TWELFTH EDITION

MANAGEMENT

RICKY W. GRIFFIN

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PART SIX The Controlling Process

Since the publication of its first edition in 1984, over two million students at hundreds of colleges and universities on five continents have used *Management* in preparation for their careers in business. In this twelfth edition, I have retained all the elements that have contributed to the book's success in the past while also taking a clear look toward the future—the future of business, of management, and of learning.

Writing a survey book poses a number of challenges. First, because it is a survey, it has to be comprehensive. Second, it has to be accurate and objective. Third, because management is a real activity, the book has to be relevant. Fourth, it has to be timely and up-to-date. And fifth, it must be as interesting and as engaging as possible. Feedback on previous editions of the text has always suggested that the book meets and exceeds these goals. In this edition, I think these goals have been met even more effectively.

I believe that current and previous users of *Management* will be pleased with how we have retained the essential ingredients of a comprehensive management textbook while adding a variety of new elements and perspectives. I also believe that those new to this edition will be drawn to the solid foundations of management theory and practice combined with new and exciting material.

Highlights and Improvements in the Twelfth Edition

The twelfth edition of *Management* is a substantial revision of the earlier work. Rather than simply adding the "hot topics" of the moment, I continue to thoroughly revise this book with the long-term view in mind. There are significant revisions of all chapters; an increased emphasis on the service sector, ethics, global management, and information technology; and an integrated organization of chapters. The book has also been streamlined to an economical 20 chapters while maintaining its comprehensive coverage. These changes reflect what I believe, and what reviewers and employers have confirmed, students will need to know as they enter a brand new world of management. In addition, several integrated pedagogical features such as "Manager's Checklist" will also prove to be invaluable.

Revisions in the Twelfth Edition

While the twelfth edition represents a comprehensive revision of the previous edition, there are also a number of specific changes that have been made. These include:

1. The text has been revised in many places to reflect on and discuss the uncertain fluctuations in the global economy and how those fluctuations affect managers.
2. The text also covers the continued unrest in the Middle East and its implications for business.
3. All data and statistics related to small business, international business, unionization, executive compensation, and other areas of business have been updated to the most current information available.

4. All of the chapter opening cases ("Management in Action") are new.
5. All of the chapter closing cases ("Management at Work") are new.
6. The twelfth edition includes a total of 40 all-new boxed features (two per chapter).
7. There are over 150 new examples in the twelfth edition. In addition, those examples retained from the previous edition have all been checked for currency and continued applicability.
8. The latest research on international business, entrepreneurship, strategic management, decision making, organization design, organization change, individual behavior, leadership, teams, motivation, control, information technology, productivity, and quality management has been cited and integrated throughout the text.
9. All supplements have been updated to match these text changes, including the *CourseMate* website.

Integrated Coverage

Many textbooks set certain material off from the rest of the text in a separate section at the end of the book or a website called "Emerging Trends," "Special Challenges," or something similar. New and emerging topics, and other material that doesn't easily fit anywhere else, are covered in such a section. Unfortunately, by setting those topics apart in this way, the material often gets ignored or receives low-priority treatment.

But I decided several editions back that if this material was really worth having in the book at all, it needed to be fully merged with the core material. Thus, all material—both traditional and contemporary—is integrated throughout the text in order to provide more uniform and cohesive coverage of the entire field of management. This framework also helps to streamline the book's overall organization into six logical and symmetrical parts. Because reviewers and students have responded so favorably to this approach, it has been retained in the twelfth edition. Furthermore, cross-referencing strengthens the integrated coverage throughout the text.

Logical Chapter Organization

This integrated approach to management also results in a logical and very effective chapter organization. Part 1 introduces the field of management, while Part 2 focuses on the environment of management. The remaining four parts cover the basic managerial functions of planning and decision making, organizing, leading, and controlling.

Features of the Book

Basic Themes

Several key themes are prominent in this edition of *Management*. One critical theme is the ethical scrutiny under which managers work today. While the book has always included substantial coverage of ethics and social responsibility, even more attention has been devoted this time to topics such as corporate governance, ethical leadership, and the proper role of auditing. Another continuing theme is the global character of the field of management, which is reinforced throughout the book by examples and cases. A third key theme, digital technology, is integrated throughout the book. Still another theme is the balance of theory and practice: Managers need to have a sound basis for their decisions, but the theories that provide that basis must be grounded in reality. Throughout the book I explain the theoretical frameworks that guide managerial activities and provide illustrations and examples of how and when those theories do and do not work. A fifth theme is that management is a generic

activity not confined to large businesses. I use examples and discuss management in both small and large businesses as well as in not-for-profit organizations.

A Pedagogical System That Works

The pedagogical elements built into *Management*, Twelfth Edition, continue to be effective learning and teaching aids for students and instructors.

- Learning outcomes preview key themes at the start of every chapter. Key terms and concepts are highlighted in color and defined in the margin near where they are discussed. Effective figures, tables, and photographs with their own detailed captions help bring the material to life.

- A new feature in this edition is "Manager's Checklist." Each major section in every chapter concludes with one to four bullet points that succinctly summarize the major take-aways from that section. These are designed to capture the essential points from that section that are most relevant to current and future managers.

- Three kinds of questions at the end of every chapter are designed to test different levels of student understanding. "Questions for Review" ask students to recall specific information, "Questions for Analysis" ask students to integrate and synthesize material, and "Questions for Application" ask students to apply what they've learned to their own experiences.

- Each chapter also includes useful skill-development exercises. These exercises give students insight into how they approach various management situations and how they can work to improve their management skills in the future. The exercises are derived from the overall managerial skills framework developed in Chapter 1. For this edition, many of the exercises were replaced or substantially revised.

- Finally, and also new to this edition, each chapter also includes a Skill-Building Personal Assessment. These self-assessments give students insights into their individual strengths, weaknesses, and perspectives that are relevant to them as current or future managers.

Applications That Keep Students Engaged

To fully appreciate the role and scope of management in contemporary society, it is important to see examples and illustrations of how concepts work in the real world. I rely heavily on fully researched examples to illustrate real-world applications. They vary in length, and all were carefully reviewed for their timeliness. To give the broadest view possible, I include examples of both traditional management roles and nontraditional roles; profit-seeking businesses and nonprofits; large corporations and small businesses; manufacturers and services; and international and U.S. situations. Furthermore, in this edition I have developed a better balance of large and established businesses (such as Home Depot, Coca-Cola, Boeing, Intel, and General Electric) and new, emerging businesses (such as Google, Starbucks, Facebook, and Urban Outfitters).

Other applications include:

- Opening incidents at the beginning of every chapter. These vignettes, titled "Management in Action," draw the student into the chapter with a real-world scenario that introduces a particular management theme. Highlights include American Apparel, Harley Davidson in Africa, the *Hunger Games* movies, the Houston Astros baseball team, and many more.

- A companion end-of-chapter feature called "You Make the Call." This feature is tied back to the chapter-opening incident; it requires the student to play the role of a consultant,

a manager, or other stakeholder in the organization featured earlier. Students are asked to comment, critique, or make suggestions about how well the business is doing and/or what it needs to do differently.

- Call-out quotations. Spread throughout each chapter, these quotations provide real insights into how managers and other experts see the world of business as it relates to the topic at hand.

- Boxed features. Each chapter includes two boxed features. These boxes are intended to depart briefly from the flow of the chapter to highlight or extend especially interesting or emerging points and issues. There are five types of featured boxes represented throughout the text:

A World of Difference (the role of diversity in organizations)

Tech Watch: (the role and impact of technology in business)

Leading the Way (the role and importance of leadership in business)

Doing Business on Plant Earth (sustainability)

Beyond Traditional Business (management in nonbusiness organizations)

- End-of-chapter cases. Each chapter concludes with a detailed case study, called "Management at Work," written especially for the context of this book. These cases represent companies familiar to students, including Wells Fargo, Starbucks, Blackberry, Uber, Kodak, and many more.

Instructor Support Materials

- Instructor Companion Website: Instructors can find course support materials, including the Instructor's Resource Manual, Test Bank files, PowerPoint® slides, and DVD guide.

- On the Job DVD: "On the Job" videos provide behind-the-scenes insights into management concepts at work within actual small and large businesses. Corresponding support material can be found in the DVD guide.

- Cengage Learning Testing, powered by Cognero® Instant Access: Cengage Learning Testing powered by Cognero® is a flexible, online system that allows you to import, edit, and manipulate content from the text's test bank or elsewhere, including your own favorite test questions; create multiple test versions in an instant; and deliver tests from your LMS, your classroom, or wherever you want.

Student Support Materials

- MindTap® Management for Griffin's Management, Twelfth Edition, is the digital learning solution that helps instructors engage students and help them relate management concepts to their lives. Through interactive assignments students connect management concepts to real-world organizations and say how managers should perform in given situations. Finally, all activities are designed to teach students to problem-solve and think like management leaders. Through these activities and real-time course analytics, and an accessible reader, MindTap helps you turn cookie cutter into cutting edge, apathy into engagement, and memorizers into higher-level thinkers.

  Our adaptive learning solution provides customized questions, text, and video resources based on student proficiency. Priced to please students and administrators, this solution will help you develop the next generation of managers.

- The **learning path** is based on our **Engage**, **Connect**, **Perform**, and **Lead** model. Students are drawn into the material with self-assessments. Quizzes and homework assignments help students connect concepts with the real world, and higher-level homework assignments ask students to analyze and manage complex situations.

- **Self-assessments** engage students by helping them make personal connections to the content presented in the chapter.

- **Reading quizzes** assess students' basic comprehension of the reading material to help you gauge their level of engagement and understanding of the content.

- **Homework assignments** for each chapter are presented in our **Aplia** product. Question sets challenge students to think critically and begin to think like managers.

- **Concept videos** present short enrichment clips of information on topics students typically struggle with.

- **Video case activities** engage students by presenting everyday businesses facing managerial challenges, placing concepts in a real-world context and making for great points of discussion.

- **Experiential Exercises powered by YouSeeU** include role play and group projects challenge students to work in teams in our one-of-a-kind collaborative environment to solve real-world managerial problems, develop skills and begin to experience firsthand what it's like to work in management.

- **Branching activities** present challenging problems that cannot be solved with one specific correct answer. Students are presented with a series of decisions to be made based upon information they are given about a company and are scored according to the quality of their decisions.

- **Adaptive study centers** are provided at the unit level and the exam level to help students work toward mastery of course content. Material presented is customized to students' specific needs and serves up questions, feedback, remediation, and instructional content according to how they progress.

- **Writing Activities powered by Write Experience** offers students the opportunity to improve their writing and analytical skills without adding to your workload. Offered through an exclusive agreement with Vantage Learning, creator of the software used for GMAT essay grading, Write Experience evaluates students' answers to a select set of assignments for writing for voice, style, format, and originality.

I would also like to 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 at *rgriffin@tamu.edu*.

Ricky W. Griffin

ACKNOWLEDGMENTS

I am often asked by my colleagues why I write textbooks, and my answer is always, "Because I enjoy it." I've never enjoyed writing a book more than this one. For me, writing a textbook is a challenging and stimulating activity that brings with it a variety of rewards. My greatest reward continues to be the feedback I get from students and instructors about how much they like this book.

I owe an enormous debt to many different people for helping me create *Management*. My colleagues at Texas A&M University have helped create a wonderful academic climate. The rich and varied culture at Texas A&M makes it a pleasure to go to the office every day.

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R.W.G.

For Glenda—a survivor, my inspiration, my best friend,
my island, my rock, and the center of my universe
RWG

MANAGING AND THE MANAGER'S JOB

Learning Outcomes

After studying this chapter, you should be able to:

1. Describe the nature of management, define management and managers, and characterize their importance to contemporary organizations.

2. Identify and briefly explain the four basic management functions in organizations.

3. Describe the kinds of managers found at different levels and in different areas of the organization.

4. Identify the basic managerial roles played by managers and the skills they need to be successful.

5. Discuss the science and the art of management, describe how people become managers, and summarize the scope of management in organizations.

6. Characterize the new workplace that is emerging in organizations today.

MANAGEMENT IN ACTION   How to Make Mistakes and Influence People

"No one wants to be handed a list from their manager of all the ways they'll inevitably fail."

—ELAINE WHERRY, CO-FOUNDER OF MEEBO

Although she has just a little over fourteen years of management experience under her belt, Elaine Wherry is confident that there's one thing she can teach people about the business of managing a business: MANAGERS MAKE MISTAKES.[1]

Mistakes, as Wherry is quick to point out, come with the territory, especially when the territory that you want to conquer is unfamiliar, whether the wide-open spaces of a brand-new company or the well-defended plot of higher ground occupied by upper-level management. "Everyone," she says, "has to go through the same rites of passage," but "you recover more quickly" when you admit and reflect upon your mistakes. Wherry's specialty is reflecting upon mistakes. In fact, she's made a second career out of reflecting publicly on her own.

In 2005, twenty-something Wherry, who entered Stanford University as a music major and emerged with a degree in symbolic systems, got together with two friends to start up Meebo, a social media platform designed to provide instant messaging to such major network services as Google, Yahoo! Messenger, and Facebook. Like many start-up creators, Wherry soon found herself taking on a variety of jobs, most of which she had to design, develop, and define as she went along. As she moved herself up the company ladder, from code writer to manager, to director, to VP of products and then chief experience officer, Wherry gained first-hand experience at making a broad range of the kinds of mistakes that upwardly mobile managers tend to make.

By 2012, she was on the *CBS Morning Show* explaining how and why she'd kept track of them in a diary in which she dutifully made entries for six years: "I was a typical first-time Silicon Valley entrepreneur," she admitted. "I had no significant managerial experience, and of course I made a ton of mistakes. And so I'd find myself awake at 2:00 or 3:00 a.m., agonizing over the mistakes that I'd made in the daytime. . . . I wanted

Meebo offers chat room services that companies can embed in their web pages. Elaine Wherry, co-founder of Meebo and shown here on the left, has a lot of practical advice for future managers.

Peter DaSilva/The New York Times/Redux

to be able to reflect on them later so I wouldn't beat myself up during the week. It was also a way to get more sleep."

The real value of Wherry's combination of sleep therapy and self-improvement became apparent when she started hiring and managing new employees: "I realized that, being in the unique role of a founder, I was changing hats every six months, and when I started hiring team members to fill my shoes, I saw them make the exact same mistakes that I did."

When Wherry tried to deal with the situation, the first thing she did was make a mistake. "At first, I tried giving new managers and directors my bulleted list. However, that was horribly ineffective. No one wants to be handed a list from their manager of all the ways they'll inevitably fail." After reflecting on her mistake, Wherry hit upon the idea of imparting her experience through stories: "I started focusing on telling stories and setting the scenes for these mistakes. I sketched the scenes of all of the mistakes and started weaving them into a story that showed the professional journey that everyone makes from her first day on the job as a fresh grad to leading the company as a C-level executive." Not surprisingly, Wherry found herself a suitable subject for many of her stories—"the first time I had to scrap a project I loved," for example, "or interviewing disaster stories."

In 2012, as Meebo was being sold to Google for a reported $100 million, Wherry left the company. The next year, she included a "100 Mistakes" feature in her blog at www.ewherry.com, adding whimsical little drawings to underscore the key points made by brief scenarios. "Most mistakes," she says, "happen from good intentions gone astray, lingering habits from previous roles, or not knowing your responsibilities."

So what's a good example of a noteworthy mistake? "Lunch-time conversations," suggests Wherry. "Maybe it's been a frustrating morning, you're surrounded by coworkers, and it's really tempting to say things like, 'I can't believe the company thinks it's going to hit this goal!' Managers don't realize how destructive those conversations really are. The underlying sentiment of a lot of those conversations is, 'Corporate management is clueless.'" The moral of the story? DON'T VENT IN PUBLIC PLACES, which is closely related to IT'S NOT A DEMOCRACY

AND YOU'RE NOT A PAL and DELEGATE AND HOLD YOUR TEAM RESPONSIBLE. For example, Wherry illustrates a relevant story about a new manager at a company like Meebo. Six drawings are accompanied by the following six captions:

1. *You're ready. Bring it on! You're going to do anything you can to get an A+ and change the world!*
2. *But what's this? Your codebase and design has hacks.*
3. *So you send an email to everyone in the company proposing a redesign that scales to billions of people.*

> **3:17 am**
> **To: All**
> **From: You**
>
> **It's come to my attention that we write hacky code.**
>
> **I don't know if that's because you're inept or just lazy.**
>
> **Here's my grand plan to make it perfect.**
>
> **—XOXO**

4. *But no one is participating. Your meetings feel like you're pulling teeth.*
5. *Meanwhile, as a manager, you've tried everything—promising go-karts, vacations, parties, beer. Why can't your team deliver?*
6. *Fine. You'll just have to dig in and do it yourself.**

Wherry has talked about turning "100 Mistakes" into a book, but she's currently busy giving presentations to management and entrepreneurship groups. To demonstrate what she means by telling stories, she relies on narrative as the format of her presentations. Each story consists of original cartoons, usually illustrating a frustrated manager's state of mind, and concludes with Wherry asking participants what mistakes they caught. She's now writing a graphic novel about leadership.

*What's the biggest mistake in this scenario? See *You Make the Call*, question 2 (p. 31).

Elaine Wherry is clearly a manager. So, too, are Phil Knight (chairman of Nike), Ursula Burns (CEO of Xerox), Osamu Kojima (chairman of Mitsubishi), Neil MacGregor (director of the British Museum), Richard Hayne (president and chairman of Urban Outfitters), Jerry Jones (owner and general manager Dallas Cowboys football team), Benedict XVI (pope of the Roman Catholic Church), and Fadi and Hege Kalaouze (co-presidents of Aggieland Outfitters in College Station, Texas). As diverse as they and their organizations are, all of these managers are confronted by many of the same challenges, strive to achieve many of the same goals, and apply many of the same concepts of effective management in their work.

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

This book is about managers and the work they do. In Chapter 1, we examine the general nature of management, its dimensions, and its challenges. We explain the concepts of management and managers, discuss the management process, present an overview of the book, and identify various kinds of managers. We describe the different roles and skills of managers, discuss the nature of managerial work, and examine the scope of management in contemporary organizations. In Chapter 2, we describe how both the practice and the theory of management have evolved. As a unit, then, these first two chapters provide an introduction to the field by introducing both contemporary and historical perspectives on management.

An Introduction to Management

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

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

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

Workers negotiate the transport of a company's physical resources. They are moving drilling equipment to another site in order to maximize profits for the entire company.

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TABLE 1.1 EXAMPLES OF RESOURCES USED BY ORGANIZATIONS

All organizations, regardless of whether they are large or small, profit-seeking or not-for-profit, domestic or multinational, use some combination of human, financial, physical, and information resources to achieve their goals. These resources are generally obtained from the organization's environment.

Organization	Human Resources	Financial Resources	Physical Resources	Information Resources
Royal Dutch/ Shell Group	Drilling platform workers Corporate executives	Profits Stockholder investments	Refineries Office buildings	Sales forecasts OPEC proclamations
Michigan State University	Faculty Administrative staff	Alumni contributions Government grants	Computers Campus facilities	Research reports Government publications
New York City	Police officers Municipal employees	Tax revenue Government grants	Sanitation equipment Municipal buildings	Economic forecasts Crime statistics
Susan's Corner Grocery Store	Grocery clerks Bookkeeper	Profits Owner investment	Building Display shelving	Price lists from suppliers Newspaper ads for competitors

revenues), existing police stations, and detailed crime statistics to launch a major crime prevention program in the city.

How do these and other managers combine and coordinate the various kinds of resources? They do so by carrying out four basic managerial functions or activities: planning and decision making, organizing, leading, and controlling. **Management**, then, as illustrated in Figure 1.1, can be defined as a set of activities (including planning and decision making, organizing, leading, and controlling) directed at an organization's resources (human, financial, physical, and information), with the aim of achieving organizational goals in an efficient and effective manner.

The last phrase in our definition is especially important because it highlights the basic purpose of management—to ensure that an organization's goals are achieved in an efficient and effective manner. By **efficient**, we mean using resources wisely and in a cost-effective way. For example, a firm like Toyota Motor Corporation, which produces high-quality products at relatively low costs, is efficient. By **effective**, we mean making the right decisions and successfully implementing them. Toyota also makes cars with the styling and quality to inspire consumer interest and confidence. A firm could very efficiently produce portable CD players but still not succeed because the market for such devices has largely been supplanted by digital music storage and playbacks such as smartphones. A firm that produces products that no one wants is therefore not effective. In general, successful organizations are both efficient and effective.[2]

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

efficient
Using resources wisely and in a cost-effective way

effective
Making the right decisions and successfully implementing them

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To be effective businesses must produce products that consumers are willing to buy. A company could very efficiently produce portable cassette tape players like this one but will not be successful.

With this basic understanding of management, defining the term *manager* becomes relatively simple: A **manager** is someone whose primary responsibility is to carry out the management process. In particular, a manager is someone who plans and makes decisions, organizes, leads, and controls human, financial, physical, and information resources. Today's managers face a variety of interesting and challenging situations. The average executive works over 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, and Internet-related uncertainties. The job is complicated even more by rapid changes (such as the recession of 2008–2010 and the recovery that began in 2013), unexpected disruptions (including web hacks), and both minor and major crises (such as the Ebola scare in 2014 and terrorists attacks in 2015). 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]

> "Not only can you not plan the impact you're going to have, you often won't recognize it even while you're having it."
>
> —RICHARD COSTOLO, TWITTER CEO[4]

manager
Someone whose primary responsibility is to carry out the management process

Many of the characteristics that contribute to the complexity and uncertainty of management stem from the environment in which organizations function. For example, as shown in Figure 1.1, the resources used by organizations to create products and services all come from the environment. Thus it is critical that managers understand this environment. Part 2 of the text discusses the environmental context of management in detail. Chapter 3 provides a general overview and discussion of the organization's environment from a variety of perspectives. Chapter 4 focuses specifically on the ethical and social environment of management, and Chapter 5 explores the global environment of management. After reading these chapters, you will be better prepared to study the essential activities that comprise the management process.

FIGURE 1.1 MANAGEMENT IN ORGANIZATIONS

Basic managerial activities include planning and decision making, organizing, leading, and controlling. Managers engage in these activities to combine human, financial, physical, and information resources efficiently and effectively and to work toward achieving the goals of the organization.

Inputs from the environment
- Human resources
- Financial resources
- Physical resources
- Information resources

Planning and decision making → Organizing → Leading → Controlling → Planning and decision making

Goals attained
- Efficiently
- Effectively
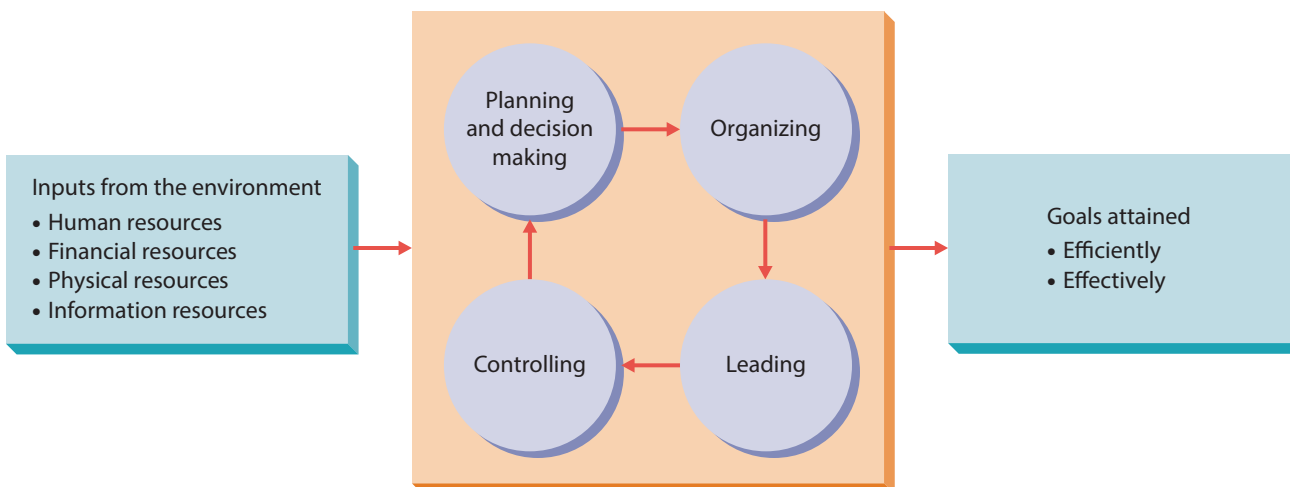
The Management Process (What do Managers do?)

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

Consider the management process at Google. Sergey Brin and Larry Page, Google's founders and top managers, must first create goals and plans that articulate what they want the company to become. Then they rely on effective organization to help make those goals and plans reality. Brin and Page also pay close attention to the people who work for the company. And they keep a close eye on how well the company is performing. Each of these activities represents one of the four basic managerial functions illustrated in the figure—setting goals is part of planning, setting up the organization is part of organizing, managing people is part of leading, and monitoring performance is part of controlling.

It is important to note, however, that the functions of management do not usually occur in a tidy, step-by-step fashion. Managers do not plan on Monday, make decisions on Tuesday, organize on Wednesday, lead on Thursday, and control on Friday. At any given time, for example, a manager is likely to be engaged in several different activities simultaneously. Indeed, from one setting to another, managerial tasks are as different as they are similar. The similarities that pervade most settings are the phases in the management process. Important differences include the emphasis, sequencing, and implications of each phase.[5] Thus the solid lines in Figure 1.2 indicate how, in theory, the functions

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).

Planning and Decision Making
Setting the organization's goals and deciding how best to achieve them

Organizing
Determining how best to group activities and resources

Controlling
Monitoring and correcting ongoing activities to facilitate goal attainment

Leading
Motivating members of the organization to work in the best interests of the organization

of management are performed. The dotted lines, however, represent the true reality of management. In the sections that follow, we explore each of these activities.

Planning and Decision Making: Determining Courses of Action

In its simplest form, **planning** means setting an organization's goals and 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 maintain managerial effectiveness by serving as guides for future activities. In other words, the organization's goals and plans clearly help managers know how to allocate their time and resources. When Alan Mulally took over the ailing Ford Motor Company in 2006, he walked into a business that had low cash reserves, an unpopular product line, a confusing strategy, and a culture that was so resistant to change that one insider said it was "calcified." His first agenda was to set performance goals for all of Ford's top executives and clarify the strategic direction that would guide Ford in the future. He also worked to ensure that decision making was transparent.[6] The four chapters making up Part 3 of this text are devoted to planning and decision making. Chapter 6 examines the basic elements of planning and decision making, including the role and importance of organizational goals. Chapter 7 looks at strategy and strategic planning, which provide overall direction and focus for the organization. Chapter 8 explores managerial decision making and problem solving in detail. Finally, Chapter 9 addresses planning and decision making as they relate to the management of new ventures and entrepreneurial activities, increasingly important parts of managerial work.

Organizing: Coordinating Activities and Resources

Once a manager has set goals and developed a workable plan, the next management function is to organize people and the other resources necessary to carry out the plan. Specifically, **organizing** involves determining how activities and resources are to be grouped. After Alan Mulally clarified Ford's strategy, he then overhauled the company's bureaucratic structure in order to facilitate coordination across divisions and promote faster decision making. Organizing is the subject of Part 4. Chapter 10 introduces the basic elements of organizing, such as job design, departmentalization, authority relationships, span of control, and line and staff roles. Chapter 11 explains how managers fit these elements and concepts together to form an overall organization design. Organization change and innovation are the focus of Chapter 12. Finally, processes associated with managing the organization's workforce so as to most effectively carry out organizational roles and perform tasks are described in Chapter 13.

Leading: Motivating and Managing People

The third basic managerial function is leading. Some people consider leading to be both the most important and the most challenging of all managerial activities. **Leading** is the set of processes used to get members of the organization to work together to further the interests of the organization. Alan Mulally took several steps to change the leadership culture that existed at Ford. During the previous regime the firm had used a directive, top-down approach to management. But Mulally decentralized many activities so as to put the responsibility for making decisions in the hands of those best qualified to make them. He also clarified channels of communication and revamped the incentive system used for senior managers. Finally, he set up a succession plan to ease the transition to the next CEO when he retired in 2014. Leading

> "We have good people. They just need a leader who can guide and inspire them."
>
> —BILL FORD, FORMER CEO OF FORD.[7]

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

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

involves a number of different processes and activities, which are discussed in Part 5. The starting point is understanding basic individual and interpersonal processes, which we focus on in Chapter 14. Motivating employees is discussed in Chapter 15, and leadership itself and the leader's efforts to influence others are covered in Chapter 16. Managing interpersonal relations and communication is the subject of Chapter 17. Finally, managing work groups and teams, another important part of leading, is addressed in Chapter 18.

Controlling: Monitoring and Evaluating Activities

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. A good analogy is that of a space mission to Mars. NASA does not simply shoot a rocket in the general direction of the planet and then look again in four months to see whether the rocket hit its mark. NASA monitors the spacecraft almost continuously and makes whatever course corrections are needed to keep it on track. Controlling similarly helps ensure the effectiveness and efficiency needed for successful management. For example, during a routine quality control inspection of a prototype of Boeing's new 787 Dreamliner aircraft, an inspector discovered that literally thousands of fasteners had been improperly installed. This finding required managers to push the completion schedule for the plane back several months[8] in order to locate and replace all of the questionable fasteners. If control had not worked properly, the subsequent impact could have been disastrous. At Ford, Alan Mulally installed a more rigorous financial reporting system so that he could better assess how various parts of the far-flung Ford empire were performing and get information he needed to make strategic decisions faster and easier than was the case when he first took over.

The control function is explored in Part 6. First, Chapter 19 explores the basic elements of the control process, including the increasing importance of strategic control. Managing operations, quality, and productivity is explored in Chapter 20.

☐ Managers use a mix of resources—human, financial, physical, and information—to promote efficiency and effectiveness.

☐ The management process involves a variety of functions. The primary management functions are planning and decision making, organizing, leading, and controlling.

☐ Remember, though, that as a manager your activities will typically not follow a predictable and logical sequence and that the resources you manage may vary in unexpected ways.

Manager's Checklist ✅

Kinds of Managers

Not all managers are the same, of course, nor is the work they perform. Among other things, we can classify managers according to their level in the organization and the area in which they work.

Managing at Different Levels of the Organization

Managers can be differentiated according to their level in the organization. Although large organizations typically have a number of levels of management, the most common view considers three basic levels: top, middle, and first-line managers, as shown in Figure 1.3.

controlling
Monitoring organizational progress toward goal attainment

levels of management
The differentiation of managers into three basic categories—top, middle, and first-line