

JONES | GEORGE | HADDAD

ESSENTIALS OF CONTEMPORARY MANAGEMENT



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F I F T H E D I T I O N

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**Essentials of Contemporary Management
Fifth Canadian Edition**

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Brief Contents

PART I **MANAGEMENT**

CHAPTER ONE
Managers and Managing 2

CHAPTER TWO
Managing the Organizational
Environment 41

Appendix A: History of Management Thought 80

PART II **PLANNING**

CHAPTER THREE
Managing Decision Making 88

CHAPTER FOUR
Managing Planning and Strategy 126

Appendix B: Developing a Business Plan 162

PART III **ORGANIZING**

CHAPTER FIVE
Managing Organizational Structure 176

CHAPTER SIX
Managing Communication and Information
Technology (IT) 217

CHAPTER SEVEN
Managing Human Resources 245

Appendix C: Career Development 291

PART IV **LEADING**

CHAPTER EIGHT
Managing Motivation 298

CHAPTER NINE
Managing Leadership 338

CHAPTER TEN
Managing Teams 373

PART V **CONTROLLING**

CHAPTER ELEVEN
Managing Control and Operations 416

CHAPTER TWELVE
Managing Change 448

Appendix D: Operations Management and
Competitive Advantage (ON CONNECT) AD-1

GLOSSARY GL-I

ENDNOTES EN-I

PHOTO CREDITS CR-I

INDEX IN-I (ON CONNECT)

CONTENTS

PART I

MANAGEMENT

CHAPTER ONE

Managers and Managing 2

OPENING CASE:

Management at Brick Brewing Co. Limited 2

Overview 3

What Is Management? 4

Achieving High Performance: A Manager's Goal 5

Why Study Management? 7

Managerial Tasks and Activities 8

Planning 9

Organizing 10

Leading 10

Controlling 11

Types and Levels of Managers 11

Levels of Management 12

The Impact of Values and Attitudes on Organizational Culture and Managerial Behaviour 14

Values: Terminal and Instrumental 15

Attitudes 16

Moods and Emotions 20

Organizational Culture 21

Focus On the Social Economy: *Goodwill Industries* 29

Managerial Skills and Roles 30

Managerial Skills 30

Managerial Roles 32

Tips for Managers: *Personal Development* 34

SUMMARY AND REVIEW 34

KEY TERMS 35

WRAP-UP TO OPENING CASE 36

MANAGEMENT IN ACTION 37

Topics for Discussion and Action 37

Self-Reflection Exercise 38

Small Group Breakout Exercise 38

Business Planning Exercise 38

Managing Ethically Exercise 38

Management Challenge Exercise 39

Management Portfolio Project 39

Video Management Case 39

MANAGEMENT CASE: SECRETS OF CANADA'S BEST BOSSES 40

CHAPTER TWO

Managing the Organizational Environment 41

OPENING CASE:

IKEA Is on Top of the Furniture World 41

Overview 43

What Is the Organizational Environment? 44

The External Organizational Environment 44

The Industry-Specific or Task Environment 46

The General Environment 49

The Global Environment 56

Declining Barriers to Trade and Investment 58

Declining Barriers of Distance and Culture 59

Effects of Free Trade on Managers 60

Focus On the Social Economy: *The Social Purchasing Portal, Winnipeg* 62

Managing the External Environment 62

Reducing the Impact of Environmental Forces 63

Managers as Agents of Change 63

Tips for Managers: *Managing the External Environment* 66

Challenges for Management in a Global Environment 66

Building a Competitive Advantage 67

Maintaining Ethical Standards 71

Utilizing New Information Systems and Technologies 71

SUMMARY AND REVIEW 71

KEY TERMS 73

WRAP-UP TO OPENING CASE 74

MANAGEMENT IN ACTION 75

Topics for Discussion and Action 75

Self-Reflection Exercise 76

Small Group Breakout Exercise 76

Business Planning Exercise 77

Managing Ethically Exercise 77

Management Challenge Exercise 77

Management Portfolio Project 77

Video Management Case 77

MANAGEMENT CASE: TURNAROUND AT SONY? 78

END OF PART I: CONTINUING CASE—CARROT TOPS: INTRODUCTION 79

Appendix A: History of Management Thought 80

- F.W. Taylor and Scientific Management 80
- Weber's Bureaucratic Theory 82
- The Work of Mary Parker Follett 83
- The Hawthorne Studies and Human Relations 84
- Theory X and Theory Y 85

PART II PLANNING

CHAPTER THREE Managing Decision Making 88

OPENING CASE:

- Good Decision Making at PUMA 88

Overview 90

The Nature of Managerial Decision Making 90

- Programmed and Nonprogrammed Decision Making 91

Two Models of Decision Making 93

- The Classical Model 93
- The Administrative Model 94

Steps in the Decision-Making Process 96

- Step 1: Recognize the Need for a Decision 96
- Step 2: Identify Decision Criteria 98
- Step 3: Generate Alternatives 98
- Step 4: Assess Alternatives 98
- Step 5: Choose an Alternative 100
- Step 6: Implement the Chosen Alternative 100
- Step 7: Evaluate and Learn from Feedback 101
- Tips for Managers:** *Managing the Decision-Making Process* 101

Biases in Decision Making 102

- Decision-Making Styles 104

Ethics, Social Responsibility, and Decision Making 105

- Ethics and Decision Making 106
- Making Ethical Decisions 106
- Codes of Ethics 108
- Societal Ethics 109
- Professional Ethics 109
- Individual Ethics 110
- Social Responsibility and Decision Making 111
- Decision Making for Sustainability 115
- Decision Making in Learning Organizations 116
- Focus On the Social Economy:** *Eva's Phoenix Print Shop* 117

SUMMARY AND REVIEW 119

KEY TERMS 119

WRAP-UP TO OPENING CASE 120

MANAGEMENT IN ACTION 122

- Topics for Discussion and Action 122
- Self-Reflection Exercise 122
- Small Group Breakout Exercise 123
- Business Planning Exercise 123
- Managing Ethically Exercise 123
- Management Challenge Exercise 124
- Management Portfolio Project 124
- Video Management Case 124

MANAGEMENT CASE: AN EVEN BETTER CHOICE? 124**CHAPTER FOUR****Managing Planning and Strategy 126****OPENING CASE:**

- Amazon: Taking Over the Online World 126**

Overview 128**Why Planning Is Important and Who Does It 128**

- Why Planning Is Important 129
- Levels of Planning and Types of Plans 130
- Tips for Managers: Planning 135**

Five Steps in the Planning Process 136

- Defining the Vision, Mission, and Goals 137

Analyzing the Environment 139

- SWOT Analysis 139
- The Five Forces Model 142
- Focus On the Social Economy: Prince George Native Friendship Centre 145**

Developing Strategy 145

- Corporate-Level Strategy 145
- Business-Level Strategy 146
- Functional-Level Strategy 149
- Gaining a Competitive Advantage 150

Implementing and Evaluating Strategy 151

- Strategy Implementation 151
- Evaluating Strategy 152

SUMMARY AND REVIEW 153**KEY TERMS 154****WRAP-UP TO OPENING CASE 155****MANAGEMENT IN ACTION 157**

- Topics for Discussion and Action 157
- Self-Reflection Exercise 157
- Small Group Breakout Exercise 157
- Business Planning Exercise 158
- Managing Ethically Exercise 158
- Management Challenge Exercise 158
- Management Portfolio Project 158
- Video Management Case 159

MANAGEMENT CASE: STIRRING UP CAMPBELL SOUP 159

END OF PART II: CONTINUING CASE—CARROT TOPS: BUILDING A COMPETITIVE ADVANTAGE 161

Appendix B: Developing a Business Plan 162

The Business Plan as an Exercise in the Processes of Management 162

What Is a Business Plan? 162

Putting It All Together 163

PART III ORGANIZING

CHAPTER FIVE Managing Organizational Structure 176

OPENING CASE:

Samsung Reorganizes for the 21st Century 176

Overview 178

Designing Organizational Structure 178

Grouping Tasks into Jobs: Job Design 181

Work Specialization 182

The Job Characteristics Model 183

Departmentalization 185

Simple Structure 185

Functional Structure 186

Tips for Managers: *Choosing a Divisional Structure* 188

Divisional Structures: Product, Geographic, and Market 189

Focus On the Social Economy: *Common Thread Co-operative* 191

Team-Based Organizational Structures 192

Hybrid Structures 194

B2B Network Structures 195

Allocating Authority and Decision-Making Responsibilities 198

Allocating Authority 198

Centralization and Decentralization of Decision Making 202

Linking and Coordinating Activities 203

Choosing a Formal or Flexible Overall Structure 205

Mechanistic Structures 206

Organic Structures 206

Factors Affecting Choice of Overall Organizational Structure 206

SUMMARY AND REVIEW 210

KEY TERMS 211

WRAP-UP TO OPENING CASE 212

MANAGEMENT IN ACTION 213

Topics for Discussion and Action 213

Self-Reflection Exercise 213

Small Group Breakout Exercise 213

Business Planning Exercise	214
Managing Ethically Exercise	214
Management Challenge Exercise	215
Management Portfolio Project	215
Video Management Case	215

MANAGEMENT CASE: LOBLAW ACQUIRES SHOPPERS DRUG MART	216
---	-----

CHAPTER SIX

Managing Communication and Information Technology (IT) 217

OPENING CASE:

Hootsuite Connects Business to Social Media	217
---	-----

Overview	218
----------	-----

The Importance of Communication in Organizations	219
--	-----

The Communication Process and Communication Styles	220
--	-----

The Communication Process	220
Communication Styles	222
Verbal and Nonverbal Communication	223
Developing Communication Skills	225
Communication Skills for Senders	226
Communication Skills for Receivers	228

Organizational Communication Networks and Channels	229
--	-----

Choosing a Communication Network and Channel	230
Face-to-Face Communication	231
Spoken Communication Electronically Transmitted	232
Personally Addressed Written Communication	233
Impersonal Written Communication	234

Advances in Information Technology	234
------------------------------------	-----

Tips for Managers: <i>Information Richness and Communication Media</i>	235
Software Developments	235
Focus On the Social Economy: <i>Framework</i>	236
Management Information Systems (MIS)	237
Limitations of Information Systems	237

Social Media	238
--------------	-----

SUMMARY AND REVIEW	239
--------------------	-----

KEY TERMS	240
-----------	-----

WRAP-UP TO OPENING CASE	241
-------------------------	-----

MANAGEMENT IN ACTION	241
----------------------	-----

Topics for Discussion and Action	241
Self-Reflection Exercise	242
Small Group Breakout Exercise	242
Business Planning Exercise	242
Managing Ethically Exercise	242

Contents

Management Challenge Exercise 243
Management Portfolio Project 243
Video Management Case 243

MANAGEMENT CASE: CANADIAN DRUG MAKER GOES SOCIAL TO HELP SUPPLY CHAIN CRISIS 243

CHAPTER SEVEN

Managing Human Resources 245

OPENING CASE:

Effectively Managing Human Resources at the Four Seasons 245

Overview 247

HRM Legislation and Managing Diversity 249

The Legal Framework of HRM in Canada 249

Managing Diversity 250

Diversity in Canada 251

Managing a Diverse Workforce 252

Strategic Human Resource Management 253

Human Resource Planning 254

Job Analysis 256

The Components of HRM 258

Recruitment and Selection 258

Focus On the Social Economy: *EMBERS (Eastside Movement for Business & Economic Renewal Society)* 259

Tips for Managers: *Recruitment and Selection* 266

Training and Development 267

Performance Appraisal and Feedback 270

Pay and Benefits 274

Employee Engagement 277

Harassment in the Workplace 280

Forms of Sexual Harassment 281

Steps Managers Can Take to Eradicate Workplace Harassment 283

SUMMARY AND REVIEW 283

KEY TERMS 284

WRAP-UP TO OPENING CASE 285

MANAGEMENT IN ACTION 286

Topics for Discussion and Action 286

Self-Reflection Exercise 287

Small Group Breakout Exercise 287

Business Planning Exercise 288

Managing Ethically Exercise 288

Management Challenge Exercise 288

Management Portfolio Project 288

Video Management Case 289

MANAGEMENT CASE: THE UNPAID INTERNSHIP DEBATE 289

END OF PART III: CONTINUING CASE—CARROT TOPS: STRUCTURE 290

Appendix C: Career Development 291

Types of Careers 291

Career Stages 293

Effective Career Management 295

PART IV**LEADING****CHAPTER EIGHT****Managing Motivation 298****OPENING CASE:**

Motivation at Enterprise Rent-A-Car 298

Overview 300

The Nature of Motivation 301

Need Theories of Motivation 304

Focus On the Social Economy: *Inspirations Studio, Toronto* 305

Maslow's Hierarchy of Needs 305

Herzberg's Motivator-Hygiene Theory 306

McClelland's Need for Achievement, Affiliation, and Power 308

Other Needs 309

Process Theories of Motivation 309

Expectancy Theory 309

Equity Theory 313

Goal-Setting Theory 317

Learning Theories 319

Positive Reinforcement 320

Negative Reinforcement 321

Extinction 322

Punishment 322

Social Learning Theory 323

Total Reward Strategy 325

Pay and Motivation 326

SUMMARY AND REVIEW 330**KEY TERMS 331****WRAP-UP TO OPENING CASE 332****MANAGEMENT IN ACTION 333**

Topics for Discussion and Action 333

Self-Reflection Exercise 334

Small Group Breakout Exercise 334

Business Planning Exercise 334

Managing Ethically Exercise 334

Management Challenge Exercise 335

Contents

Management Portfolio Project 335

Video Management Case 335

MANAGEMENT CASE: TRAINER TO THE STARS HARLEY PASTERNAK ON KEEPING PEOPLE MOTIVATED 336

CHAPTER NINE

Managing Leadership 338

OPENING CASE:

I-800-Got-Junk? Brian Scudamore's International Success 338

Overview 340

The Nature of Leadership 341

Leadership Style and Managerial Tasks 342

Focus On the Social Economy: *From Me to We Leadership* 343

Power: The Key to Leadership 343

Early Models of Leadership 345

The Trait Model 346

The Behavioural Model 346

Contingency Models of Leadership 348

Fiedler's Contingency Model 349

Hersey-Blanchard's Situational Leadership Theory 351

Path-Goal Theory 351

The Leader Substitutes Model 354

Tips for Managers: Applying Contingency Models of Leadership 355

Summary of Contingency Theories of Leadership 355

Visionary Models of Leadership 355

Transformational Leadership 356

Charismatic Leadership 358

Turnaround Leadership 359

Gender, Culture, Emotional Intelligence, and Leadership 360

Gender and Leadership 361

Leadership Styles across Cultures 363

Emotional Intelligence and Leadership 363

SUMMARY AND REVIEW 364

KEY TERMS 365

WRAP-UP TO OPENING CASE 366

MANAGEMENT IN ACTION 367

Topics for Discussion and Action 367

Self-Reflection Exercise 368

Small Group Breakout Exercise 368

Business Planning Exercise 368

Managing Ethically Exercise 369

Management Challenge Exercise 369

Management Portfolio Project 370

Video Management Case 370

MANAGEMENT CASE: INTERVIEW: DESJARDINS GROUP CEO MONIQUE LEROUX ON TAKING CO-OPS NATIONAL 370

CHAPTER TEN

Managing Teams 373

OPENING CASE:

Teams Benefit from Deviance and Conformity at IDEO 373

Overview 374

Groups, Teams, and Organizational Effectiveness 374

Groups and Teams as Performance Enhancers 376

Groups, Teams, and Responsiveness to Customers 376

Teams and Innovation 377

Groups and Teams as Motivators 378

Types of Groups and Teams 378

Group Dynamics 383

Group Size and Roles 383

Focus On the Social Economy: *Vibrant Communities Canada* 383

Group Leadership 385

Stages of Group Development 386

Group Norms 389

Group Cohesiveness 392

Group Decision Making 395

The Perils of Groupthink 395

Improving Group Decision Making 396

Promoting Group Creativity 397

Managing Groups and Teams for High Performance 398

Motivating Group Members to Achieve Organizational Goals 398

Reducing Social Loafing in Groups 399

Helping Groups to Manage Conflict Effectively 401

Sources of Organizational Conflict 402

Conflict Resolution Approaches 404

Tips for Managers: *Building Teams for High Performance* 406

SUMMARY AND REVIEW 406

KEY TERMS 407

WRAP-UP TO OPENING CASE 408

MANAGEMENT IN ACTION 409

Topics for Discussion and Action 409

Self-Reflection Exercise 410

Small Group Breakout Exercise 410

Business Planning Exercise 411

Managing Ethically Exercise 411

Management Challenge Exercise 411

Management Portfolio Project 411

Video Management Case 412

MANAGEMENT CASE: "NOBODY HAS A GOOD DAY IN SPACE IF THE TEAM HAS A BAD DAY" 412

END OF PART IV: CONTINUING CASE—CARROT TOPS: MOTIVATING HIGH PERFORMANCE 413

PART V **CONTROLLING**

CHAPTER ELEVEN **Managing Control and Operations 416**

OPENING CASE:

Will CEO Mary Barra's Customer Safety Strategy Work for General Motors? 416

Overview 418

What Is Organizational Control? 419

Steps in the Control Process 419

Control Systems and Operations Management 423

Feedforward Control 424

Concurrent Control 425

Feedback Control 425

Focus On the Social Economy: *Ten Thousand Villages: A History of Helping Artisans* 426

Output Control 426

Mechanisms to Monitor Output 427

Problems with Output Control 430

Behavioural Control 431

Corporate Governance and Control 432

Direct Supervision 433

Management by Objectives 434

Bureaucratic Rules and SOPs 434

Tips for Managers: *Control* 437

Clan Control 437

Control Mechanisms and Gaining a Competitive Advantage 438

How Culture Controls Managerial Action 439

Organizational Control and Building a Competitive Advantage 441

SUMMARY AND REVIEW 442

KEY TERMS 443

WRAP-UP TO OPENING CASE 443

MANAGEMENT IN ACTION 444

Topics for Discussion and Action 444

Self-Reflection Exercise 444

Small Group Breakout Exercise 445

Business Planning Exercise 445

Managing Ethically Exercise 445

Management Challenge Exercise 445

Management Portfolio Project 446

Video Management Case 446

MANAGEMENT CASE: 3M CANADA COMPANY FINED \$55,000 AFTER WORKER INJURED 446

CHAPTER TWELVE

Managing Change 448

OPENING CASE:

Can Sobeys Change Leaders Conquer Western Canada? 448

Overview 450

Organizational Change 451

Steps in Managing Organizational Change 453

Assessing the Need for Change 453

Deciding on the Change to Make 454

Introducing the Change 455

Evaluating the Change 455

Tips for Managers: *Introducing Change* 455

Models of Organizational Change 456

Organizational Change and Culture 460

Adaptive Cultures versus Inert Cultures 460

Innovation, Entrepreneurship, and Organizational Change 461

Focus On the Social Economy: *Vibrant Communities Canada: Cities Reducing Poverty* 463

Product Champions 464

Skunkworks 464

Rewarding Innovation 465

Managing Change in a Unionized Environment 465

SUMMARY AND REVIEW 467

KEY TERMS 468

WRAP-UP TO OPENING CASE 468

MANAGEMENT IN ACTION 469

Topics for Discussion and Action 469

Self-Reflection Exercise 470

Small Group Breakout Exercise 470

Business Planning Exercise 471

Managing Ethically Exercise 471

Management Challenge Exercise 471

Management Portfolio Project 472

Video Management Case 472

MANAGEMENT CASE: THE UBER BUSINESS MODEL: DRIVING DISRUPTION 472

END OF PART V: CONTINUING CASE—CARROT TOPS: CONTROLLING OPERATIONS 473

Appendix D: Operations Management and Competitive Advantage (ON CONNECT) AD-1

GLOSSARY GL-I

ENDNOTES EN-I

PHOTO CREDITS PC-I

INDEX IN-I (ON CONNECT)

Preface

A manager is a person who makes other people's work meaningful.

When groups of people come together to pursue a common goal, often to satisfy their collective needs, various activities must be structured so that resources can be gathered and used to achieve the goal. The person or people who are assigned the task of keeping the whole group working toward the goal, deciding on timing and strategy and maintaining the structure of activities and relationships, are those who engage in *management*. The activities of managing are critical to any complex cooperative endeavour. Management is both the art and science of arranging and utilizing the physical and human factors of production toward a socially desirable outcome without interfering in nature's ability to regenerate itself. This book provides you, the student, with an introduction to sustainable management processes. This fifth Canadian edition is designed around the four main sets of activities that managers engage in to achieve organizational goals: Planning, Organizing, Leading, and Controlling.

In **Part I: Management, Chapter 1: Managers and Managing**, we discuss who managers are, the types and levels of managers found in organizations, the managerial skills needed to perform their main responsibilities, and the roles they perform in planning, organizing, leading, and controlling. New to this edition, we introduce how organizational culture and norms and values affect managerial behaviour in this opening chapter, whereas previous editions have dealt with this topic later on in the chapter lineup.

Chapter 2: Managing the Organizational Environment sets the management process in the environmental context of operating enterprises in Canada and the global economy. The political, economic, socio-cultural, and technological contexts, as well as the immediate agents in the organization's external environment, such as suppliers, customers, distributors, and competitors, are analyzed for the threats and opportunities they present to managers trying to gain a sustainable competitive advantage. The awareness of differences in national cultures is important in being successful in the global economy, and creating shared value among shareholders and direct producers is the most important breakthrough in making progress toward a sustainable economy where all stakeholders' interests are highly valued.

Part II: Planning, Chapter 3: Managing Decision Making addresses the fundamental challenge facing managers to make ethical and sustainable decisions. Approaches to socially responsible decision making are addressed here. **Chapter 4, Managing Planning and Strategy**, tackles the process of planning organizational goals, formulating strategies, and finding the best ways to implement and evaluate the success of those goals and strategies. Two common techniques for analyzing the environmental context that is vital to strategy formulation for a competitive advantage, SWOT and Porter's Five Forces model, are examined.

In **Part III: Organizing**, we begin with **Chapter 5: Managing Organizational Structure**, where the elements of organizational design and structure are discussed. Students learn that ways of allocating authority and distributing control over decision making result in different organizational structures. The type of overall organizational structure depends on internal and external environmental factors, such as strategy, technology, human resources, and the degree of environmental change. **Chapter 6: Managing Communication and Information Technology** begins with examining the communication process, the types and strengths of communication channels, and the importance of changing technological impact on effective communication, including the most important elements of a social media strategy. **Chapter 7: Managing Human Resources** is focused on how managers can successfully recruit, select, develop, appraise, and compensate valued and diverse employees in the context of the Canadian legal and regulatory environment.

In **Part IV: Leading**, we first look at **Chapter 8: Managing Motivation**. Here we discuss the means by which managers can motivate good work effort and performance from employees. Several need and process theories are discussed, and the importance of a total rewards strategy utilizing both intrinsic and extrinsic factors is highlighted. In **Chapter 9: Managing Leadership**, the importance of effective leadership in managing organizational performance is analyzed. Trait, behaviour, and contingency theories are explored, and transformational and transactional leadership styles are compared. A new section on visionary leadership rounds out this discussion. **Chapter 10: Managing Teams** discusses the types of groups and teams found in contemporary organizations. Students will learn the elements of group dynamics, group decision-making techniques, and what managers can do to create high-performing teams and manage conflict in their organizations.

In **Part V: Controlling**, we start with **Chapter 11: Managing Control and Operations**, where we discuss how managers monitor and measure the use of resources to make sure processes and products are up to standards throughout the entire value chain. Corporate governance practices are examined in light of recent economic crises. The types of controls that managers use impact the success of the organization in achieving high performance and gaining a competitive advantage. And, finally, we conclude our discussion of control by examining theories of organizational change in **Chapter 12: Managing Change**. They say that the only constant is change itself, so understanding how to deal with it is an important skill for managers of organizations.

Continued in this edition is a **Focus on the Social Economy** box, which profiles a social enterprise that has both the function of creating economic value common to traditional for-profit businesses *and* creating social impact common to non-profit and charitable organizations. In each chapter, you will learn how a social enterprise applies business management processes to help people and solve social problems that were once only the responsibility of governments. Social entrepreneurs find innovative ways to deal with some of the fundamental concerns that the “business-as-usual” mentality has created, including a growing gap between rich and poor and environmental degradation. The awareness that if we continue to operate solely on a “business-as-usual” basis, where profit maximization is the only measurement of success, we will fail all of the stakeholders in any enterprise: employees, customers, partners, suppliers, investors, communities, and nature. We have to embrace innovative and sustainable ways to foster an economy that enables us to clothe, feed, and care for ourselves and others, and enjoy life without interfering with nature’s diversity or its ability to regenerate itself.

Also continued in the fifth edition is the running case, **Carrot Tops**. This case gives students the opportunity to apply all the theories and models examined in the text to the management challenges facing the owner/manager of a small business operating in a dynamic organizational environment, where all levels of managers face opportunities and threats.

New in this edition are the Appendices found after each major section. After *Part I: Management*, you will find *Appendix A: History of Management Thought*. After *Part II: Planning*, you will find *Appendix B: Developing a Business Plan*. *Appendix C: Career Development* is located after *Part III: Organizing*. The online *Appendix D: Operations Management and Competitive Advantage*, available on Connect, rounds out your introduction to the fundamentals of managing an organization successfully.

All of the material covered in *Essentials of Contemporary Management*, Fifth Canadian Edition, has a direct application to you as a student of organizational management as well as to any business or social enterprise you may own, manage, or work for in the future.

J. W. Haddad
November 2015

Guided Tour

Learning Tools Learning Outcomes have been highlighted at the beginning of each chapter, identified throughout the text, and discussed in the **Summary and Review**.

CHAPTER 4

Managing Planning and Strategy

LEARNING OUTCOMES

- L01 Describe why planning is important, and the levels of planning and types of plans.
- L02 Describe planning as a five-step process.
- L03 Explain how managers use planning techniques to evaluate the opportunities and threats in the organization's environment.
- L04 Differentiate among corporate-level, business-level, and functional-level strategies.
- L05 Describe how managers implement strategy and evaluate its success.

Opening Case

Amazon: Taking Over the Online World

The rapid pace at which the world is changing is forcing the managers of all kinds of companies to develop new strategies to protect their competitive advantage. If they don't, they will be overtaken by agile competitors that respond faster to changing customer needs. Nowhere is this truer than in the cut-throat mobile computing business.

Billionaire founder Jeff Bezos incorporated Amazon.com, Inc. in 1994 and opened its Internet store in July 1995 with the aim to provide "earth's biggest selection."⁴⁹ His strategy was to offer an unlimited selection of books and, where possible, to have them shipped directly from distributors to customers. The company grew to mammoth proportions, taking much of the book retailing business with it. Circuit City, Borders, and others succumbed to the competition and closed up shop, unable to match the variety of online goods and

is the job of managers at the corporate, business, and functional levels to formulate strategies to counter these threats so that an organization can respond to both its industry-specific and general environments, perform at a high level, and generate high returns and social impact. The Focus on the Social Economy feature illustrates how the Prince George Native Friendship Centre generates high social impact.

L04 Differentiate among corporate-level, business-level, and functional-level strategies.

STEP 3: DEVELOPING STRATEGY

Once the environmental forces are analyzed for opportunities and threats, decisions about how to best accomplish the organization's vision, mission, and goals can be made. These decisions translate into

Chapter 4

SUMMARY AND REVIEW

connect

L01 **An Overview of the Planning Process** Planning involves setting goals and finding the best strategy to achieve them. This is done by management at all three levels of the organization: top-level managers are responsible for long-term strategic planning and strategizing, middle-level for intermediate planning, and first-line for functional-level planning. Planning serves to give direction and purpose to the organization, it coordinates different functions and divisions, and it allows managers to control the use of resources. *Scenario or contingency planning* involves managers forecasting what may happen in the future and then gathering resources to meet these anticipated needs, opportunities, and threats. *Crisis management* occurs when unanticipated and unplanned contingencies arise.

L02 **Five Steps in the Planning Process**

1. Determining an organization's vision, mission, and goals
2. Analyzing the forces in the organizational environment

Definitions of Key Terms are highlighted in each chapter, and a list of these terms is provided at the end of each chapter and in the glossary at the end of the text.

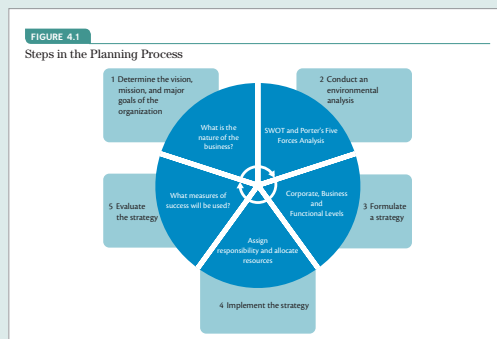
Strategy formulation includes analyzing an organization's current situation and then developing strategies to accomplish the organization's mission and achieve its goals.⁵¹ Strategy formulation begins with managers analyzing the factors within an organization and outside—in the industry-specific and general environments—that affect or may affect the organization's ability to meet its current and future goals. Several techniques can be used to analyze the organization's environment, including *SWOT analysis* and the *Five Forces model*. Once the environmental forces are analyzed for opportunities and threats, decisions about how to best accomplish the organization's vision, mission, and goals can be made. These decisions translate into strategies that managers pursue at the corporate, business, and functional levels.

strategy formulation Analysis of an organization's current situation followed by the development of strategies to accomplish the organization's mission and achieve its goals.

KEY TERMS

- business-level plan
- business-level strategy
- co-opetition
- corporate-level plan
- corporate-level strategy
- cost-leadership strategy
- crisis management plans
- differentiation strategy
- focused differentiation strategy

Figures and Tables are interspersed throughout the text to illustrate concepts and provide a visual framework for students.



Rich and Relevant Examples An important feature of our book is the way we use real-world examples and stories about managers and companies to drive home the applied lessons to students. Moreover, unlike boxed material in other books, we integrate more applied and fewer types of boxes seamlessly into the text; they are an integral part of the learning experience, and not tacked on or isolated from the text itself. This is central to our pedagogical approach.

Opening Case

Amazon: Taking Over the Online World

The rapid pace at which the world is changing is forcing the managers of all kinds of companies to develop new strategies to protect their competitive advantage. If they don't, they will be overtaken by agile competitors that respond faster to changing customer needs. Nowhere is this truer than in the cut-throat mobile computing business.

Billionaire founder Jeff Bezos incorporated Amazon.com, Inc. in 1994 and opened its Internet store in July 1995 with the aim to provide "earth's biggest selection." His strategy was to offer an unlimited selection of books and, where possible, to have them shipped directly from distributors to customers. The company grew to mammoth proportions, taking much of the book retailing business with it. Circuit City, Borders, and others succumbed to the competition and closed up shop, unable to match the variety of online goods and delivery service. Amazon launched an online TV and movie store in 2006, the Kindle e-book reader store in 2007, and the MP3 digital music store in 2008. Later, Amazon aimed its sights on Netflix with an instant video streaming service that's free for members. It also now offers customers an online auction service and sells just about everything, including furniture.

Wrap-Up to Opening Case

Amazon: Taking Over the Online World

The rapid pace at which the world is changing is forcing the managers of all kinds of companies to develop new strategies to protect their competitive advantage. If they don't, they will be overtaken by agile competitors that respond faster to changing customer needs. Nowhere is this truer than in the cut-throat mobile computing business in which Amazon competes. After having read and understood the concepts in this chapter you should now be able to answer the following questions:

1. What was the vision for Amazon.com and how has it changed?

ANSWER: Amazon.com began with the vision of offering the world's biggest selection of books over the Internet. Since 1995, the vision has expanded to include all kinds of products, not just books, for sale over the Internet. Amazon's vision is "to be earth's most customer centric company, to build a place where people can come to find and discover anything they might want to buy online."

2. Describe the corporate-level strategy employed by Amazon.

Each chapter begins with an **Opening Case**. These cases pose a real-world, chapter-related challenge and then discuss how companies or managers responded to that challenge, bringing to light the many issues surrounding the management process. At the end of the chapter, the **Wrap-Up to the Opening Case** wraps up the opening case in light of the new information gleaned from the chapter. Students are provided with the answers to the questions raised in the opening case.

Tips for Managers distill the lessons that students can take from the chapter and apply to develop their management skills.

Tips for Managers

Planning

1. Vision matters because it serves as a source of inspiration and motivation for the stakeholders of the organization. Craft the vision statement so that it reflects what the organization is striving to achieve. For example, the vision of a food bank may be "to end hunger."
2. Operationalize the vision by breaking it down into a mission—a statement of purpose of the organization. For example, the mission of the food bank may be "feeding hungry people in our community."
3. Further break down the mission into a series of cascading relating goals and objectives. For example, the goal may be "to have enough resources to feed those who need the food bank's services for six months." A related objective may be "keeping a one-week supply of food, having enough staff and volunteers to meet unexpected increases in demand, and increasing funding levels by 10 percent above the previous year's budget."
4. If each objective is met, then the broad goal of "having enough resources" is likely to be achieved and the organization is fulfilling its mission.

Experiential Learning Features We have given considerable time and attention to developing state-of-the-art experiential end-of-chapter learning exercises that drive home the meaning of management to students. These exercises are grouped together at the end of each chapter in the section called **Management in Action**.

MANAGEMENT IN ACTION

TOPICS FOR DISCUSSION AND ACTION

LEVEL 1 Knowledge & Comprehension

1. Describe the five steps in the planning process. Explain how they are related.

Topics for Discussion and Action are a set of chapter-related questions based on Bloom's three levels of developmental consideration: level 1 tests students' knowledge and comprehension; level 2 tests students' ability to apply concepts; and level 3 tests students' synthesis and evaluation skills.

MANAGEMENT IN ACTION

TOPICS FOR DISCUSSION AND ACTION

LEVEL 1 Knowledge & Comprehension

1. Describe the five steps in the planning process. Explain how they are related.
2. Discuss the levels of plans, the time horizons of plans, the difference between standing and single-use plans, and why planning is important. What are the qualities of effective plans?
3. Describe scenario planning. How can scenario planning help managers predict the future?

LEVEL 2 Application & Analysis

4. Ask a manager to identify the corporate-, business-, and functional-level strategies used by his or her organization.
5. Watch the video on Porter Airlines at www.youtube.com/watch?v=xnhExEZvJNL. Identify the airline's mission. What type of business-level strategy is it pursuing? Give evidence to support your answer.

Self-Reflection Exercises are unique exercises that ask students to internalize concepts from the chapter and apply them to their personal lives and situations at this moment, helping them to grasp the relevance of key chapter ideas and concepts.

SELF-REFLECTION EXERCISE

Think ahead to five years from now to consider what it is that you might like to be doing with your life. Develop your own vision and mission statements. Establish a set of goals that will help you achieve your vision and mission.

Develop a SWOT analysis for considering what you want to be doing in five years. What are your strengths and weaknesses? What are the opportunities and threats in carrying out this plan?

Develop a five-year plan that maps out the steps you need to take in order to get to where you want to be in your life at that time.

Small Group Breakout Exercises are uniquely designed to allow instructors in large classes to utilize interactive experiential exercises in groups of three to four students. The instructor calls on students to form into small groups simply by turning to people around them. All students participate in the exercise in class, and a mechanism is provided for the different groups to share what they have learned with one another.


SMALL GROUP BREAKOUT EXERCISE

Form groups of three or four, and appoint one member as the spokesperson who will communicate your findings to the class when called on by the instructor. Then discuss the following scenario:

You are a team of management consultants hired by a grocery store chain to plan the feasibility of opening a store in your community. You must answer all the questions below and report back to your clients.

Business Planning Exercises provide professors with the opportunity to ask their students to write a business plan for a new venture or a strategic plan for an existing venture. In the Student Resources in Connect, students can apply managerial and organizational concepts to the writing of a business plan by referring to Appendix B: Developing a Business Plan.

BUSINESS PLANNING EXERCISE

 Please access this content on Connect.

Managing Ethically Exercises present students with an ethical scenario or dilemma and ask them, either individually or in a group, to think about an issue from an ethical perspective in order to understand the issues facing practising managers.

MANAGING ETHICALLY EXERCISE

A major department store has received repeated criticism for selling clothes that are produced at low cost in developing countries. The CEO of the department store knows that suppliers are paying 5 percent better than the going rate of wages in these countries and feels that this is fair enough. Working conditions at suppliers' factories are no worse than at other factories in those countries. The CEO has come to you to check her assumptions that as long as the suppliers are buying from manufacturing plants that have better-than-average working conditions for the country where the

Management Challenge Exercises present a realistic scenario in which a manager or organization faces some kind of challenge or opportunity and the student plays the role of a management consultant offering advice and recommending a course of action based on the chapter content.

MANAGEMENT CHALLENGE EXERCISE

Beyond the Green Door

The Green Door is a vegetarian restaurant in Ottawa with an "eye and palette . . . focused on nourishment drawn from the local, organic, seasonal, natural, wholesome, comforting and colourful."⁵¹ The restaurant is situated directly across from Saint Paul University⁵² (part of the

Management Portfolio Projects present an opportunity for students to follow and analyze an organization of their choice over the course of the semester. Each chapter includes an exercise that asks students to evaluate how the issues discussed in the chapter are dealt with by the organization they are following.

MANAGEMENT PORTFOLIO PROJECT

Answer the following questions about the organization you have chosen to follow:

1. Identify the vision, mission, and major goals of the organization.
2. What is the corporate-level strategy of the company?
3. What is the business-level strategy of the company?
4. Have the strategies supported the vision and mission? How so?

A **Video Management Case** and questions are included with every chapter to help students make the connections from chapter concepts to real-world applications. Videos are available on DVD and online through Connect.

VIDEO MANAGEMENT CASE

Panera Bread Company

Panera Bread Co. combines some of the best aspects of fast-food and sit-down venues.

1. How do Panera Bread's corporate vision and strategy lead to a competitive advantage in the restaurant industry?

Each chapter also contains a **Management Case** dealing with current companies and engaging personalities, one to two pages in length, ending with questions for students to consider.

MANAGEMENT CASE

Turnaround at Sony?

Sony, the Japanese electronics maker, used to be renowned for using its innovation and engineering prowess to turn out blockbuster new products such as the Walkman and Trinitron TV. In the 1990s product engineers at Sony turned out an average of four new product ideas every day. Why? A large part of the answer was Sony's culture, called the "Sony Way," which emphasized communication, cooperation, and harmony between groups of engineers across the company to foster innovation and change. Engineers were given considerable freedom to pursue their own ideas, and the managers of different product groups championed their own innovations, but problems arose with Sony's approach.

Companies in Korea, Taiwan, and China began to innovate new technologies like digital LCD screens and flash memory that made Sony's technologies obsolete. Companies such as Apple and

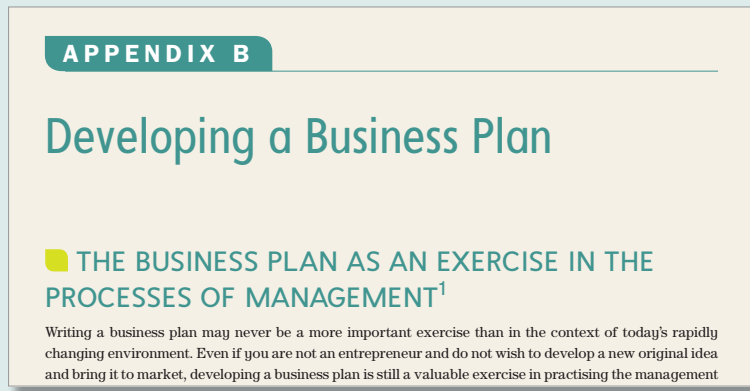
A **Continuing Case** at the end of each part provides students with an opportunity to integrate and synthesize all the concepts and material learned in the previous sections to the management and organizational challenges of one particular small business. This running case feature helps keep continuity across the entire text and allows students to focus on problems faced by small businesses.

END OF PART II: CONTINUING CASE

Carrot Tops: Building a Competitive Advantage

As the population grew, so too did the competition. Pretty soon it was apparent that Mac's Milk and Shoppers Drug Mart were able to offer customers a wider selection of lower-priced products than Mel's store. Mel had to find a new way to manage his small business if it was going to survive. He began brainstorming new strategies. He researched trends in the food industry. There might be a niche for supplying specialty products, he thought, such as organic and gourmet foods, which were more profitable to sell. He would no longer be competing against giants like Shoppers. He changed the name of his store to Carrot Tops and stocked it with a wide variety of gourmet Canadian food products. He began to offer fine foods, local cheeses, fresh bread, organic fruits and vegetables.

Developing a Business Plan Appendix walks students through the steps of preparing a business plan and highlights organizational management issues. The appendix can be used with or without business planning software. Developing a Business Plan exercises are found at the end of each chapter and online through Connect.



Appendix A: History of Management Thought

Appendix B: Developing a Business Plan

Appendix C: Career Development

Appendix D: Operations Management and Competitive Advantage (on Connect only)

Market-Leading Technology

Learn without Limits

McGraw-Hill Connect® is an award-winning digital teaching and learning platform that gives students the means to better connect with their coursework, with their instructors, and with the important concepts that they will need to know for success now and in the future. With Connect, instructors can take advantage of McGraw-Hill's trusted content to seamlessly deliver assignments, quizzes and tests online. McGraw-Hill Connect is the learning platform that continually adapts to each student, delivering precisely what they need, when they need it, so class time is more engaging and effective. Connect makes teaching and learning personal, easy, and proven.

Connect Key Features:

SmartBook®

As the first and only adaptive reading experience, SmartBook is changing the way students read and learn. SmartBook creates a personalized reading experience by highlighting the most important concepts a student needs to learn at that moment in time. As a student engages with SmartBook, the reading experience continuously adapts by highlighting content based on what each student knows and doesn't know. This ensures that he or she is focused on the content needed to close specific knowledge gaps, while it simultaneously promotes long-term learning.

Connect Insight®

Connect Insight is Connect's new one-of-a-kind visual analytics dashboard—now available for instructors—that provides at-a-glance information regarding student performance, which is immediately actionable. By presenting assignment, assessment, and topical performance results together with a time metric that is easily visible for aggregate or individual results, Connect Insight gives instructors the ability to take a just-in-time approach to teaching and learning, which was never before available. Connect Insight presents data that helps instructors improve class performance in a way that is efficient and effective.

Simple Assignment Management

With Connect, creating assignments is easier than ever, so instructors can spend more time teaching and less time managing.

- Assign SmartBook learning modules.
- Instructors can edit existing questions and create their own questions.
- Draw from a variety of text specific questions, resources, and test bank material to assign online.
- Streamline lesson planning, student progress reporting, and assignment grading to make classroom management more efficient than ever.

Smart Grading

When it comes to studying, time is precious. Connect helps students learn more efficiently by providing feedback and practice material when they need it, where they need it.

- Automatically score assignments, giving students immediate feedback on their work and comparisons with correct answers.
- Access and review each response; manually change grades or leave comments for students to review.
- Track individual student performance—by question, assignment or in relation to the class overall—with detailed grade reports.
- Reinforce classroom concepts with practice tests and instant quizzes.
- Integrate grade reports easily with Learning Management Systems including Blackboard, D2L, and Moodle.

Instructor Library

The Connect Instructor Library is a repository for additional resources to improve student engagement in and out of the class. It provides all the critical resources instructors need to build their course.

- Access Instructor resources.
- View assignments and resources created for past sections.
- Post your own resources for students to use.

Instructor Resources

- Instructor's Manual
- Computerized Test Bank
- Microsoft® PowerPoint® Lecture Slides
- Image Bank
- Manager's Hot Seat Videos

The **Manager's Hot Seat** is a resource that allows students to watch real managers apply their years of experience to confronting certain management and organizational behaviour issues. Students assume the role of the manager as they watch the video and answer multiple choice questions that pop up during the segment, forcing them to make decision on the spot. Students learn from the managers' unscripted mistakes and successes, and then do a report critiquing the managers' approach by defending their reasoning. The Manager's Hot Seat is ideal for group or classroom discussions.

Superior Learning Solutions and Support The McGraw-Hill Education team is ready to help instructors assess and integrate any of our products, technology, and services into your course for optimal teaching and learning performance. Whether it's helping your students improve their grades, or putting your entire course online, the McGraw-Hill Education team is here to help you do it. Contact your Learning Solutions Consultant today to learn how to maximize all of McGraw-Hill Education's resources.

For more information, please visit us online: <http://www.mheducation.ca/he/solutions>.

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This edition is dedicated to my sister Harriet Wallis Curran who passed of ovarian cancer in May 2015. You are sunshine, clear water, and blue sky and your spirit lives in my heart always.

Jane W. Haddad

In the preparation of this and earlier editions, we have benefited greatly from the helpful critiques and suggestions of numerous professors across the country. They helped us identify new topics, as well as clarify information, rearrange and delete material, and suggested examples that students would identify with. Their assistance was invaluable, and we extend our many thanks to the following individuals:

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PART I

Management



Managers and Managing

LEARNING OUTCOMES

L01	Describe what management is, what managers do, and how managers use resources to achieve organizational goals.
L02	Distinguish among planning, organizing, leading, and controlling, and explain how managers' abilities to handle each one affect organizational performance.
L03	Differentiate among the types and levels of management, and understand the responsibilities of managers at different levels in the organizational hierarchy.
L04	Understand how the shared values and norms of the organizational culture affect managerial behaviour.
L05	Distinguish among the kinds of managerial skills and roles that managers perform.

Opening Case

Management at Brick Brewing Co. Limited

Brick Brewing Co. Limited is Ontario's largest Canadian-owned and Canadian-based publicly held brewery. The company is a regional brewer of award-winning premium quality and value beers. The company, founded by Jim Brickman in 1984, was the first craft brewery to start up in Ontario, and is credited with pioneering the present-day craft brewing renaissance in Canada. Brick has complemented its J. R. Brickman Founder's Series and Waterloo Dark premium craft beers with other popular brands such as Laker, Red Cap, and Formosa Springs Draft.¹ In 2011, the company bought the Canadian rights to the Seagram Coolers brand from Corby Distilleries Limited. In 2014, the company entered into a licensing agreement to sell Seagram Coolers in Quebec under Blue Spike Beverages brand.²

The Chief Financial Officer, Sean Byrne,³ is responsible for the timeliness and accuracy of all financial information that is provided to the Board and shareholders. Byrne acts as corporate secretary for audit committee and Board meetings of the company, and is a key contributor to the company's overall strategy.⁴ He was brought on board by Brick Brewing President and CEO George Croft.

Mr. Byrne graduated from Western University with a Bachelor of Arts, Economics degree and obtained his chartered accountant designation (CMA) while working with Dow Chemical. He also holds an MBA from



Heriot-Watt University, Edinburgh Business School. Before joining Brick Brewing in 2013, he held senior finance roles in manufacturing companies operating in Europe and Canada.

Since 1984, Brick Brewing Co. Limited has supported thousands of cultural, charitable, and community organizations and events. From backing amateur athletes and teams to participating in festival-style events across Ontario, Brick Brewing takes a partnership approach with each sponsorship relationship.

This commitment to the community and providing innovative products makes Brick Brewing Co. Limited a high-performing organization—one that provides goods and services that customers desire.

After reading and understanding the concepts in this chapter, you should be able to answer the following questions:

1. What kinds of activities or tasks are involved in planning, organizing, leading, and controlling at Brick Brewing?
2. Characterize the type and level of management described in the case.
3. What skills does Sean Byrne bring to the Brick Brewing Co. as a top manager?
4. Which of Mintzberg's managerial roles are illustrated in this case by each manager?

OVERVIEW

The actions of the top managers at Brick Brewing Co. Limited illustrate the many challenges managers face. Managing a company is a complex undertaking, and managers must possess the skills and knowledge needed to be effective. Making the right decision is difficult; even effective managers make mistakes. The most effective managers are the ones, like George Croft and Sean Byrne, who continually strive to find ways to improve their companies' performance.

In this chapter we look at what management is, what activities or functions are involved in the management process, the types and levels of managers we find in organizations, how organizational culture affects the style of managing, and the skills and roles that effective managers need to perform well. By the end of this chapter, you will have an appreciation of the role of managers in creating a high-performing organization.

LO1 Describe what management is, what managers do, and how managers use resources to achieve organizational goals.

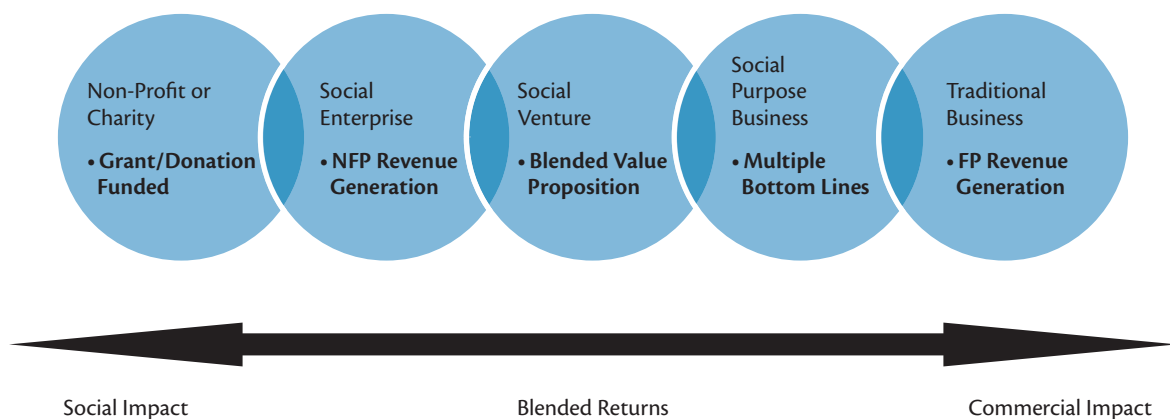
WHAT IS MANAGEMENT?

When you think of a manager, what kind of person comes to mind? Do you see someone who can determine the future prosperity of a large for-profit company? Or do you see the administrator of a not-for-profit organization such as a school, library, health care organization, or charity? Or do you think of the person in charge of your local McDonald's restaurant or Giant Tiger store? What do all these people have in common?

Management takes place in **organizations**, which are collections of people who work together and coordinate their actions to achieve a wide variety of goals and desired future outcomes.⁵ Organizations provide jobs and employment. Outside of the public sector, most people in Canada are employed in small and medium sized organizations in the private sector or in the community or social sector. We categorize organizations based on their core purposes (see Figure 1.1). Organizations range from having a strictly social mission, such as a charitable nonprofit organization, funded by grants and donations, to a strictly commercial for-profit mission, with little regard for achieving socially useful outcomes. *Social enterprises*, *social ventures*, and *social purpose businesses* combine social and commercial missions to varying degrees and are collectively referred to as organizations in the **social economy**.⁶ The concept of the social economy applies to all the organizations that have social objectives central to their mission and their practice, and either have explicit economic objectives or generate some economic value through the services they provide and purchases that they undertake.⁷ The social economy is often referred to as the third pillar of the economy; the other two being for-profit (FP) private enterprise and public sector (government) enterprise. Increasingly, a growing number of enterprising charities, nonprofit or not-for-profit

FIGURE 1.1

Spectrum of Types of Organizations



Source: MaRS Discovery District.

organizations (NPO or NFP), co-operatives, and community organizations are creating businesses with economic as well as social and environmental returns. Public–private partnerships that mobilize private capital rather than relying on tax revenue will become more and more common in the effort to change the way society deals with social problems. The goal of social enterprise is to use market-mechanisms to produce or sell goods and services that provide a social or environmental benefit. Social enterprises often employ the clients they serve and thereby provide valuable experience to marginalized groups who can use the skills in the wider economy. Together, the diverse organizations in the social economy create the infrastructure that helps Canadian communities to grow and prosper. These organizations welcome newcomers, coach kids’ sports, deliver meals on wheels, run food banks, day cares, and crisis hotlines, and provide countless other public-benefit services that allow people to be well and participate in civic life. They create social and economic value, known as **blended value**.

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

social economy A bridging concept for organizations that have social objectives central to their mission and their practice, and either have explicit economic objectives or generate some economic value through the services they provide and purchases that they undertake.

blended value Organizations in the social economy that create both social impact and economic value.

Chances are pretty good that you or someone you know works in the social sector of the economy. Canada’s nonprofit and voluntary sector is the second largest in the world; the Netherlands is the largest, while the United States is the fifth. There are an estimated 162 000 nonprofits and charities in Canada. The sector represents almost 8 percent of the GDP, a contribution larger than the automotive or manufacturing industries. Two million people are employed by organizations in the social sector.⁸ Often organizations in this sector, together with public and private-sector organizations, collaborate to seek solutions to social problems. Working together, instead of in isolation, is the way to achieve **collective impact**. This is why we have included a profile of an organization in the social economy in every chapter of this text.

collective impact Public, private and nonprofit organizations working together to solve social problems.

Management is the planning, organizing, leading, and controlling of resources to achieve goals effectively and efficiently. **Resources** are assets such as people, machinery, raw materials, information, skills, and financial capital. A **manager** is a person responsible for supervising the use of a group’s or organization’s resources to achieve its goals.

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

resources Assets such as people, machinery, raw materials, information, skills, and financial capital.

manager A person who is responsible for supervising the use of an organization’s resources to achieve its goals.

Achieving High Performance: A Manager’s Goal

One of the most important goals of organizations and their members is to provide goods or services that customers value. As we saw in the opening case, by purchasing the rights to the Seagram Coolers brand, Brick Brewing Co. is “now able to satisfy a broader range of customers with a wider range of selection in taste and profile for those discerning drinkers.”⁹ The principal goal of doctors, nurses, and hospital administrators is to increase their hospital’s ability to make sick people well; the principal goal of each McDonald’s restaurant manager is to produce fast food that people want to eat and pay for so that they become loyal return customers. Phoenix Print Shop is a social enterprise in downtown Toronto with the

principal goal to provide a training site for at-risk youth to gain employment skills and generate revenue that supports transitional housing for homeless youth. All of these examples illustrate how key serving the needs of customers is to the goals of managers.

Organizational performance is a measure of how efficiently and effectively managers use resources to satisfy customers and achieve organizational goals. Organizational performance increases in direct proportion to increases in effectiveness and efficiency (see Figure 1.2). What are efficiency and effectiveness?

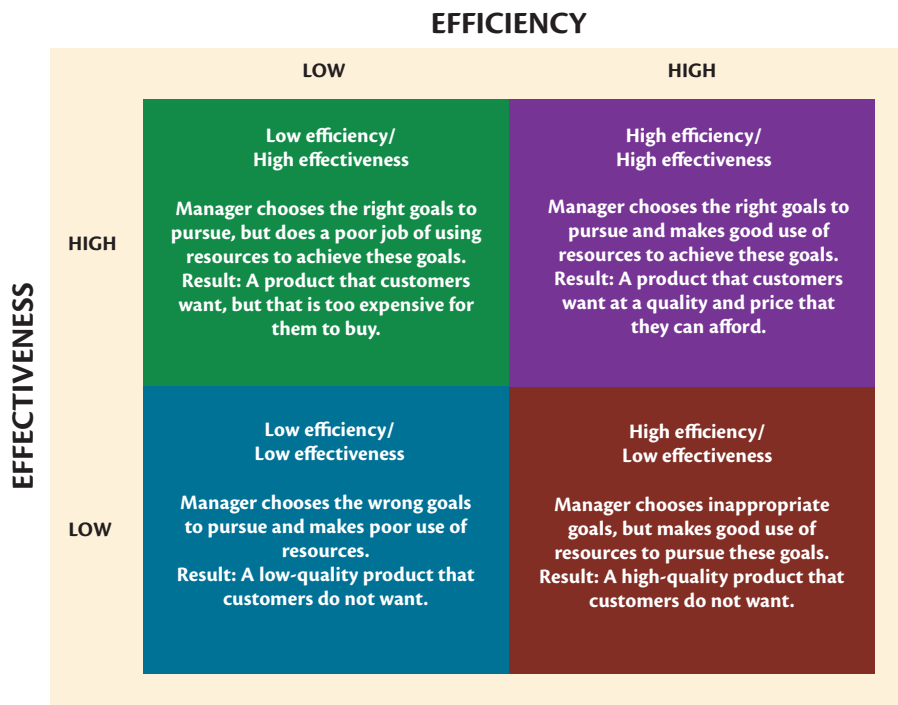
organizational performance A measure of how efficiently and effectively a manager uses resources to satisfy customers and achieve organizational goals.

Effectiveness is a measure of the appropriateness of the goals that managers have selected for the organization to pursue and of the degree to which the organization achieves those goals. Management expert Peter Drucker compared the two this way: efficiency is doing things right; effectiveness is doing the right thing.¹⁰ Organizations are effective when managers choose appropriate goals and then achieve them. Some years ago, for example, managers at McDonald’s decided on the goal of providing breakfast service to attract more customers. This goal was a smart choice because sales of breakfast food now account for more than 30 percent of McDonald’s revenues and are still increasing—an important reason for its record profits in 2011. Competitors such as Tim Hortons and Wendy’s have quickly caught up, sending MacDonal’d’s profits lower in 2015.¹¹

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

FIGURE 1.2

Effectiveness, Efficiency, and Performance in an Organization



High-performing organizations are efficient *and* effective.

Efficiency is a measure of how well or how productively resources are used to achieve a goal.¹² Organizations are efficient when managers minimize the amount of input resources (such as labour, raw materials, and component parts) or the amount of time needed to produce a given output of goods or services. For example, McDonald's developed a more efficient fat fryer that not only reduces (by 30 percent) the amount of oil used in cooking but also speeds up the cooking of french fries. A manager's responsibility is to ensure that an organization and its members perform, as efficiently as possible, all the activities needed to provide goods and services to customers. High-performing organizations such as Brick Brewing Co., McDonald's, Walmart, Intel, IKEA, and Habitat for Humanity are simultaneously efficient and effective.

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

Why Study Management?

Today, more students are competing for places in business courses than ever before; the number of people wishing to pursue Master of Business Administration (MBA) degrees—today's passport to an advanced management position—either on campus or from online universities and colleges is at an all-time high. Why is the study of management currently so popular?¹³

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

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

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

Indeed, the salaries paid to top managers are enormous.¹⁴ For example, the CEOs and other top executives or managers of companies such as Barrick Gold Corp., Onex Corp., Toronto Dominion Bank, Rogers Communications Inc., and Shoppers Drug Mart receive millions in actual salary each year. However, even more staggering is the fact that many top executives also receive stock or shares in the company they manage, as well as stock options that give them the right to sell these shares at a certain time in the future.¹⁵ If the value of the stock goes up, then the managers keep the difference

between the price they obtained the stock option for (say, \$10) and what it is worth later (say, \$33). By the time Frank Stronach resigned as CEO of auto parts giant Magna Inc. in 2010, and resigned from the Chair of the Board in 2012, he had received over \$1 billion in salary and stock options.¹⁶ When Steve Jobs became CEO of Apple again in 1997 he accepted a salary of only \$1 a year. However, he was also awarded stock options that, with the fast rise in Apple's stock price in the 2000s, were worth several billion dollars by the time he resigned and passed away in 2011. These incredible amounts of money provide some indication of both the responsibilities and the rewards that accompany the achievement of high management positions in major companies—and flow to anybody who successfully creates and manages a small business. Pay, however, is only one type of reward for high achievement, as we will see in Chapter 8. Managers also get great satisfaction from solving social problems and making a lasting contribution to the collective well-being of society. So, what is it that managers actually do to receive such rewards?¹⁷

L^o2 Distinguish among planning, organizing, leading, and controlling, and explain how managers' abilities to handle each one affect organizational performance.

MANAGERIAL TASKS AND ACTIVITIES

The job of management is to help an organization make the best use of its resources to achieve its goals. How do managers accomplish this objective? They do so by performing four essential managerial functions: planning, organizing, leading, and controlling (see Figure 1.3). Henri Fayol first outlined the nature of these managerial tasks in *General and Industrial Management*, published in 1916: a book that remains the classic statement of what managers must do to create a high-performing organization.¹⁸

Managers at all levels and in all departments—whether in small or large organizations, for-profit or not-for-profit organizations, or organizations that operate in one country or throughout the world—are

FIGURE 1.3

Four Tasks of Management



responsible for performing these four functions, and we will look at each in turn. How well managers perform them determines how efficient and effective their organization is. Individuals who are not managers can also be involved in planning, organizing, leading, and controlling, so understanding these processes is important for everyone.

Planning

Planning is a process used to identify and select appropriate goals and courses of action. There are five steps in the planning process:

1. Deciding which goals the organization will pursue
2. Analyzing the organizational environment for threats and opportunities
3. Deciding what courses of action or strategy to adopt
4. Deciding how to allocate organizational resources to implement the plan
5. Evaluating whether the strategy achieved the goals

planning Identifying and selecting appropriate goals and courses of action; one of the four principal functions of management.

How well managers plan determines how effective and efficient their organization is—its **performance level**.¹⁹

performance level How efficient and effective an organization is in achieving its goals.

The outcome of planning is a **strategy**, a cluster of decisions concerning what organizational goals to pursue, what actions to take, and how to use resources to achieve goals. For instance, Brick Brewing Co. follows a low-cost strategy with its popular Laker brand selling at the lowest legal price, but it also offers premium craft beers such as Red Baron Premium Blonde Lager, which won a gold medal at the Ontario Brewing Awards in 2011. The company offers award-winning quality and value beers. “It’s easy to lose track of a simple foundation for customer satisfaction: Sell a quality product at a reasonable price,” said George Croft, President and CEO of Brick Brewing Co. Limited. “I think there have been recent times when our beer industry lost sight of those two beacons.” Planning is a difficult activity because, normally, it is not immediately clear which goals an organization should pursue or how best to pursue them. Choosing the right strategy is risky because managers commit organizational resources for activities that could either succeed or fail. Top managers at Brick Brewing created a successful management approach to the craft beer and specialty drink market, illustrating how important planning and strategy are to an organization’s success. In Chapter 5, we focus on the planning process and on the strategies organizations can select to respond to opportunities or threats in an industry.

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

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