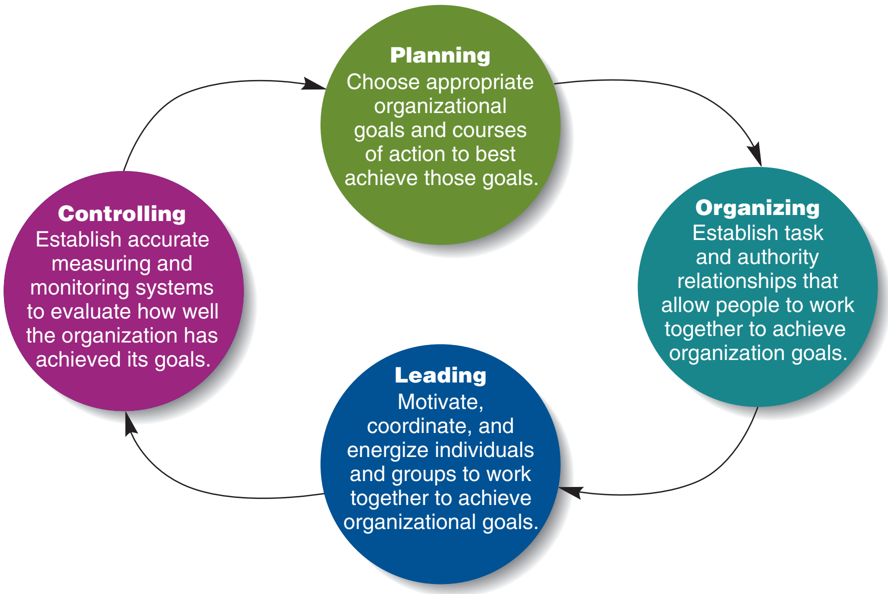
Planning

planning Identifying and selecting appropriate goals; one of the four principal tasks of management.

To perform the **planning** task, managers identify and select appropriate organizational goals and courses of action; they develop *strategies* for how to achieve high performance. The three steps involved in planning are (1) deciding which goals the organization will pursue, (2) deciding what strategies to adopt to attain those goals, and (3) deciding how to allocate organizational resources to pursue the strategies that attain those goals. How well managers plan and develop strategies determines how effective and efficient the organization is—its performance level.[11]

As an example of planning in action, consider the situation confronting Michael Dell, founder and CEO of Dell Computer, who in 2012 was struggling to increase the PC sales of his company given competition from HP, Apple, and IBM. In 1984 the 19-year-old Dell saw an opportunity to enter the PC market by assembling PCs and selling them directly to customers. Dell began to plan how to put his idea into practice. First, he decided that his goal was to sell an inexpensive PC, to undercut the prices charged by companies like Apple, Compaq, and HP. Second, he had to choose a course of action to achieve this goal. He decided to sell PCs directly to customers by telephone and so bypass expensive computer stores that sold Compaq and Apple PCs. He also had to decide how to obtain low-cost components and how to tell potential customers about his products. Third, he had to decide how to allocate his limited funds (he had only $5,000) to buy

Figure 1.2
Four Tasks of Management



Michael Dell sits in the dorm room at the University of Texas–Austin, where he launched his personal computer company as a college freshman. When he visited, the room was occupied by freshmen Russell Smith (left) and Jacob Frith, both from Plano, Texas.

labor and other resources. He hired three people and worked with them around a table to assemble his PCs.

Thus to achieve his goal of making and selling low-price PCs, Dell had to plan, and as his organization grew, his plans changed and became progressively more complex. After setbacks during the 2000s that saw HP, Apple, and a new Taiwanese company, Acer, achieve competitive advantage over Dell in performance, styling, or pricing, Dell and his managers actively searched for new strategies to better compete against agile rivals and help the company regain its position as the highest-performing PC maker. In 2010 Dell was still locked in a major battle with its competitors, and its performance had not recovered despite attempts to introduce innovative new models of laptops and digital devices. Dell needed a new approach to planning to compete more effectively; and new strategies Dell has followed in the 2010s include more powerful customized lines of new laptops, and a major focus on providing computer hardware, software, and consulting geared to the need of corporate customers.

strategy A cluster of decisions about what goals to pursue, what actions to take, and how to use resources to achieve goals.

As the battle between Dell, HP, Acer, and Apple suggests, the outcome of planning is a **strategy**, a cluster of decisions concerning what organizational goals to pursue, what actions to take, and how to use resources to achieve these goals. The decisions that were the outcome of Michael Dell's original planning formed a *low-cost strategy*. A low-cost strategy is a way of obtaining customers by making decisions that allow an organization to produce goods or services more cheaply than its competitors so it can charge lower prices than they do. Throughout its history, Dell has continuously refined this strategy and explored new ways to reduce costs. Dell became the most profitable PC maker as a result of its low-cost strategy, but when HP and Acer also lowered their costs, it lost its competitive advantage and its profits fell. By contrast, since its founding Apple's strategy has been to deliver to customers new, exciting, and unique computer and digital products, such as its iPods, iPhones, and its new iPads—a strategy known as *differentiation*.[12] Although this strategy almost ruined Apple in the 1990s when customers bought inexpensive Dell PCs rather its premium-priced PCs, today Apple's sales have boomed as customers turn to its unique PCs and digital products. To fight back, Dell has been forced to offer more exciting, stylish products—hence its decision to introduce powerful customized PCs.

Planning strategy is complex and difficult, especially because planning is done under uncertainty when the result is unknown so that either success or failure is a possible outcome of the planning process. Managers take major risks when they commit organizational resources to pursue a particular strategy. Dell enjoyed great success in the past with its low-cost strategy; but presently Apple is performing spectacularly with its differentiation strategy and hurting competitors such as HP, Sony, Nokia, and Blackberry maker Research in Motion. In Chapter 8 we focus on the planning process and on the strategies organizations can select to respond to opportunities or threats in an industry. The story of the way Joe Coulombe, the founder of Trader Joe's, used his abilities to plan and make the right decisions to create the strategies necessary for his, and his new organization's success, is discussed in the following, "Manager as a Person" box.

Manager as a Person

Joe Coulombe Knows How to Make an Organization Work

Trader Joe's, an upscale specialty supermarket chain, was started in 1967 by Joe Coulombe, who owned a few convenience stores that were fighting an uphill battle against the growing 7-11 chain. 7-11 offered customers a wider selection of lower-priced products, and Coulombe had to find a new way to manage his small business if it was going to survive. As he began planning new strategies to help his small business grow,