

CHUCK WILLIAMS

EFFECTIVE MANAGEMENT

7th Edition



MAKING THINGS HAPPEN



ORGANIZING PEOPLE,
PROJECTS, & PROCESSES



chuck

LEADING



MEETING THE COMPETITION



EFFECTIVE MANAGEMENT



Seventh Edition

CHUCK WILLIAMS

Butler University



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Seventh Edition
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Brief Contents

1	Management	2
2	Organizational Environments and Culture	32
3	Ethics and Social Responsibility	62
4	Planning and Decision Making	98
5	Organizational Strategy	136
6	Innovation and Change	168
7	Global Management	198
8	Designing Adaptive Organizations	232
9	Managing Teams	268
10	Managing Human Resources	300
11	Motivation	342
12	Leadership	378
13	Communication	414
14	Control	446
15	Managing Information	474
16	Managing Service and Manufacturing Operations	496
	Glossary	524
	Name Index	538
	Subject Index	544



Contents

1 Management 2

What Would You Do? 2

1-1 Management Is . . . 3

1-2 Management Functions 5

1-2a Planning 5

1-2b Organizing 8

1-2c Leading 8

1-2d Controlling 8

1-3 Kinds of Managers 9

1-3a Top Managers 9

1-3b Middle Managers 11

1-3c First-Line Managers 11

1-3d Team Leaders 12

1-4 Managerial Roles 13

1-4a Interpersonal Roles 13

1-4b Informational Roles 14

1-4c Decisional Roles 14

1-5 What Companies Look for in Managers 16

1-6 Mistakes Managers Make 18

1-7 The Transition to Management:

The First Year 20

1-8 Competitive Advantage through People 22

Management Team Decision 25

Practice Being a Manager 26

Self-Assessment 26

Management Workplace 29

2 Organizational Environments and Culture 32

What Would You Do? 32

2-1 External Environments and Change 33

2-1a Environmental Change 34

2-1b Environmental Complexity 36

2-1c Resource Scarcity 36

2-1d Uncertainty 36

2-2 General Environment 37

2-2a Economy 39

2-2b Technological Component 39

2-2c Sociocultural Component 40

2-2d Political/Legal Component 40

2-3 Specific Environment 41

2-3a Customer Component 42

2-3b Competitor Component 42

2-3c Supplier Component 43

2-3d Industry Regulation Component 44

2-3e Advocacy Groups 44

2-4 Making Sense of Changing Environments 46

2-4a Environmental Scanning 46

2-4b Interpreting Environmental Factors 46

2-4c Acting on Threats and Opportunities 47

2-5 Internal Environments 48

2-5a Creation and Maintenance of Organizational Cultures 48

2-5b Successful Organizational Cultures 49

2-5c Changing Organizational Cultures 50

Management Team Decision 53

Practice Being a Manager 54

Self-Assessment 55

Management Workplace 58

3 Ethics and Social Responsibility 62

What Would You Do? 62

3-1 Ethics and the Nature of Management Jobs 63

3-2 U.S. Sentencing Commission Guidelines for Organizations 65

3-2a Who, What, and Why? 66

3-2b Determining the Punishment 66

3-3 Influences on Ethical Decision Making 69

3-3a Ethical Intensity of the Decision 70

3-3b Moral Development 71

3-4 Practical Steps to Ethical Decision Making 72

3-4a Selecting and Hiring Ethical Employees 73

3-4b Codes of Ethics 73

3-4c Ethics Training 73

3-4d Ethical Climate 74

3-5 To Whom Are Organizations Socially Responsible? 78

3-6 For What Are Organizations Socially Responsible? 81

3-7 Responses to Demands for Social Responsibility 84

3-8 Social Responsibility and Economic Performance 86

Management Team Decision 87

Practice Being a Manager 88

Self-Assessment 89

Management Workplace 93



4 Planning and Decision Making 98

What Would You Do? 98

4-1 Benefits and Pitfalls of Planning 99

4-1a Benefits of Planning 100

4-1b Pitfalls of Planning 100

4-2 How to Make a Plan That Works 101

4-2a Setting Goals 102

4-2b Developing Commitment to Goals 103

4-2c Developing Effective Action Plans 103

4-2d Tracking Progress 104

4-2e Maintaining Flexibility 104

4-3 Planning from Top to Bottom 106

4-3a Starting at the Top 107

4-3b Bending in the Middle 108

4-3c Finishing at the Bottom 109

4-4 Steps of and Limits to Rational Decision

Making 112

4-4a Define the Problem 113

4-4b Identify Decision Criteria 114

4-4c Weight the Criteria 114

4-4d Generate Alternative Courses
of Action 115

4-4e Evaluate Each Alternative 115

4-4f Compute the Optimal Decision 117

4-4g Limits to Rational Decision Making 117

4-5 Using Groups to Improve Decision Making 118

4-5a Advantages and Pitfalls of Group Decision
Making 119

4-5b Structured Conflict 120

4-5c Nominal Group Technique 121

4-5d Delphi Technique 122

4-5e Stepladder Technique 122

4-5f Electronic Brainstorming 125

Management Team Decision 127

Practice Being a Manager 127

Self-Assessment 128

Management Workplace 132

5 Organizational Strategy 136

What Would You Do? 136

5-1 Sustainable Competitive Advantage 137

5-2 Strategy-Making Process 140

5-2a Assessing the Need for Strategic
Change 140

5-2b Situational Analysis 142

5-2c Choosing Strategic Alternatives 144

5-3 Corporate-Level Strategies 147

5-3a Portfolio Strategy 147

5-3b Grand Strategies 151

5-4 Industry-Level Strategies 153

5-4a Five Industry Forces 153

5-4b Positioning Strategies 155

5-4c Adaptive Strategies 156

5-5 Firm-Level Strategies 157

5-5a Direct Competition 157

5-5b Strategic Moves of Direct Competition 159

Management Team Decision 161

Practice Being a Manager 162

Self-Assessment 162

Management Workplace 164

6 Innovation and Change 168

What Would You Do? 168

6-1 Organizational Innovation 169

6-1a Technology Cycles 170

6-1b Innovation Streams 172

6-2 Managing Innovation 175

6-2a Managing Sources of Innovation 176

6-2b Experiential Approach: Managing
Innovation during Discontinuous
Change 178

6-2c Compression Approach: Managing
Innovation during Incremental Change 180

6-3 Managing Organizational Change 182

6-3a Managing Resistance to Change 183

6-3b What *Not* to Do When Leading Change 185

6-3c Change Tools and Techniques 187

Management Team Decision 191

Practice Being a Manager 192

Self-Assessment 193

Management Workplace 195

7 Global Management 198

What Would You Do? 198

7-1 Global Business, Trade Rules, and Trade Agreements 199

7-1a The Impact of Global Business 200

7-1b Trade Barriers 202

7-1c Trade Agreements 204

7-1d Consumers, Trade Barriers,
and Trade Agreements 206



7-2 Consistency or Adaptation?	208	8-7 Interorganizational Processes	259
7-3 Forms for Global Business	209	8-7a Modular Organizations	259
7-3a Exporting	210	8-7b Virtual Organizations	260
7-3b Cooperative Contracts	210	Management Team Decision	262
7-3c Strategic Alliances	211	Practice Being a Manager	262
7-3d Wholly Owned Affiliates (Build or Buy)	212	Self-Assessment	263
7-3e Global New Ventures	212	Management Workplace	265
7-4 Finding the Best Business Climate	213	9 Managing Teams	268
7-4a Growing Markets	213	What Would You Do?	268
7-4b Choosing an Office/Manufacturing Location	214	9-1 The Good and Bad of Using Teams	269
7-4c Minimizing Political Risk	215	9-1a The Advantages of Teams	270
7-5 Becoming Aware of Cultural Differences	216	9-1b The Disadvantages of Teams	271
7-6 Preparing for an International Assignment	218	9-1c When to Use Teams	273
7-6a Language and Cross-Cultural Training	218	9-2 Kinds of Teams	275
7-6b Spouse, Family, and Dual-Career Issues	219	9-2a Autonomy, the Key Dimension	275
Management Team Decision	222	9-2b Special Kinds of Teams	277
Practice Being a Manager	222	9-3 Work Team Characteristics	279
Self-Assessment	223	9-3a Team Norms	279
Management Workplace	228	9-3b Team Cohesiveness	280
8 Designing Adaptive Organizations	232	9-3c Team Size	281
What Would You Do?	232	9-3d Team Conflict	282
8-1 Designing Organizational Structures	233	9-3e Stages of Team Development	283
8-2 Departmentalization	236	9-4 Enhancing Work Team Effectiveness	286
8-2a Functional Departmentalization	237	9-4a Setting Team Goals and Priorities	286
8-2b Product Departmentalization	238	9-4b Selecting People for Teamwork	287
8-2c Customer Departmentalization	239	9-4c Team Training	289
8-2d Geographic Departmentalization	239	9-4d Team Compensation and Recognition	290
8-2e Matrix Departmentalization	241	Management Team Decision	292
8-3 Organizational Authority	244	Practice Being a Manager	292
8-3a Chain of Command	244	Self-Assessment	293
8-3b Line Versus Staff Authority	244	Management Workplace	296
8-3c Delegation of Authority	245	10 Managing Human Resources	300
8-3d Degree of Centralization	246	What Would You Do?	300
8-4 Job Design	247	10-1 Employment Legislation	301
8-4a Job Specialization	248	10-1a Federal Employment Laws	302
8-4b Job Rotation, Enlargement, and Enrichment	248	10-1b Adverse Impact and Employment Discrimination	304
8-4c Job Characteristics Model	249	10-1c Sexual Harassment	305
8-5 Designing Organizational Processes	253	10-2 Recruiting	306
8-6 Intraorganizational Processes	254	10-2a Job Analysis and Recruiting	307
8-6a Reengineering	254	10-2b Internal Recruiting and External Recruiting	309
8-6b Empowerment	256		
8-6c Behavioral Informality	257		



10-3 Selection 310

- 10-3a Application Forms and Résumés 311
- 10-3b References and Background Checks 312
- 10-3c Selection Tests 313
- 10-3d Interviews 314

10-4 Training 318

- 10-4a Training Methods 318
- 10-4b Evaluating Training 320

10-5 Performance Appraisal 321

- 10-5a Accurately Measuring Job Performance 322
- 10-5b Sharing Performance Feedback 324

10-6 Compensation 325

- 10-6a Compensation Decisions 326
- 10-6b Employment Benefits 328

10-7 Employee Separations 329

- 10-7a Terminating Employees 329
- 10-7b Downsizing 330
- 10-7c Employee Turnover 331

Management Team Decision 332

Practice Being a Manager 333

Self-Assessment 335

Management Workplace 338

11 Motivation 342

What Would You Do? 342

11-1 Basics of Motivation 343

- 11-1a Effort and Performance 344
- 11-1b Need Satisfaction 345
- 11-1c Extrinsic and Intrinsic Rewards 347
- 11-1d Motivating with the Basics 349

11-2 Equity Theory 350

- 11-2a Components of Equity Theory 351
- 11-2b How People React to Perceived Inequity 352
- 11-2c Motivating with Equity Theory 354

11-3 Expectancy Theory 355

- 11-3a Components of Expectancy Theory 355
- 11-3b Motivating with Expectancy Theory 356

11-4 Reinforcement Theory 358

- 11-4a Components of Reinforcement Theory 359
- 11-4b Schedules for Delivering Reinforcement 361
- 11-4c Motivating with Reinforcement Theory 362

11-5 Goal-Setting Theory 365

- 11-5a Components of Goal-Setting Theory 365
- 11-5b Motivating with Goal-Setting Theory 366

11-6 Motivating with the Integrated Model 368

Management Team Decision 369

Practice Being a Manager 370

Self-Assessment 371

Management Workplace 374

12 Leadership 378

What Would You Do? 378

12-1 Leadership 379

- 12-1a Leaders Versus Managers 380

12-2 Who Leaders Are and What Leaders Do 381

- 12-2a Leadership Traits 382
- 12-2b Leadership Behaviors 383

12-3 Putting Leaders in the Right Situation: Fiedler's Contingency Theory 387

- 12-3a Leadership Style: Least Preferred Coworker 388
- 12-3b Situational Favorableness 389
- 12-3c Matching Leadership Styles to Situations 390

12-4 Adapting Leader Behavior: Path-Goal Theory 391

- 12-4a Leadership Styles 392
- 12-4b Subordinate and Environmental Contingencies 393
- 12-4c Outcomes 394

12-5 Adapting Leader Behavior: Hersey and Blanchard's Situational Leadership® Theory 395

- 12-5a Worker Readiness 396
- 12-5b Leadership Styles 396

12-6 Adapting Leader Behavior: Normative Decision Theory 397

- 12-6a Decision Styles 398
- 12-6b Decision Quality and Acceptance 399

12-7 Strategic Leadership and Visionary Leadership 402

- 12-7a Charismatic Leadership 403
- 12-7b Transformational Leadership 405

Management Team Decision 408

Practice Being a Manager 408

Self-Assessment 409

Management Workplace 411



13 Communication 414

What Would You Do? 414

13-1 Communication and Perception 415

- 13-1a Basic Perception Process 416
- 13-1b Perception Problems 417
- 13-1c Perception of Others 418
- 13-1d Self-Perception 419

13-2 Kinds of Communication 420

- 13-2a The Communication Process 420
- 13-2b Communication Channels 423
- 13-2c Coaching and Counseling: One-on-One Communication 425
- 13-2d Nonverbal Communication 425

13-3 Managing One-on-One Communication 427

- 13-3a Choosing the Right Communication Medium 427
- 13-3b Listening 428
- 13-3c Giving Feedback 430
- 13-3d Improving Cross-Cultural Communication 431

13-4 Managing Organization-Wide Communication 434

- 13-4a Improving Transmission: Getting the Message Out 435
- 13-4b Improving Reception: Hearing What Others Feel and Think 436

Management Team Decision 438

Practice Being a Manager 439

Self-Assessment 440

Management Workplace 442

14 Control 446

What Would You Do? 446

14-1 The Control Process 447

- 14-1a Standards 448
- 14-1b Comparison to Standards 449
- 14-1c Corrective Action 449
- 14-1d Dynamic, Cybernetic Process 449
- 14-1e Feedback, Concurrent, and Feedforward Control 450
- 14-1f Control Isn't Always Worthwhile or Possible 450

14-2 Control Methods 452

- 14-2a Bureaucratic Control 452
- 14-2b Objective Control 453

14-2c Normative Control 454

14-2d Concertive Control 455

14-2e Self-Control 455

14-3 What to Control? 457

14-3a The Balanced Scorecard 458

14-3b The Financial Perspective: Controlling Budgets, Cash Flows, and Economic Value Added 459

14-3c The Customer Perspective: Controlling Customer Defections 460

14-3d The Internal Perspective: Controlling Quality 462

14-3e The Innovation and Learning Perspective: Controlling Waste and Pollution 462

Management Team Decision 466

Practice Being a Manager 466

Self-Assessment 468

Management Workplace 471

15 Managing Information 474

What Would You Do? 474

15-1 Strategic Importance of Information 475

15-1a First-Mover Advantage 477

15-1b Sustaining Competitive Advantage 477

15-2 Capturing, Processing, and Protecting Information 479

15-2a Capturing Information 480

15-2b Processing Information 481

15-2c Protecting Information 483

15-3 Accessing and Sharing Information and Knowledge 486

15-3a Internal Access and Sharing 486

15-3b External Access and Sharing 487

15-3c Sharing Knowledge and Expertise 489

Management Team Decision 490

Practice Being a Manager 491

Self-Assessment 491

Management Workplace 493

16 Managing Service and Manufacturing Operations 496

What Would You Do? 496

16-1 Productivity 497

16-1a Why Productivity Matters 498

16-1b Kinds of Productivity 499



16-2 Quality 501

16-2a Quality-Related Characteristics for Products and Services 501

16-2b ISO 9000 and 14000 503

16-2c Baldrige National Quality Award 504

16-2d Total Quality Management 505

16-3 Service Operations 506

16-3a The Service–Profit Chain 507

16-3b Service Recovery and Empowerment 508

16-4 Manufacturing Operations 509

16-4a Amount of Processing in Manufacturing Operations 509

16-4b Types of Inventory 510

16-4c Measuring Inventory 512

16-4d Costs of Maintaining an Inventory 513

16-4e Managing Inventory 514

Management Team Decision 517

Practice Being a Manager 517

Self-Assessment 518

Management Workplace 521

Glossary 524

Name Index 538

Subject Index 544



Preface

Different Minds Learn in Different Ways

Everyone approaches learning differently. Some learn best by listening to lectures, whereas others learn best by reading and summarizing course material on their own. Others struggle unless concepts and ideas are visually illustrated in charts, models, or graphs, whereas others need firsthand experience to gain understanding. Of course, many of us learn best when we combine these approaches.

In most introductory courses with most introductory textbooks, however, student learning boils down to one approach: (1) read the textbook, (2) take class notes during the lecture, (3) participate in a bit of class discussion, (4) do a few assignments, and then (5) “cram” the night before each exam. Because nearly all introductory courses and nearly all introductory textbooks use this approach, students who adapt to this approach to learning tend to do well in all of their introductory courses. Yet, a surprisingly large percentage of college students struggle when using this “standard” approach. Consequently, many students work very hard in their introductory courses, but do not do very well. (Ask around. You’ll be surprised by the number of students who have much higher grades in upper-level courses.) If the seventh edition of *Effective Management* is viewed as just another “introductory textbook,” with just one approach to learning, think again. Instead of asking students to adapt their learning styles to one way of learning, *Effective Management* provides a variety of different learning tools to let students create and combine learning methods uniquely suited to the way in which they learn—and not the other way around. By integrating a unique organizing system in each chapter (see the following Chapter Outline, Learning Objectives and Numbering System, and Section Reviews sections) with an extensive multimedia learning package, we have put together a complete teaching and learning system designed to educate students with all kinds of learning needs in all types of classroom situations. The system is flexible enough to be used in traditional classes, in completely online classes, in combinations of those two, or in independent study. In short, the seventh edition of *Effective Management* taps into multiple technologies to teach management to students with all kinds of learning styles.

Using Your Book

With today’s busy schedules, very few students have the opportunity to read a chapter from beginning to end in one sitting. Because of their schedules and cognitive styles, today’s students take anywhere from two to five study sessions to read a chapter completely. Accordingly, a chapter outline and numbering system, learning objectives, and section reviews are used to break chapters into small, self-contained sections that can be studied separately over multiple study sessions.

Chapter Outline

Each chapter begins with a detailed chapter outline that breaks the chapter into numbered sections and subsections. For example, the outline for the first part of Chapter 4, Planning and Decision Making, looks like this:

Learning Objectives and Numbering System

The numbered information contained in the chapter outline is then repeated in the chapter as learning objectives (at the beginning of major parts of the chapter) and as numbered headings and subheadings (throughout the chapter) to help students remember precisely where they are in terms of the chapter outline.

■ 4-2 How to Make a Plan That Works

Planning is a double-edged sword. If done right, planning brings about tremendous increases in individual and organizational performance. If planning is done wrong, however, it can have just the opposite effect and harm individual and organizational performance.

After reading this section, you should be able to:

4-2 Describe how to make a plan that works.

There are several elements involved in making a plan that works. As depicted in Exhibit 4.1, planning consists of 4-2a setting goals, 4-2b developing commitment to the goals, 4-2c developing effective action plans, 4-2d tracking progress toward goal achievement, and 4-2e maintaining flexibility in planning.

4-2a Setting Goals

The first step in planning is to set goals. To direct behavior and increase effort, goals need to be specific and challenging.¹² For example, deciding to “increase sales this year” won’t direct and energize workers as much as deciding to “increase North American sales by 4 percent in the next six months.” Likewise, deciding to “drop a few pounds”

numbering system, learning objectives, section headings (which mark the beginning of a section), and section reviews (which mark the end of a section) allow students to break the chapter into small, self-contained sections that can be read in their entirety over multiple study sessions. This format not only makes it easier for busy students to effectively spread their studying across multiple days and times, but it also adapts textbook learning to evolving student-learning styles and preferences.

Finally, all student resources and instructor resources are organized by section and subsection so that students and instructors always know where they are and what they are reviewing.

Text Features

Engaging Style

Chuck’s compelling writing style conveys his passion for both management and teaching. The combination of theories and current stories helps students actually relate to how text topics play out in business settings.

What Would You Do?

Chapter-opening *WHAT WOULD YOU DO?* cases create an opportunity for students to confront the real issues that managers face before deciding on a course of action,

OUTLINE

What Would You Do?

- 4-1 Benefits and Pitfalls of Planning
 - 4-1a Benefits of Planning
 - 4-1b Pitfalls of Planning
- 4-2 How to Make a Plan That Works
 - 4-2a Setting Goals
 - 4-2b Developing Commitment to Goals
 - 4-2c Developing Effective Action Plans
 - 4-2d Tracking Progress
 - 4-2e Maintaining Flexibility
- 4-3 Planning from Top to Bottom
 - 4-3a Starting at the Top
 - 4-3b Bending in the Middle
 - 4-3c Finishing at the Bottom

Review 4-2 How to Make a Plan That Works

There are five steps to making a plan that works: (1) Set SMART goals, or goals that are specific, measurable, attainable, realistic, and timely. (2) Develop commitment to the goals from the people who contribute to goal achievement. Managers can increase workers’ goal commitment by encouraging worker participation in goal setting, making goals public, and getting top management to show support for workers’ goals. (3) Develop action plans for goal accomplishment. (4) Track progress toward goal achievement by setting both proximal and distal goals and by providing workers with regular performance feedback. (5) Maintain flexibility. Keeping options open through options-based planning and seeking continuous improvement through learning-based planning help organizations maintain flexibility as they plan.

handling a particular problem, or changing the direction of a company. Students are called upon to put themselves in the situation of the managers at companies like NetFlix, Caterpillar, Disney, American Express, Waste Management, and SAS.

What Really Works?

Some studies show that two drinks a day increase life expectancy by decreasing the chances of having a heart attack. Other studies show that two drinks a day decrease life expectancy. The results of both sets of studies are presented in very definitive terms, so the conflicting information confuses and frustrates ordinary people who just want to “eat right” and “live right.” Managers also have trouble figuring out what works, based on the scientific research published in scholarly business journals. But thankfully, a research tool called meta-analysis, which is a study of studies, is helping management scholars understand how well their research supports management theories. The *WHAT REALLY WORKS* features in *Effective Management*, seventh edition, present the results of various meta-analyses using an easy-to-understand statistic called the “probability of success.” Concrete study results presented in an accessible format give students the best estimate of what really works in the business world.

Doing the Right Thing

Because managers set the standard for others in the workplace, unethical behavior and practices quickly spread when they do not do the right thing. This seventh edition contains practical, useful advice to help students become more ethical managers or businesspersons by *DOING THE RIGHT THING*. A range of topics is explored throughout the book.

Management Facts and Trends

Management is happening every day in every company. One way to prepare for a career as a manager is by being aware of management trends today. To help students look forward to what might be happening in management tomorrow, there are short boxes titled *MANAGEMENT FACT* and *MANAGEMENT TREND* that give students a short, memorable insight into the direction in which management is headed.

Management Team Decision

From sports to school to work to civic involvement, working in teams is increasingly part of our experience. *MANAGEMENT TEAM DECISION* exercises have been designed to give students the opportunity to work as management teams to solve various workplace dilemmas.

Practice Being a Manager

These experiential exercises give students the opportunity to role-play management scenarios, discuss management dilemmas, and resolve management problems. Most are designed to be started and completed during the class session.

Self-Assessments

Self-assessments give students insights into their attitudes, beliefs, and tendencies that relate to management issues. Each PowerPoint chapter contains a special slide with an embedded spreadsheet to facilitate use of the assessments in the classroom using a simple show of hands. The slide automatically generates a distribution, which students enjoy seeing.

MindTap

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

New to this edition, the role-play activities give students opportunities to practice their managerial and communication skills in an online, real-time environment, while the group project activities encourage them to take a modern approach to applying key concepts using a digital collaborative workspace. By giving them opportunities to collaborate online, apply course concepts, and create solutions to realistic management problems, all of these learning activities are designed to enable students to ENGAGE, CONNECT, PERFORM, and LEAD. Students are empowered to THINK and ACT like managers, with demonstrable skills in critical thinking, analysis, and much more.

Augmenting the entire MindTap experience, robust diagnostic tools powered by Knewton provide students with feedback and personalized study plans based on actual assigned coursework rather than a separate set of quizzes. Using recommendations provided by Knewton, students can focus their efforts on the most important concepts they need to learn at that moment in time, as well as more effectively prepare for exams. Furthermore, Knewton gives instructors the ability to focus class time on the most relevant material and effectively assist struggling students. Using the MindTap Progress App, instructors can track student proficiency, which will allow them to quickly react to where students are in their learning and make the best use of class time. This creates even more opportunities to train students to “Think and Act Like Managers.” In short, the student-tested, faculty-approved resources included in the MindTap product will help every student make the most of *Effective Management*, seventh edition—no matter his or her learning style!

Instructor Resources

Instructor Companion Website

Key instructor ancillaries (Instructor Manual, Test Bank, and PowerPoint) are provided online. The Instructor Manual is organized in such a way as to allow instructors to get going quickly and to minimize the time needed to prepare a superior course. Suggested plans for covering the chapter using lecture, group work, and video are included, along with a brief chapter outline, and teaching tips and solutions for all chapter assignments. And to aid with lectures, a comprehensive set of PowerPoint slides has been created for each chapter. All of these resources are available on the Instructor Companion Website accessible at www.cengage.com.

Video

The “On the Job” videos are available within MindTap and on DVD and include highly engaging studies of real organizations applying the principles covered in the text. Companies profiled include Honest Tea, Stew Leonard's, and many more.

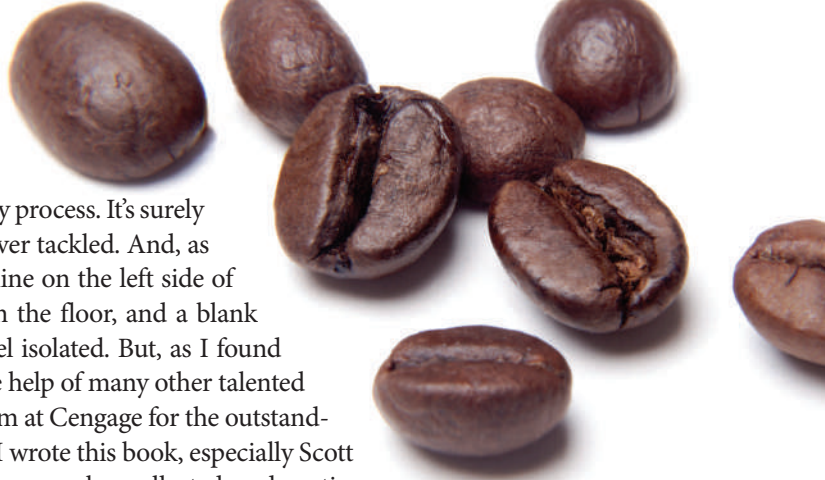
Cengage Learning Testing, Powered by Cognero

The test bank for *Effective Management*, seventh edition, consists of true/false, multiple-choice, scenario, short-answer, and essay questions that have been reviewed by management faculty. The test bank contains over 1,400 questions delivered within the Cognero platform and tagged using AACSB categories to help collect and manage the data required for accreditation.

Cengage Learning Testing Powered by Cognero is a flexible, online system that allows you to author, edit, and manage test bank content from multiple Cengage Learning solutions, create multiple test versions in an instant, and deliver tests from your LMS, your classroom, or wherever you want. The Cognero testing platform is accessible to registered instructors at www.cengage.com.

Acknowledgments

Let's face it: writing a textbook is a long and lonely process. It's surely the most difficult (and rewarding) project I've ever tackled. And, as I sat in front of my computer with a rough outline on the left side of my desk, a two-foot stack of journal articles on the floor, and a blank screen in front of me, it was easy at times to feel isolated. But, as I found out, a book like this doesn't get done without the help of many other talented people. First, I'd like to thank the world-class team at Cengage for the outstanding support (and patience) they provided while I wrote this book, especially Scott Person, senior product manager at Cengage, who was calm, collected, and continuously positive through the major ups and downs of this project. Authors are prone to complain about their publishers, but that hasn't been my experience at all. Pure and simple, everyone at Cengage has been great to work with throughout the entire project. However, special thanks goes to Jamie Gleich Bryant and her team at B-books, Ltd., who maintained the high-quality standards that were set when I began writing. Their enthusiasm, professionalism, commitment, and attention to detail made me a better writer, made this a better book, and made me appreciate my good fortune to work with such an outstanding talent. Thanks, B-books, and here's to many more editions. I'd also like to thank the outstanding set of reviewers whose diligent and thoughtful comments helped shape previous editions and whose rigorous feedback improved the seventh edition.



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About the Author

Chuck Williams is dean of the College of Business at Butler University. He received his BA in psychology from Valparaiso University, and specialized in the areas of organizational behavior, human resources, and strategic management while earning his MBA and PhD in business administration from Michigan State University. Previously, he taught at Michigan State University and was on the faculty of Oklahoma State University and Texas Christian University, where he also served as associate dean of the Neeley School of Business and chair of the Management Department. He was also dean of the Eberhardt School of Business at the University of the Pacific. His research interests include employee recruitment and turnover, performance appraisal, and employee training and goal-setting. Chuck has published research in the *Journal of Applied Psychology*, the *Academy of Management Journal*, *Human Resource*

Management Review, *Personnel Psychology*, and the *Organizational Research Methods Journal*. He was a member of the *Journal of Management's* editorial board, and serves as a reviewer for numerous other academic journals. He was also the webmaster for the Research Methods Division of the Academy of Management. Chuck is also a corecipient of the Society for Human Resource Management's Yoder-Heneman Research Award. Chuck has consulted for a number of organizations: General Motors, IBM, JCPenney, Tandy Corporation, Trism Trucking, Central Bank and Trust, Stuart-Bacon, the city of Fort Worth, the American Cancer Society, and others. He has taught in executive development programs at Oklahoma State University, the University of Oklahoma, Texas Christian University, and the University of the Pacific. Chuck teaches a number of different courses, but has been privileged to teach his favorite course, Introduction to Management, for nearly 25 years. His teaching philosophy is based on four principles: (1) courses should be engaging and interesting; (2) there is nothing as practical as a good theory; (3) students learn by doing; and (4) students learn when they are challenged. Chuck has won teaching awards at several universities at the department, business school, and university levels.

EFFECTIVE MANAGEMENT



1 MANAGEMENT

OUTLINE

What Would You Do?

- 1-1 Management Is . . .
- 1-2 Management Functions
 - 1-2a Planning
 - 1-2b Organizing
 - 1-2c Leading
 - 1-2d Controlling
- 1-3 Kinds of Managers
 - 1-3a Top Managers
 - 1-3b Middle Managers
 - 1-3c First-Line Managers
 - 1-3d Team Leaders
- 1-4 Managerial Roles
 - 1-4a Interpersonal Roles
 - 1-4b Informational Roles
 - 1-4c Decisional Roles
- 1-5 What Companies Look for in Managers
- 1-6 Mistakes Managers Make
- 1-7 The Transition to Management: The First Year
- 1-8 Competitive Advantage through People

Management Team Decision

Practice Being a Manager

Self-Assessment

Management Workplace

What Would You Do?



Jin Lee/Bloomberg/Getty Images

Netflix Headquarters, Los Gatos, California¹

CEO Reed Hastings started Netflix in 1997 after becoming angry about paying Blockbuster Video \$40 for a late return of *Apollo 13*. Hastings and Netflix struck back with flat monthly fees for unlimited DVD rentals, easy home delivery and returns via prepaid postage envelopes, and no late fees, which let customers keep DVDs as long as they wanted. Blockbuster, which earned up to \$800 million annually from late returns, was slow to respond and lost customers in droves.

When Blockbuster, Amazon, and Walmart started their own mail-delivery video rentals, Hastings recognized that Netflix was in competition with “the biggest rental company, the biggest e-commerce company, and the biggest company, period.” But with an average subscriber cost of just \$4 a month compared to an average subscriber fee of \$15, Netflix, unlike its competitors, made money from each customer. Three years later, Walmart abandoned the business, asking Netflix to handle DVD rentals on Walmart.com. Amazon entered the DVD rental business in Great Britain, expecting that experience to prepare it to beat Netflix in the United States. But,

like Walmart, Amazon quit after four years of losses. Finally, 13 years after Netflix's founding, Blockbuster declared bankruptcy. With DVDs mailed to 17 million monthly subscribers from 50 distribution centers nationwide, Netflix is now the industry leader in DVD rentals.

However, its expertise in shipping and distributing DVDs won't provide a competitive advantage when streaming files over the Internet. Indeed, Netflix's streaming video service is in competition with Amazon's Video on Demand, Apple's iTunes, Hulu Plus, and others. Moreover, unlike DVDs, which can be rented without studio approval, U.S. copyright laws require streaming rights to be purchased from TV and movie studios before downloading content into people's homes. And that creates two new issues. First, does Netflix have deep enough pockets to outbid its rivals for broad access to the studios' TV and movie content? Second, can it convince the studios that it is not a direct competitor so they will agree to license their content?

Netflix must also address the significant organizational challenges accompanying accelerated

growth. Hastings experienced the same problem in his first company, Pure Software, where he admitted, "Management was my biggest challenge; every year there were twice as many people and it was trial by fire. I was underprepared for the complexities and personalities." With blazing growth on one hand and the strategic challenge of obtaining studio content on the other, how much time should he and his executive team devote directly to hiring? Deciding where decisions will be made is a key part of the management function of organizing. So, should he and his executive team be directly involved, or is this something that he should delegate? Finally, what can Netflix, which is located near Silicon Valley, home to some of the most attractive employers in the world, provide in the way of pay, perks, and company culture that will attract, inspire, and motivate top talent to achieve organizational goals?

If you were in charge of Netflix, what would you do?

■ 1-1 Management Is . . .

The management issues facing Netflix are fundamental to any organization: What's our plan? What are top management's key responsibilities? How can we best position the company against key competitors? How can we get things done and put in place controls to make sure plans are followed and goals are met? Good management is basic to starting a business, growing a business, and maintaining a business once it has achieved some measure of success.

We begin this chapter by defining management and discussing the functions of management. Next, we look at what managers do by examining the four kinds of managers and reviewing the various roles that managers play. Then we investigate what it takes to be a manager by reviewing management skills, what companies look for in their managers, the most serious mistakes managers make, and what it is like to make the tough transition from being a worker to being a manager. We finish this chapter by examining the competitive advantage that companies gain from good management. In other words, we learn how to establish a competitive advantage through people.

To understand how important *good* management is, think about mistakes managers make. After Motrin failed quality-control tests, managers at McNeil Laboratories, a division of Johnson & Johnson, hired people to buy out all the bottles of Motrin they could find.² Is it any wonder that companies pay management consultants nearly \$250 billion a year for advice on basic management issues such as how to lead people effectively, organize the company efficiently, and manage large-scale projects and processes?³ This textbook will help you understand some of the basic issues that management consultants help companies resolve. (And it won't cost you billions of dollars.)

After reading this section, you should be able to:

1-1 Describe what management is.

Many of today's managers got their start welding on the factory floor, clearing dishes off tables, or wiping up a spill in aisle 3. Similarly, lots of you will start at the bottom and work your way up. There's no better way to get to know your competition, your customers, and your business. But whether you begin your career at the entry level or as a supervisor, your job as a manager is not to do the work, but to help others do theirs. **Management** is getting work done through others. Vineet Nayar, chief executive officer (CEO) of information technology (IT) services company *HCL TECHNOLOGIES*, doesn't see himself as the guy who has to do everything. Instead, he sees himself as "the guy who is obsessed with enabling employees to create value." Rather than coming up with solutions himself, Nayar creates opportunities for collaboration, peer review, and employee feedback on ideas and work processes. Says Nayar, "My job is to make sure everybody is enabled to do what they do well."⁴

Nayar's description of managerial responsibilities suggests that managers also have to be concerned with efficiency and effectiveness in the work process. **Efficiency** is getting work done with a minimum of effort, expense, or waste. UPS saves time (and money) by finding faster, more efficient ways to deliver packages, such as having its drivers walk at a quick 2.5 strides per second. Recently, it installed keyless systems in its trucks that allow drivers to start the engine and open the cargo hold with the quick touch of a button, saving about 6.5 minutes per day. David Abney, UPS's chief operating officer, concedes, "We're obsessive about efficiency."⁵

Efficiency alone, however, is not enough to ensure success. Managers must also strive for **effectiveness**, which is accomplishing tasks that help fulfill organizational objectives such as customer service and satisfaction. Home Depot improves its effectiveness by reducing checkout lane waiting time. All employees have "First phone" communication devices that function as price scanners, credit card readers, and receipt printers, and allow employees to check out customers anywhere in the store. Also, outfitted with new equipment and software, Home Depot's self-checkout lanes are 30 percent faster than before.⁶

management

getting work done through others

efficiency

getting work done with a minimum of effort, expense, or waste

effectiveness

accomplishing tasks that help fulfill organizational objectives

Review 1-1 Management Is . . .

Good management is working through others to accomplish tasks that help fulfill organizational objectives as efficiently as possible.

1-2 Management Functions

After reading this section, you should be able to:

1-2 Explain the four functions of management.

Henri Fayol, who was a managing director (CEO) of a large steel company in the early 1900s, was one of the founders of the field of management. Based on his 20 years of experience as a CEO, Fayol argued that “the success of an enterprise generally depends much more on the administrative ability of its leaders than on their technical ability.”⁷ A two-year study at Google, code-named Project Oxygen, found that the most important trait for a manager to have was “a clear vision and a strategy for the team.” In short, Google found that what Fayol observed, administrative ability, or management, is key to an organization’s success.

According to Fayol, managers need to perform five managerial functions to be successful: planning, organizing, coordinating, commanding, and controlling.⁸ Most management textbooks today have updated this list by dropping the coordinating function and referring to Fayol’s commanding function as “leading.” Fayol’s management functions are thus known today in an updated form as planning, organizing, leading, and controlling. Studies indicate that managers who perform these management functions well are more successful, gaining promotions for themselves and profits for their companies. For example, the more time CEOs spend planning, the more profitable their companies are.⁹ A 25-year study at AT&T found that employees with better planning and decision-making skills were more likely to be promoted into management jobs, to be successful as managers, and to be promoted into upper levels of management.¹⁰

The evidence is clear. Managers serve their companies well when they plan, organize, lead, and control. So we’ve organized this textbook based on these functions of management, as shown in Exhibit 1.1. The major sections within each chapter of this textbook correspond to learning outcomes and are numbered using a single digit: 1, 2, 3, and so on. The subsections are also consecutively numbered, beginning with the major section number. For example, “1-1” indicates the first learning outcome in Chapter 1, and 1-1a is the first major section for that learning outcome. This numbering system should help you easily see the relationships among topics and follow the topic sequence. It will also help your instructor refer to specific topics during class discussion.

Now let’s take a closer look at each of the management functions: **1-2a planning**, **1-2b organizing**, **1-2c leading**, and **1-2d controlling**.

1-2a Planning

Planning involves determining organizational goals and a means for achieving them. As you’ll learn in Chapter 4,

planning

determining organizational goals and a means for achieving them

Exhibit 1.1

Management Functions and Organization of the Textbook

- Chapter 1: Management
- Chapter 2: Organizational Environments and Cultures
- Chapter 3: Ethics and Social Responsibility
- Chapter 4: Planning and Decision Making
- Chapter 5: Organizational Strategy
- Chapter 6: Innovation and Change
- Chapter 7: Global Management
- Chapter 8: Designing Adaptive Organizations
- Chapter 9: Managing Teams
- Chapter 10: Managing Human Resource Systems
- Chapter 11: Motivation
- Chapter 12: Leadership
- Chapter 13: Managing Communication
- Chapter 14: Control
- Chapter 15: Managing Information
- Chapter 16: Managing Service and Manufacturing Operations

planning is one of the best ways to improve performance. It encourages people to work harder, work hard for extended periods, engage in behaviors directly related to goal accomplishment, and think of better ways to do their jobs. But most important, companies that plan have larger profits and faster growth than companies that don't plan.

For example, the question “What business are we in?” is at the heart of strategic planning. You'll learn about this in Chapter 5. If you can answer the question “What business are you in?” in two sentences or less, chances are you have a very clear plan for your business. But getting a clear plan is not so easy. This happened, for example, when Cisco Systems, which makes network routers and switches, spent \$34 billion to enter into the consumer products market with the Flip camera, Kiss Technology–networked DVD players, and the Umi video conferencing system. Longtime CEO John Chambers admitted that these moves were misguided, led Cisco away from its core business, and produced huge losses.¹¹

You'll learn more about planning in Chapter 4 on planning and decision making, Chapter 5 on organizational strategy, Chapter 6 on innovation and change, and Chapter 7 on global management.

meta-analysis

a study of studies, a statistical approach that provides one of the best scientific estimates of how well management theories and practices work



what really works

Meta-Analysis

Some studies show that having two drinks a day increases life expectancy by decreasing the chances of having a heart attack. Yet other studies show that having two drinks a day shortens life expectancy. For years, we've “battered” our morning toast with margarine instead of butter because margarine was supposed to be better for our health. Now, however, new studies show that the trans-fatty acids in margarine may be just as bad for our arteries as butter. Confusing scientific results like these frustrate ordinary people who want to eat right and live right. They also make many people question just how useful most scientific research really is.

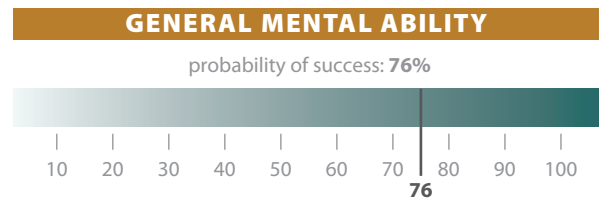
Managers also find themselves questioning the conflicting scientific research published in journals like the *Academy of Management Journal*, the *Academy of Management Review*, the *Strategic Management Journal*, the *Journal of Applied Psychology*, and *Administrative Science Quarterly*. The *Wall Street Journal* may quote a management research article from one of these journals that says that total quality management is the best thing since sliced bread (without butter or margarine). Then, just six months later, the *Wall Street Journal* will quote a different article from the same journal that says that total quality management doesn't work. If management professors and researchers have trouble deciding what works and what doesn't, how can practicing managers know?

Thankfully, a research tool called **meta-analysis** is helping management scholars understand how well their research supports management theories. It is also useful for practicing managers

because it shows what works and the conditions under which management techniques may work better or worse in the real world. Meta-analysis involves studying the scientific studies themselves. It is based on this simple idea: If one study shows that a management technique doesn't work and another study shows that it does, an average of those results is probably the best estimate of how well that management practice works (or doesn't work). For example, medical researchers Richard Peto and Rory Collins averaged all of the different results from several hundred studies investigating the relationship between aspirin and heart attacks. Their analysis, based on more than 120,000 patients from numerous studies, showed that aspirin lowered the incidence of heart attacks by an average of 4 percent. Prior to this study, doctors prescribed aspirin as a preventive measure for only 38 percent of heart-attack victims. Today, because of the meta-analysis results, doctors prescribe aspirin for 72 percent of heart-attack victims.

Fortunately, you don't need a PhD to understand the statistics reported in a meta-analysis. In fact, one primary advantage of meta-analysis over traditional significance tests is that you can convert meta-analysis statistics into intuitive numbers that anyone can easily understand. Each meta-analysis reported in the What *Really Works* sections of this textbook is accompanied by an easy-to-understand statistic called the "probability of success." As its name suggests, the probability of success shows how often a management technique will work.

For example, meta-analyses suggest that the best predictor of a job applicant's on-the-job performance is a test of general mental ability. In other words, smarter people tend to be better workers. The average correlation (one of those often misunderstood statistics) between scores on general mental-ability tests and job performance is 0.60. However, very few people understand what a correlation of 0.60 means. What most managers want to know is how often they will hire the right person if they choose job applicants based on general mental-ability test scores. Likewise, they want to know how much difference a cognitive-ability test makes when hiring new workers. The probability of success may be high, but if the difference isn't really that large, is it worth a manager's time to have job applicants take a general mental-ability test?



Well, our user-friendly statistics indicate that it's wise to have job applicants take a general mental-ability test. In fact, the probability of success, shown in graphical form here, is 76 percent. This means that an employee hired on the basis of a good score on a general mental-ability test stands a 76 percent chance of being a better performer than someone picked at random from the pool of all job applicants. So chances are you're going to be right much more often than wrong if you use a general mental-ability test to make hiring decisions.¹²

In summary, each What *Really Works* section in this textbook is based on meta-analysis research, which provides the best scientific evidence that management professors and researchers have about what works and what doesn't work in management. We will use the easy-to-understand index known as the "probability of success" to indicate how well a management idea or strategy is likely to work in the workplace. Of course, no idea or technique works every time and in every circumstance. Nevertheless, the management ideas and strategies discussed in the What *Really Works* sections can usually make a meaningful difference where you work. In today's competitive, fast-changing, global marketplace, few managers can afford to overlook proven management strategies like the ones discussed in What *Really Works*.

1-2b Organizing

Organizing is deciding where decisions will be made, who will do what jobs and tasks, and who will work for whom in the company. Lori Gobillot, vice president of integration, was charged with organizing the merger of Continental Airlines and United Airlines, which had totally different computer systems, dealt with different labor unions, and even had different ways of washing planes. The goal of her work was to decide how each of these processes would be merged, changed, or overhauled to produce a coherent and efficient company.¹³

You'll learn more about organizing in Chapter 8 on designing organizations, Chapter 9 on managing teams, and Chapter 10 on managing human resources.

1-2c Leading

Our third management function, **leading**, involves inspiring and motivating workers to work hard to achieve organizational goals. For Alan Mulally, CEO of *FORD MOTOR COMPANY*, a critical part of keeping his employees motivated is to "Communicate, communicate, communicate. Everyone has to know the plan, its status, and areas that need special attention." Accordingly, Mulally distributed a set of cards with Ford's mission on one side and the company's four most important goals on the other. Mulally's leadership brought Ford back from the brink of bankruptcy. In a series of timely maneuvers and shrewd business deals, Mulally kept Ford sufficiently capitalized as the world economy slowed, enabling the company to avoid bankruptcy or government bailouts and post healthy profits in 2009 and 2010, well ahead of Mulally's promise to make Ford profitable by 2011.¹⁴

You'll learn more about leading in Chapter 11 on motivation, Chapter 12 on leadership, and Chapter 13 on managing communication.

organizing

deciding where decisions will be made, who will do what jobs and tasks, and who will work for whom

leading

inspiring and motivating workers to work hard to achieve organizational goals

controlling

monitoring progress toward goal achievement and taking corrective action when needed



Doing the Right Thing

Making a Great Workplace

Yvon Chouinard, founder of outdoor clothing company Patagonia, says that the key to her company's success is making sure that employees feel physically and emotionally secure at work, and that they are given the freedom to be creative and solve problems. Patagonia has an extensive benefits policy that includes child care and flexible scheduling, so that employees don't have to worry about how personal issues might conflict with work. Although some might worry that these expenses hurt the company's bottom line, Chouinard views them as necessary costs for building a family atmosphere. So, as a manager, do the right thing and make sure to take care of the people you manage.¹⁵

1-2d Controlling

The last function of management, **controlling**, is monitoring progress toward goal achievement and taking corrective action when progress isn't being made. The basic control process involves setting standards to achieve goals, comparing actual performance to those standards, and then making changes to return performance to those standards. For Michael Corbat, CEO of Citigroup, managerial and company success are contingent on setting goals, measuring performance, and making adjustments and corrections as needed. To determine how well his executives were performing against their plans, Corbat created a scorecard to measure the company's 50 top executives

in four categories: capital, clients, culture, and controls. Scores ranging from 100 (the highest) to -40 (the lowest) will show how well each executive is performing.¹⁶

You'll learn more about the control function in Chapter 14 on control, Chapter 15 on managing information, and Chapter 16 on managing service and manufacturing operations.

Management Functions

Review 1-2

Henri Fayol's classic management functions are known today as planning, organizing, leading, and controlling. Planning is determining organizational goals and a means for achieving them. Organizing is deciding where decisions will be made, who will do what jobs and tasks, and who will work for whom. Leading is inspiring and motivating workers to work hard to achieve organizational goals. Controlling is monitoring progress toward goal achievement and taking corrective action when needed. Studies show that performing these management functions well leads to better managerial performance.

1-3 Kinds of Managers

Not all managerial jobs are the same. The demands and requirements placed on the CEO of Sony are significantly different from those placed on the manager of your local Wendy's restaurant.

After reading this section, you should be able to:

1-3 Describe different kinds of managers.

Just as not all managerial jobs are the same, not all managers are the same.

As shown in Exhibit 1.2, there are four kinds of managers, each with different jobs and responsibilities: **1-3a top managers**, **1-3b middle managers**, **1-3c first-line managers**, and **1-3d team leaders**.

1-3a Top Managers

Top managers hold positions like chief executive officer (CEO), chief operating officer (COO), chief financial officer (CFO), and chief information officer (CIO), and are responsible for the overall direction of the organization. Top managers have the following responsibilities:¹⁷ First, they are responsible for creating a context for change. In fact, Andrew Mason, the CEO of Groupon, was fired because he could not reverse a 77 percent decline in the company's stock price.¹⁸

Thirty-five percent of all CEOs are eventually fired because of their inability to successfully change their companies.¹⁹ Creating a context for change includes forming a long-range vision or mission for the company. As one CEO said, "The CEO has to think about the future more than anyone."²⁰

The second responsibility of top managers is to develop employees' commitment to and ownership of the company's performance. Once that vision or mission is set, the second responsibility of top managers is to develop employees' commitment to

top managers

executives responsible for the overall direction of the organization