

12e Understanding  
**Management**  
Richard L. Daft & Dorothy Marcic





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**Management**

Richard L. Daft & Dorothy Marcic

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**Richard L. Daft and Dorothy Marcic**

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To my parents, who started my life  
toward outcomes that I could not understand at the time.  
—R. L. D.

To Nelson, Samantha, Roman, and Phoenix,  
who have opened pathways of love and fascination  
I never dreamed of.  
—D. M.





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## Leading-Edge Management

The years 2020–21 presented unique and far-reaching challenges to managers in organizations of all types and sizes. The effects of the COVID-19 pandemic put some companies out of business for good and forced managers in all organizations to adapt to new ways of working. Shifting economic conditions and widespread social and political unrest in the United States as well as other countries around the world added to the turmoil and further eroded the myth of a stable environment. Even before the recent dramatic upheavals, managers and organizations were being buffeted by far-reaching competitive, social, technological, and economic changes. Business schools, as well as managers, are scrambling to cope with the turbulence, keep up with fast-changing events, and evaluate the impact that this volatile period of history will have on organizations in the future. This edition of *Management* addresses themes and issues that are directly relevant to the current, fast-shifting business environment.

We revised *Understanding Management*, 12th edition, with a goal of helping current and future managers find leading-edge solutions to the problems that plague today’s organizations—whether they are everyday challenges or once-in-a-lifetime crises. The world in which most students will work as managers is undergoing a tremendous upheaval. Ethical and social turmoil, the need for crisis management skills, e-commerce and mobile commerce, economic instability, rapidly changing technologies, globalization, outsourcing, cybersecurity threats, increasing government regulation, social media, global supply chains—all of these challenges, and more, place demands on managers that go beyond the techniques and ideas traditionally taught in management courses. Managing today requires the full breadth of management skills and capabilities. This text provides comprehensive coverage of both traditional management skills and the new competencies needed in a turbulent environment characterized by economic and social turmoil, political confusion, and general uncertainty.

In the traditional world of work, management’s job was to control and limit people, enforce rules and regulations, seek stability and efficiency, design a top-down hierarchy, and achieve bottom-line results. But to spur innovation, adapt to rapid environmental shifts, and achieve high performance, managers need different skills. Managers must find ways to engage workers’ hearts and minds, as well as take advantage of their labor. The new workplace asks that managers focus on building trust, inspiring commitment, leading change, harnessing people’s creativity and enthusiasm, finding shared visions and values, and sharing information and power. Teamwork, collaboration, participation, and learning are guiding principles that help managers and employees maneuver the bumpy terrain of today’s chaotic business environment. Rather than controlling their employees, savvy managers focus on training them to adapt to new technologies and extraordinary environmental shifts, and thus achieve high performance and total corporate effectiveness.

Our vision for this edition of *Understanding Management* is to present the newest management ideas in a way that is both interesting and valuable to students, while retaining the best of traditional management thinking. To achieve this vision, we have included the most up-to-date management concepts and research and have shown the contemporary application of management ideas in organizations. At the end of each major chapter section, a “Remember This” feature offers a quick review of the salient concepts and terms that students should remember. Within each chapter, a wealth of examples, called Snapshots, highlight the application of concepts to the real world, and a “Creating a Greener World” feature illustrates how various organizations are responding to the growing demands for socially and environmentally responsible ways of doing business. With the theme of this edition being the food industry, we



have interviewed many food entrepreneurs and have included their stories in the chapters in the “Michelin 5-Star” and “Recipe for Success” features. In addition, each chapter highlights a failure of management in the “Half-Baked Management” feature. Thoughtful or inspiring quotes within each chapter—some from business leaders, but others from novelists, philosophers, and everyday people—help students expand their thinking about management issues. The combination of established scholarship, new ideas, and real-life applications gives students a taste of the energy, challenge, and adventure inherent in the dynamic field of management. The Cengage Learning staff have worked together with us to provide a textbook that is better than any other at capturing the excitement of organizational management.

## Leading-Edge Understanding Management: New to the 12th Edition

Our primary focus when revising the 12th edition has been to relate management concepts and theories to events in today’s turbulent environment by bringing in present-day issues that real-life managers face.

## Learning Opportunities

The 12th edition includes several innovative pedagogical features to help students understand their own management capabilities and learn what it is like to manage in an organization today. Each chapter begins with a “Know Yourself” self-assessment questionnaire that directly relates to the theme of the chapter and enables students to see how they respond to situations and challenges typically faced by real-life managers. A second “Know Yourself” within each chapter provides an additional opportunity for students to understand their management abilities. These short questionnaires provide feedback to the students that compares their responses to those of their classmates and gives students insight into how they would function in the real world of management. “Remember This” bullet-point summaries at the end of each major chapter section enable students to quickly review the key points and concepts covered in that section. The end-of-chapter questions have been carefully revised to encourage critical thinking and application of chapter concepts. The end-of-chapter “Self-Learning” has been enhanced with “Group Learning” and “Action Research” features. These features give students the opportunity to apply concepts while building teamwork skills. Ethical dilemma scenarios, cases for analysis, and MindTap activities help students “think like a manager” and sharpen their diagnostic skills for management problem solving.

## Chapter Content

Within each chapter, many topics have been added or expanded to address the current issues that managers face. Every chapter includes at least one real-life example related to the extraordinary challenges that the COVID-19 pandemic created for managers around the world. The text has also been tightened and sharpened to provide greater focus on the key topics that count the most for management today. The essential elements concerning operations and information technology—subject matter that is frequently covered in other courses—have been combined into an appendix for students who want more information about these topics.



**Chapter 1** includes a discussion of the leading-edge management competencies that have become so critical to the success of organizations today and will remain so into the future. This introductory chapter discusses the trend toward bossless organizations, introduces the basic functions and skills of management, and gives students an idea of what the manager's job entails. It also describes the challenges involved in making the leap from being an individual contributor in the organization to becoming a manager and getting work done primarily through the efforts of others. The chapter touches upon the skills and competencies needed to manage organizations effectively, including issues such as managing one's time, maintaining appropriate control, and building trust and credibility. In addition, the chapter provides solid coverage of the historical development of management and organizations. It begins with an overview of the historical struggle within the field of management to balance the machinery and the humanity of production. The chapter includes sections on managing the technology-driven workplace and managing the people-driven workplace; it ends with a consideration of artificial intelligence (AI) and nudge management as possible answers to the human-machine struggle. Managing the people-driven workplace includes discussions of the trend toward radical decentralization and using engagement to manage Generation Z and Millennial employees.

**Chapter 2** contains an updated view of current issues related to the business environment and corporate culture, including a discussion of organizational ecosystems, the growing importance of the international environment, and trends in the sociocultural environment, including shifting social views on issues such as same-sex marriage and alternative lifestyles. The chapter also describes the use of social media analytics for boundary spanning, the growing challenges to large tech companies related to privacy and security issues, and the current widespread concern about how some companies with strong cultures have handled sexual harassment and misconduct. The chapter closes with a discussion of how managers can shape a high-performance culture as an innovative response to a shifting environment.

**Chapter 3** takes an updated look at the changing international landscape, including the growing clout of China and India and what this development means for managers around the world, including a broader and more complex array of political risks. The chapter looks at the shifting geography of the *Fortune* Global 500 companies, describes the importance of cultural intelligence (CQ) and a global mind-set, and considers communication challenges, including a discussion of the role of implicit communication. The chapter also discusses the bottom-of-the-pyramid (BOP) concept, and describes changes in the European Union and the new U.S.–Mexico–Canada Agreement (USMCA).

**Chapter 4** makes the business case for incorporating ethical values into the organization and considers how managers can create an ethical organization using both a values-based approach and a structure-based approach. It includes an updated discussion of the state of ethical management today, the pressures that can contribute to unethical behavior in organizations, the difference between “giving” and “taking” corporate cultures, and criteria that managers can use to resolve ethical dilemmas. The chapter considers corporate social responsibility issues as well, including the recent approach of assessing performance on environmental, social, and governance (ESG) dimensions, the Business Roundtable's new “Statement on the Purpose of a Corporation,” the growth of the green movement, and the increasing interest in benefit corporations.

**Chapter 5** delves into the overall planning and goal-setting process, including the importance of aligning goals and plans and the use of strategy maps for aligning goals. The chapter covers some of the benefits and limitations of planning and goal setting, and includes a discussion of using management by means (MBM) as a way to lessen the problem of too much pressure to attain goals. The final section describes planning approaches for use in a turbulent environment, including contingency and scenario planning, the use of stretch goals, and crisis planning. It also focuses on the basics of formulating and implementing strategy, including levels of strategy, the elements of competitive advantage, and Michael E. Porter's competitive strategies. It includes a section on SWOT analysis, a discussion of the biggest barriers to strategy execution, and the various strategic options for global business. In addition, the chapter updates the Boston Consulting Group (BCG) matrix and diversification strategy, looking at how managers may use unrelated diversification, related diversification, or vertical integration as strategic approaches in shifting environments.

**Chapter 6** gives an overview of managerial decision making, including decision-making models, personal decision styles, and a revised and updated discussion of biases that can cloud managers' judgment and lead to bad decisions. The chapter includes an examination of the use of AI in programmed decision making, a section on quasirationality, an expanded discussion of ambiguity and conflict, and a short discussion of the 5 Whys technique. The final section looks at innovative group decision making, including the concept of evidence-based decision making, ways to avoid groupthink and escalating commitment, and premortems and postmortems (also called after-action reviews).

**Chapter 7** discusses basic principles of organizing and describes both traditional and contemporary organizational structures in detail. The chapter includes an expanded discussion of outsourcing and the virtual network structure and looks at the essential role of coordination and collaboration in today's digitally advanced organizations. It provides an overview of the strengths and weaknesses associated with each structural approach, looks at the trend toward decentralization, and highlights experiments with bosslessness.

**Chapter 8** focuses on the critical role of managing innovation and change in today's business environment. The chapter includes a revised and expanded discussion of disruptive innovation, including self-disruption. The content on the ambidextrous approach has been enhanced with a discussion of exploration and exploitation in the innovation process. The chapter also describes the bottom-up approach to innovation, ways to encourage corporate intrapreneurship, and the use of innovation contests. The section on collaboration and open innovation has been enhanced with a discussion of the growing use of internal crowdsourcing and in-house ventures. The final sections of the chapter examine the reasons why many people resist change and provide a three-stage model for effectively implementing change.

**Chapter 9** has been thoroughly revised to reflect the shifting role of human resource management (HRM) in today's turbulent environment. The chapter includes expanded discussions of aligning HR strategies with the organization's strategic direction, new approaches to interviewing, new training challenges, and new types of benefits. It also takes a look at the gig economy and the shadow workforce and examines the use of AI and virtual approaches to recruiting and hiring. Further, the chapter has been completely updated to reflect the most recent thinking on today's complex organizational diversity issues. The chapter includes an updated discussion of demographic and social changes occurring in the domestic and global workforce and how organizations are responding to these shifts. Expanded sections explore the challenges that women and members of underrepresented groups face in organizations, including a deeper discussion of the problem of implicit or unconscious bias and the challenge of reaching the "first rung" of the management ladder.

**Chapter 10** maintains its solid coverage of the basics of understanding individual behavior, including personality, attitudes, perception, and emotions. In addition, the chapter now includes an expanded section on the value and difficulty of self-awareness, techniques for enhancing self-awareness and recognizing blind spots, and brief discussions of positive and negative attributions, grit, negativity bias, and emotional contagion. The chapter also describes self-management and gives a step-by-step guide to time management. The section on stress management has been enhanced with a discussion of resilience, the distinction between challenge stress and threat stress, and strategies that both individuals and organizations can implement to help people develop resilience and combat the harmful effects of too much stress.

**Chapter 11** examines contemporary approaches to leadership, including Level 5 leadership, authentic leadership, servant leadership, and interactive leadership. The chapter also discusses the difference between management and leadership, formal versus informal leadership, charismatic and transformational leadership, task versus relationship leadership behaviors, gender differences in leadership, the importance of leaders discovering and honing their strengths, and the crucial role of followers. The section on leadership power describes the differences between *hard* versus *soft* power and outlines various interpersonal influence tactics that leaders use.

**Chapter 12** covers the foundations of motivation and incorporates sections on positive versus negative approaches to motivating employees and the use of intrinsic versus extrinsic rewards.

The chapter also describes using reinforcement for motivation, the job characteristics model, and leading-edge motivational methods such as empowering people to meet their higher-level needs and giving meaning to people's work through engagement.

**Chapter 13**, which explores the basics of good communication, has been updated to incorporate the use of new communication and collaboration platforms in today's organizations. The chapter includes discussions of purpose-driven communication, giving feedback, communicating with candor, the importance of listening and asking questions, and the role of nonverbal communication. Sections also focus on communicating to persuade and influence, using internal and external social media, using new communication tools for team collaboration, and the role of personal networks and the grapevine.

**Chapter 14** takes a fresh look at the contributions that teams make in organizations. It acknowledges that work teams are sometimes ineffective and explores the reasons for their shortcomings, including such problems as free riders and lack of trust. The chapter differentiates between putting together a team and building teamwork, defines the types of teams, and describes the stages of team development. In addition, it examines some of the challenges faced by today's remote workers and virtual teams, and explores the role of team leadership and technology in these situations. The chapter includes a discussion of the growing use of self-managed and agile teams, describing the characteristics of such teams. It also considers how factors such as team diversity, member roles, norms, and team cohesiveness influence effectiveness. Finally, the section on negotiation and managing conflict offers an explanation of task versus relationship conflict and suggests different ways of expressing and managing conflict.

**Chapter 15** provides an overview of financial and quality control, including the importance of control, the feedback control model, use of the balanced scorecard, and total quality management techniques such as Six Sigma, quality partnering, benchmarking, and *kaizen*. The chapter explores the difference between decentralized and hierarchical control, the dilemma of using algorithmic control, the use of zero-based budgeting, and basic concepts of budgetary and financial control.

In addition to the topics listed previously, this text integrates coverage of the Internet, social media, and new technology into the various topics covered in each and every chapter. We have also incorporated management responses to the challenges brought about by the COVID-19 pandemic in every chapter of this revision.

## Organization

The chapter sequence in *Understanding Management* is organized around the management functions of planning, organizing, leading, and controlling. These four functions effectively encompass both management research and the characteristics of the manager's job.

**Part 1** introduces the world of management, including the nature of management, issues related to today's chaotic environment, historical perspectives on management, and the technology-driven workplace.

**Part 2** examines the environments of management and organizations. This section includes material on the business environment and corporate culture, the global environment, ethics and social responsibility, and the environment for small businesses and entrepreneurship.

**Part 3** presents three chapters on planning, including organizational goal setting and planning, strategy formulation and execution, and the decision-making process.

**Part 4** focuses on organizing processes. These chapters describe dimensions of structural design, the design alternatives that managers can use to achieve strategic objectives, structural designs for promoting innovation and change, the design and use of the human resource function, and the significance of the approach to managing diverse employees for the organizing function.

**Part 5** is devoted to leadership. This section begins with a chapter on understanding individual behavior, including self-awareness and self-understanding. This exploration paves the way for subsequent discussions of leadership, motivation of employees, communication, and team management.



**Part 6** describes the controlling function of management, including TQM's basic principles, the design of control systems, and the difference between hierarchical and decentralized control.

## Innovative Text Features

A major goal of this book is to offer better ways of using the textbook medium to convey management knowledge to the reader. To this end, the book includes several innovative features that draw students in and help them contemplate, absorb, and comprehend management concepts. Cengage Learning has brought together a team of experts to create and coordinate color photographs, beautiful artwork, and supplemental materials for the best management textbook and package on the market.

**Chapter Outline and Objectives.** Each chapter begins with a clear statement of its learning objectives and an outline of its contents. These signposts provide an overview of what is to come and can be used by students to guide their study and test their understanding and retention of important points.

**Take a Moment: Know Yourself Self-Assessments.** At the beginning of each chapter, a self-assessment questionnaire grabs students' attention immediately by giving them a chance to actively participate in the chapter content. Students answer personal questions related to the topic and score the assessment based on their answers. These self-assessments provide insight into what to expect and how students might perform in the world of the new manager. An additional "Know Yourself" feature strategically located within each chapter invites students to "Take a Moment" to respond to another self-assessment questionnaire that relates to the concepts being discussed.

**Boxed Inserts.** Current topics and exploratory material are covered in a range of boxed inserts. Students can learn more about concepts in the chapter by reading the following boxes: Creating a Greener World, Michelin 5-Star, Made from Scratch, Half-Baked Management, Spotlight on Skills, Recipe for Success, and Sunny Side Up.

**Concept Connection Photo Essays.** A key feature of the book is the use of photographs accompanied by detailed photo essay captions that enhance learning. Each caption highlights and illustrates one or more specific concepts from the text to reinforce student understanding of the concepts; collectively, they also convey the vividness, immediacy, and concreteness of management events in today's business world.

**Snapshot Examples.** Every chapter contains numerous "Snapshot" examples of management incidents. These features are placed at strategic points in the chapter and are designed to illustrate the application of concepts to specific companies. The in-text examples—indicated by red lettering and an icon in the margin—include well-known U.S. and international organizations, including Netflix, Twitter, Siemens Gamesa, Airbus, TikTok, Didi Chuxing, Facebook, Nike, Boeing, Snapchat, Xiaomi, Volkswagen, Uber, Goya Foods, Haier, Synchrony Financial, Publix, Instagram, Zara, Toyota, Academy of Motion Picture Arts and Sciences, Popeye's, Huawei, Google and Alphabet, Amazon, National Foods Limited, General Electric (GE), and Unilever, as well as lesser-known companies and not-for-profit organizations, including Girl Scouts of the USA, SCA (Svenska Cellulosa Aktiebolaget), Dialpad, Second Harvest Food Bank, Plante Moran, Taulia, Earl's Kitchen + Bar, Simple Green Smoothies, Buurtzorg, Junior League, Adient Lerma, Sadler's Wells Theatre, Sweetgreen, Godrej & Boyce, Carilion Clinic, and the San Diego Zoo. The Snapshots put students in touch with the real world of organizations so that they can appreciate the value of management concepts.

**Exhibits.** Several exhibits have been added or revised in this edition to enhance student understanding. Many aspects of management are research based, and some concepts tend to be abstract and theoretical. The many exhibits throughout this book enhance students' awareness and understanding of these concepts. These exhibits consolidate key points, indicate relationships among concepts, and visually illustrate concepts. They also make effective use of color to enhance their imagery and appeal.

**Remember This.** At the end of each major section of a chapter is a "Remember This" bullet-point summary of the key concepts, ideas, and terms discussed in that section. This feature gives

students an easy way to review the salient points covered in the chapter. The short summaries also include one or more of the examples from the section to remind students how the concepts were applied in a real organization.

**Glossaries.** Learning the vocabulary of management is essential to understanding contemporary management. This process is facilitated in three ways in this book. First, key concepts are bold-faced and completely defined where they first appear in the text. Second, brief definitions are set out at the end of each major section in the “Remember This” lists for easy review and follow-up. Third, flashcards are found in the MindTap “Study It” folder.

**Discussion Questions.** Each chapter closes with discussion questions that will enable students to check their understanding of key issues, to think beyond basic concepts, and to determine areas that require further study.

**Practice Your Skills Exercises.** End-of-chapter exercises called “Practice Your Skills: Self-Learning” and “Practice Your Skills: Ethical Dilemma” provide self-tests for students and opportunities to experience management issues in a personal way. These exercises take the form of questionnaires, scenarios, and activities. An “In-Class/Online Application” has been added to each “Self-Learning” in this edition.

**Small Group Breakout Exercises.** “Group Learning” and “Action Research” exercises at the end of each chapter give students a chance to develop both team and analytical skills. Completing the small-group activities will help students learn to use the resources provided by others in the group, to pool information, and to develop a successful outcome together. The “Group Learning” and “Action Research” provide experiential learning that leads to deeper understanding and application of chapter concepts.

**Case for Critical Analysis.** Also appearing at the end of each chapter is a brief but substantive case that offers an opportunity for student analysis and class discussion. These cases are based on real management problems and dilemmas, but the identities of companies and managers have been disguised. They allow students to sharpen their diagnostic skills for management problem solving.

## MindTap’s Innovative Digital Features

Today’s leading digital platform, MindTap, gives you complete control of your course—equipping you to craft unique learning experiences that challenge students, build confidence, and elevate performance.

Use MindTap as-is or customize it to meet your specific needs. You can even integrate it easily into your institution’s Learning Management System (LMS). A MindTap presents complex concepts using a blend of engaging narrative and media assets clearly linked to assessments. So, students can start applying concepts to real-world situations from the beginning of your course with content that progresses from understanding core concepts to critical thinking and, ultimately, application.

**Product Features.** MindTap’s outcome-based learning design propels students from memorization to mastery. It’s the only platform today that gives you complete ownership of your course. With MindTap you can challenge every student, build confidence, and empower today’s learners to be unstoppable.

**Anchor Learning with Improved Learning Path Design.** MindTap helps students focus by dividing the Learning Path into groups of bite-size activities that are anchored to a single concept.

**Access Everything You Need in One Place.** Cut down on prep with preloaded, organized course materials in MindTap. Teach more efficiently with interactive multimedia, assignments, quizzes, and focused resources all on one screen.

**Control Your Course, Your Content.** Only MindTap gives you complete control of your course. You have the flexibility to reorder textbook chapters, add your own notes and embed a variety of

content, including OER. Personalize course content to your students' needs by editing question text or answer choices. They can even read your notes, add their own, and highlight key text to aid their progress.

**Count on Our Dedicated Team, Whenever You Need Them.** MindTap is not simply a comprehensive tool—it's a network of support from a personalized team eager to further your success. We're ready to help—from setting up your course to tailoring MindTap resources to meet your specific objectives. You'll be ready to make an impact from day one. And, we'll be right here to help you and your students throughout the semester—and beyond.

## MindTap Table of Contents

MindTap brings together quality learning and convenience through seamless, LMS integrated access to a curated set learning tools designed intentionally for the Principles of Management learner. Each MindTap follows a “Learn It, Apply It, Study It” structure that guides students through bite-sized learning exercises, followed by authentic scenario-based application opportunities and then gives them the necessary tools to prepare for quizzes and exams.

**Why Does [This Topic] Matter to Me?** Each part of the course is introduced in MindTap with a “Why Does [This Topic] Matter” to help showcase relevance and applicability of the material students are about to learn—in an engaging, fun format.

**Self-Assessments.** Online questionnaires ask students to answer questions related to the topic and automatically scores the assessment and provides feedback based on their answers. These self-assessments provide insight into what to expect and how students might perform in the world of the new management.

**Chapter-Level eBook.** Dynamic eBook brings the value, concepts, and applications of the printed text to life. Students open an active learning experience as each chapter provides opportunities to interact with content using the approach that's best for the individual learner.

**Learn It Activities.** New “Learn It” modules aligned to each learning objective and are designed to help students learn the basics of theories and concepts presented in a chapter through digestible summaries and randomized questions that help check their comprehension of the chapter material.

**Apply It.** “Apply It” Chapter Assignments and Case Activities bridge the understanding of concepts with their real-world applications in the practice of management.

**Study It.** The “Study It” module for each chapter includes Practice Tests powered by A+ Test Prep, a student-powered practice exam tool that allows them to tailor practice tests to fit their needs, and receive immediate feedback and links back to the material they need to review. The “Study It” module also contains digital flashcards to help students practice key terminology and a student-facing version of the PowerPoint slides that accompany the text.

### Additional Resources.

- **Concept Clips:** These short concept videos bring to life concepts from the text.
- **On the Job Videos:** These videos enhance the learning experience by giving students the chance to hear from real-world business leaders so they can see the direct application of the management theories they have learned.

**You Make the Decision.** Part level You Make the Decision mini-simulation activities build critical thinking and decision-making skills by challenging students to use what they know about concepts and theories in the context of a scenario as it unfolds. Throughout the scenario, the student would be provided with information and subsequently faced with decisions. The scenario can change dynamically based on the decisions the students make throughout the short simulation, resulting in different end points that showcase the consequences of the decisions made along the way.



## Of Special Interest to Instructors

Instructors will find a number of valuable resources available on our *Cengage Instructor Center*, accessed through your instructor account ([www.cengage.com](http://www.cengage.com)). These include the following:

**Instructor's Manual.** Designed to provide support for instructors new to the course, as well as innovative materials for experienced professors, the Instructor's Manual includes activities and assessments for each chapter and their correlation to specific learning objectives, an outline, key terms with definitions, a chapter summary, and ideas for engaging with students—such as discussion questions, ice breakers, case studies, and social learning activities that may be conducted in an on-ground, hybrid, or online modality.

**Cengage Learning Testing Powered by Cognero.** 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.

**PowerPoint Lecture Presentation.** The PowerPoint Lecture Presentations provide ample opportunities for generating classroom discussion and interaction. They offer ready-to-use, visual outlines of each chapter, which may be easily customized for your lectures.

**Guide to Teaching Online.** This guide presents technological and pedagogical considerations and suggestions for teaching the management course when you can't be in the same room with students.

**Transition Guide.** This guide highlights all of the changes in the text and in the digital offerings from the previous edition to this edition.

**Educator Guide.** This guide walks you through what the unique activities are in the MindTap, where you'll find them, and how they're built for easier curriculum integration.



# About the Authors

**Richard L. Daft, Ph.D.**, is the Brownlee O. Currey, Jr., Professor in the Owen Graduate School of Management at Vanderbilt University. Professor Daft specializes in the study of organization theory and leadership; he is a fellow of the Academy of Management and has served on the editorial boards of the *Academy of Management Journal*, *Administrative Science Quarterly*, and *Journal of Management Education*. He was the associate editor-in-chief of *Organization Science* and served for three years as associate editor of *Administrative Science Quarterly*.

Professor Daft has authored or co-authored 14 books, including *The Leadership Experience* (Cengage/South-Western, 2018), *Organization Theory and Design* (Cengage, 2021), *The Executive and the Elephant: A Leader's Guide for Building Inner Excellence* (Jossey-Bass, 2010), and *Understanding Management* (with Dorothy Marcic; Cengage, 2020). He has also written dozens of scholarly articles, papers, and chapters in other books. His work has been published in *Organizational Dynamics*, *Administrative Science Quarterly*, *Academy of Management Journal*, *Academy of Management Review*, *Strategic Management Journal*, *Journal of Management*, *Accounting Organizations and Society*, *Management Science*, *MIS Quarterly*, *California Management Review*, and *Organizational Behavior Teaching Review*. In addition, Professor Daft is an active teacher and consultant. He has taught management, leadership, organizational change, organizational theory, and organizational behavior.

Professor Daft has served as associate dean, produced for-profit theatrical productions, and helped manage a start-up enterprise. He has been involved in management development and consulting for many companies and government organizations, including the National Academy of Science, Aluminum Bahrain (Alba), Oak Ridge National Laboratory, Cardinal Healthcare, American Banking Association, AutoZone, Aegis Technology, Bridgestone, Bell Canada, Allstate Insurance, Vulcan Materials, the National Transportation Research Board, the Tennessee Valley Authority (TVA), State Farm Insurance, Tenneco, the U.S. Air Force, the U.S. Army, Eli Lilly, Central Parking System, Entergy Sales and Service, Bristol-Myers Squibb, First American National Bank, and the Vanderbilt University Medical Center.

**Dr. Dorothy Marcic** is a professor, writer, and playwright, whose productions have played in 92 cities, including more than nine years of her off-Broadway musical, *SISTAS*, which has also aired on *BET-TV*. She is an adjunct professor at Columbia University and a former professor at Vanderbilt University in Nashville. She was a Fulbright Scholar at the University of Economics-Prague, has three masters (including creative writing) and a doctorate, and is the author of 18 books, including the best-selling *Understanding Management* and *RESPECT: Women and Popular Music*. In 2003, Dorothy left full-time academia for playwrighting. She turned her *RESPECT* book into a musical (also called *This One's for the Girls*), tracing women's development through Top-40 music with content-analysis research of how women are depicted in popular music lyrics. Having been a delegate for 12 years to the United Nations Commission on the Status of Women, Dorothy recently wrote and produced a UN event for 1,500 people in the General Assembly Hall about ending harmful practices against girls and women. Michael Bolton and Ashley Judd were on the program. She has also been a consultant/speaker to such organizations as Hallmark, Ford Motor Company, Hewlett-Packard, the National Nursing Association, the Governor/Cabinet of North Dakota, the U.S. State Department, and USAA Insurance. Her recent project is a podcast, based on the true crime book, *With One Shot: Family Murder and the Search for Justice*, about the murder of her uncle. The Wondery podcast is called *MANslaughter* and garnered nearly 600,000 downloads in its first week.

She is the writer/story creator of three award-winning short films, *Great Expectations*, *Spillings*, and *Last Resort*. Dorothy is originally from Wisconsin and has also lived in Minneapolis, Phoenix, Pittsburgh, Prague, and now New York City. Dorothy started her career in the arts as a production assistant on the TV program, *Mister Rogers' Neighborhood* while in graduate school. She has appeared on C-SPAN, CMT, and Bravo Network and is on IMDB.



Courtesy of the Author



Francois Bonneau



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*Western Carolina University*
- Renee Nelms King  
*Eastern Illinois University*
- Gloria Komer  
*Stark State College*
- Paula C. Koughl  
*Western Oregon University*
- Cynthia Krom  
*Mount St. Mary College*
- Sal Kukalis  
*California State University—  
Long Beach*
- Mukta Kulkarni  
*University of Texas—San  
Antonio*
- Donna LaGanga  
*Tunxis Community College*
- William B. Lamb  
*Millsaps College*
- Ruth D. Lapsley  
*Lewis–Clark State College*
- Robert E. Ledman  
*Morehouse College*
- George Lehma  
*Bluffton College*
- Joyce LeMay  
*Bethel University*
- Cynthia Lengnick-Hall  
*University of Texas—San  
Antonio*
- Janet C. Luke  
*Georgia Baptist College of  
Nursing*
- Jenna Lundburg  
*Ithaca College*
- Walter J. MacMillan  
*Oral Roberts University*
- Iraj Mahdavi  
*National University*
- Myrna P. Mandell  
*California State University,  
Northridge*
- Daniel B. Marin  
*Louisiana State University*
- Michael Market  
*Jacksonville State University*
- Joan McBee  
*Southern Oregon University*
- Wade McCutcheon  
*East Texas Baptist College*
- James C. McElroy  
*Iowa State University*
- Tom D. McFarland  
*Tusculum College*
- Dennis W. Meyers  
*Texas State Technical College*
- Alan N. Miller  
*University of Nevada—Las  
Vegas*
- Irene A. Miller  
*Southern Illinois University*
- Tom Miller  
*Concordia University*
- W. J. Mitchell  
*Bladen Community College*
- James L. Moseley  
*Wayne State University*
- Micah Mukabi  
*Essex County College*
- David W. Murphy  
*Madisonville Community  
College*
- Nora Nurre  
*Upper Iowa University*
- Ross O'Brien  
*Dallas Baptist University*
- Tomas J. Ogazon  
*St. Thomas University*
- Allen Oghenejbo  
*Mills College*
- John Okpara  
*Bloomsburg University*
- Linda Overstreet  
*Hillsborough Community  
College*
- Ken Peterson  
*Metropolitan State University*
- Lori A. Peterson  
*Augsburg College*
- Clifton D. Petty  
*Drury College*
- James I. Phillips  
*Northeastern State University*
- Michael Provitiera  
*Barry University*
- Linda Putchinski  
*University of Central Florida*
- Abe Qastin  
*Lakeland College*
- Kenneth Radig  
*Medaille College*
- Gerald D. Ramsey  
*Indiana University Southeast*
- Holly Caldwell Ratwani  
*Bridgewater College*
- Barbara Redmond  
*Briar Cliff College*
- William Reisel  
*St. John's University—New  
York*
- Terry L. Riddle  
*Central Virginia Community  
College*
- Walter F. Rohrs  
*Wagner College*
- Meir Russ  
*University of Wisconsin—  
Green Bay*
- Marcy Satterwhite  
*Lake Land College*
- Don Schreiber  
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- Shanths Srinivas  
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Barbara Stasek <i>Pasco Hernando Community College</i>	John Todd <i>University of Arkansas</i>	Kevin Wayne <i>Rivier College</i>
Jeffrey Stauffer <i>Ventura College</i>	Kevin A. Van Dewark <i>Humphreys College</i>	Mark Weber <i>University of Minnesota</i>
William A. Stower <i>Seton Hall University</i>	Linn Van Dyne <i>Michigan State University</i>	Emilia S. Westney <i>Texas Tech University</i>
Mary Studer <i>Southwestern Michigan College</i>	Philip Varca <i>University of Wyoming</i>	Stan Williamson <i>Northeast Louisiana University</i>
James Swenson <i>Moorhead State University, Minnesota</i>	Dennis L. Varin <i>Southern Oregon University</i>	Alla L. Wilson <i>University of Wisconsin— Green Bay</i>
Thomas Sy <i>California State University— Long Beach</i>	Gina Vega <i>Merrimack College</i>	Ignatius Yacomb <i>Loma Linda University</i>
Irwin Talbot <i>St. Peter's College</i>	George S. Vozikis <i>University of Tulsa</i>	Imad Jim Zbib <i>Ramapo College of New Jersey</i>
Andrew Timothy <i>Lourdes College</i>	Noemy Wachtel <i>Kean University</i>	Vic Zimmerman <i>Pima Community College</i>
Frank G. Titlow <i>St. Petersburg Junior College</i>	Peter Wachtel <i>Kean University</i>	
	Bruce C. Walker <i>Northeast Louisiana University</i>	

I'd like to pay special tribute to my longtime editorial associate, Pat Lane. I can't imagine how I would ever complete such a comprehensive revision on my own. Pat provided truly outstanding help throughout every step of writing this edition of *Understanding Management*. She skillfully drafted materials for a wide range of chapter topics, features, and cases; researched topics when new sources were lacking; and did an absolutely superb job with the copyedited manuscript and page proofs. Her commitment to this text enabled us to achieve our dream for its excellence. I also express my gratitude to DeeGee Lester for drafting material for the "Creating a Greener World" features and for several of the cases in this edition.

Finally, I want to acknowledge the love and support from my daughters—Danielle, Amy, Roxanne, Solange, and Elizabeth—who make my life special during our precious time together. Thanks also to B. J., Kaitlyn, Kaci, Matthew, Nelson, Samantha, Phoenix, Roman, Reed, and Brielle for their warmth and smiles that brighten my life during our times together.

Richard L. Daft  
*Nashville, Tennessee*

Writing, though a solitary endeavor, depends on a community of relationships, both professional and personal. My colleagues at Columbia University, mentioned above, are an intellectual life-blood for me, while a host of friends nourish me emotionally and intellectually. They are scattered from New York City to Nashville, to California, Minnesota, Wisconsin, and all over the globe. Finally, I just give great gratitude to my daughters, who have become outstanding human beings, both personally and professionally, and have given me grandchildren of great energy, curiosity, and enthusiasm, who provide me with endless love and fascination.

Dorothy Marcic  
*New York City*



### Chapter Outline

#### Management Competencies for Today's World

- Leading-Edge Management Competencies
- The Trend Toward Bosslessness

#### The Basic Functions of Management Organizational Performance

#### Management Skills

- When Skills Fail

#### Challenges Facing New Managers

#### What Is a Manager's Job Really Like?

#### Manager Activities Manager Roles

#### Managing in Nonprofit Organizations

#### The Historical Struggle: The Things of Production Versus the Humanity of Production

#### Classical Perspective

- Scientific Management
- Bureaucratic Organizations
- Administrative Principles
- Management Science

#### Humanistic Perspective

- Early Advocates
- Human Relations Movement
- Human Resources Perspective
- Behavioral Sciences Approach

#### Management Thinking into the Future

- Managing the New Technology-Driven Workplace
- Managing the New People-Driven Workplace

#### The Historical Struggle: Is Artificial Intelligence the Answer?

### Learning Objectives

After studying this chapter, you should be able to:

- 1.1** Explain five management competencies and the trend toward bosslessness in today's world.
- 1.2** Define the four management functions and the type of management activity associated with each.
- 1.3** Explain the difference between efficiency and effectiveness, as well as their importance for organizational performance.
- 1.4** Describe technical, human, and conceptual skills and their relevance for managers.
- 1.5** Define the management types and roles that managers perform in organizations.
- 1.6** Explain the unique characteristics of the manager's role in nonprofit organizations.
- 1.7** Summarize the historical struggle between managing the "things of production" and the "humanity of production."
- 1.8** Describe the current uses of the management science approach and the major components of the humanistic management perspective.
- 1.9** Describe the management changes brought about by a technology-driven workplace and those that facilitate a people-driven workplace.
- 1.10** Explain how artificial intelligence may help bridge the historical struggle between managing the "things of production" and the "humanity of production."



# Take a Moment: Know Yourself

## Manager Achievement

Welcome to the world of management. Are you ready for it? This questionnaire will help you see whether your priorities align with the demands placed on today's managers.

**Instructions:** Rate each of the following items based on your orientation toward personal achievement. Read each item and, based on how you feel right now, check either Mostly True or Mostly False.

	Mostly True	Mostly False
1. I enjoy the feeling I get from mastering a new skill.	_____	_____
2. Working alone is typically better than working in a group.	_____	_____
3. I like the feeling I get from winning.	_____	_____
4. I like to develop my skills to a high level.	_____	_____
5. I rarely depend on anyone else to get things done.	_____	_____
6. I am frequently the most valuable contributor to a team.	_____	_____
7. I like competitive situations.	_____	_____
8. To get ahead, it is important to be viewed as a winner.	_____	_____

**Scoring and Interpretation:** Give yourself one point for each "Mostly True" answer. In this case, a *low score* is better. A high score means a focus on personal achievement separate from others, which is ideal for a specialist or individual contributor. However, a manager is a generalist who gets things done through other people. Spending time building relationships is key. A desire to be an individual winner may cause you to compete with your people, rather than to develop their skills. You would not succeed as a lone achiever who does not facilitate and coordinate others, which is the primary job of a manager. If you checked 3 or fewer as "Mostly True" answers, your basic orientation is good. If you scored 6 or higher, your focus may be on being an individual winner. You will want to shift your perspective to become an excellent manager.

## #Ready for Management?

Before reading this chapter, please circle either "Mostly True" or "Mostly False" for each of the five questions below.

1 I am good at multi-tasking.

Mostly True ◀.....▶ Mostly False

[see page 18]

2 I'd be a good manager because I enjoy telling people what to do.

Mostly True ◀.....▶ Mostly False

[see page 5]

3 I get easily distracted if I have frequent interruptions in my work.

Mostly True ◀.....▶ Mostly False

[see page 19]

4 I like to be systematic when solving problems.

Mostly True ◀.....▶ Mostly False

[see page 27]

5 I have a keen awareness of other people's needs.

Mostly True ◀.....▶ Mostly False

[see page 35]



Snapshot

“Jon is a businessman,” said former comanager David Munns. “He knows how to have a great-quality show, but he also knows how to be efficient with money.”<sup>1</sup>

Being efficient with money is one of the many management skills Bon Jovi also applies as chairman of the JBJ Soul Foundation, a nonprofit he formed in 2006 to combat hunger and homelessness. At the JBJ Soul Kitchen restaurants in New Jersey, people can either make a minimum donation or perform work at the restaurant in exchange for a meal. Bon Jovi implemented procedures to make sure no one knows which diners are paying guests and which are working for their meal. One regular says Bon Jovi and his wife run the place like it’s their own kitchen and pitch in to do whatever needs to be done when they come to the restaurant. “They’re like everybody else, except with better hair,” he said. During the COVID-19 pandemic in 2020, the restaurants shifted to carry out orders only for people in need, and Bon Jovi’s help was needed even more because of the limited number of volunteers. JBJ Soul Kitchen posted a photo on Instagram of Jon washing dishes, with the caption, “If you can’t do what you do . . . do what you can!”<sup>2</sup>

Good managers are needed in all types of both business and nonprofit organizations. The nature of management is to motivate and coordinate others to cope with diverse and far-reaching challenges. Managers set up the systems and conditions that help other people perform well. But managing is not easy, and many new managers are surprised by the quantity, variety, and scope of difficulties they encounter. Management missteps can damage an organization.



Snapshot

For example, Travis Kalanick, co-founder and former CEO of Uber, helped the company expand rapidly by applying his bold and competitive management style. However, the aggressive and combative corporate culture that this style instilled ultimately hurt Uber. Deception of government authorities and defiance of regulations around the world, accusations of theft of a rival’s technology, and charges of discrimination and sexual harassment damaged Uber’s public reputation. Inside the company, workers and managers were fighting against one another rather than working together for the good of the organization. Uber began losing significant market share to competitors in the United States and ceased operating in several countries. In 2018, Dara Khosrowshahi replaced Kalanick as CEO, with one of his primary goals to build a more collaborative culture and repair Uber’s reputation.<sup>3</sup> Khosrowshahi faces a tough challenge in maintaining Uber’s bold competitiveness while also instilling positive values of caring for and collaborating with others.

The field of management is undergoing a transformation that asks managers to do more with less, to engage employees’ hearts and minds as well as their physical energy, to see change rather than stability as natural, and to inspire a vision and cultural values that allow people to create a truly collaborative and productive workplace. This textbook introduces and explains the process of management and the changing ways of thinking about the world that are critical for managers.

Good management matters, as substantiated by a McKinsey Global Institute study. In collaboration with the Centre for Economic Performance at the London School of Economics and partners from Stanford and Harvard Universities, McKinsey collected data over a dozen years from roughly 14,000 organizations in more than 30 countries. The data show that well-managed companies have higher productivity, higher market value, and greater growth, as well

“In the late 1980s, it seemed inconceivable that Bon Jovi would last five years,” wrote one music historian. Yet more than three decades after the rock group was founded, it is still one of the world’s top-selling bands. Bon Jovi has been inducted into the Rock and Roll Hall of Fame, and Jon Bon Jovi regularly shows up on *Forbes* list of “America’s Wealthiest Celebrities.” The band has been so successful partly because its lead singer and namesake is a consummate manager. For example, as the group prepared for the launch of a recent tour, Jon Bon Jovi was hidden away in the arena for days, managing a tightly coordinated operation similar to setting up or readjusting a production line for a manufacturing business. Yet Bon Jovi is also performing other management activities throughout the year—planning and setting goals for the future, organizing tasks and assigning responsibilities, influencing and motivating band members and others, monitoring operations and finances, and networking inside and outside the organization.



as a superior ability to survive difficult conditions.<sup>4</sup> Companies such as Apple, Amazon, and Microsoft amply demonstrate that good management creates and sustains good organizations.<sup>5</sup>

By reviewing the actions of some successful and not-so-successful managers, you can learn the fundamentals of management. Later in this chapter, you will recognize some of the skills that managers use to keep organizations on track, and you will begin to understand how managers can achieve astonishing results through people. By the end of this book, you will understand the fundamental management skills for planning, organizing, leading, and controlling a department or an entire organization.

## 1-1 Management Competencies for Today's World

**Management** is the attainment of organizational goals in an effective and efficient manner through planning, organizing, leading, and controlling organizational resources, as Jon Bon Jovi does for his rock band and as chairman of the Jon Bon Jovi Soul Foundation. You will learn more about these four basic management functions later in this chapter.

### 1-1a Leading-Edge Management Competencies

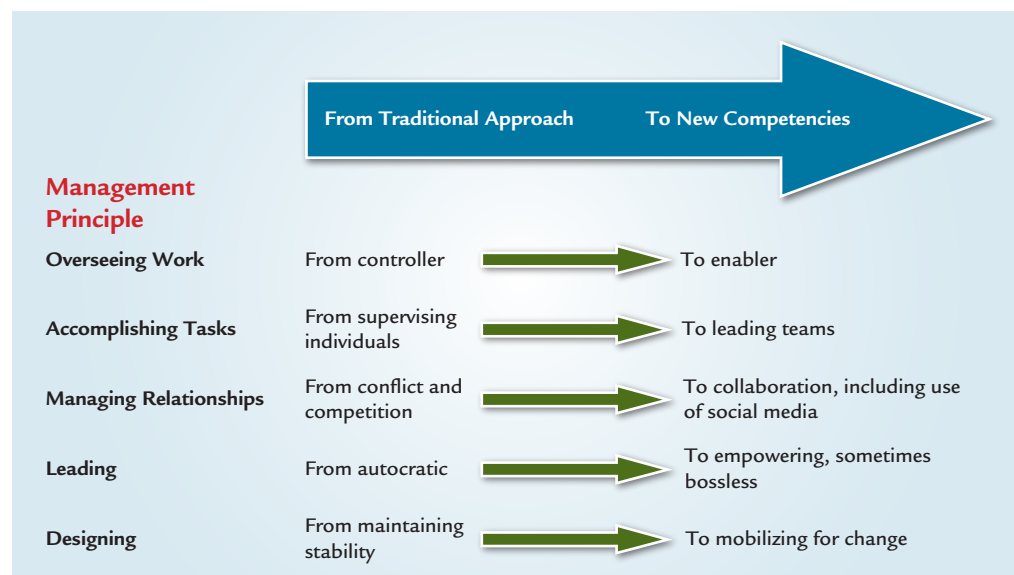
Certain elements of management are timeless, but environmental shifts also influence the practice of management. In recent years, rapid environmental changes have caused a fundamental transformation in what is required of effective managers. Technological advances such as social media and mobile apps, the move to a knowledge/information-based economy, the rise of artificial intelligence, global market forces, the growing threat of cybercrime, and shifting employee and customer expectations have led to a decline in organizational hierarchies and more empowered workers, which calls for a new approach to management that may be quite different from managing in the past.<sup>6</sup> Exhibit 1.1 shows the shift from the traditional management approach to the new management competencies that are essential in today's environment.

Instead of being a *controller*, today's effective manager is an *enabler* who helps people do and be their best.<sup>7</sup> Managers shape the cultures, systems, and conditions of work and then give people the freedom to move the organization in the direction it needs to go. They help people get what they need, remove obstacles, provide learning opportunities, and offer feedback, coaching, and career guidance. Instead of "management by keeping tabs," they employ an empowering leadership style. Much work is done in teams rather than by individuals, so team leadership skills are crucial. Managing relationships based on authentic conversation and collaboration is essential for successful outcomes.

"I was once a command-and-control guy, but the environment's different today. I think now it's a question of making people feel they're making a contribution."

—Joseph J. Plumeri,  
Former Chairman and CEO  
of Willis Group Holdings

### Exhibit 1.1 Management Competencies for Today's World



Also, as shown in Exhibit 1.1, today's best managers are "future-facing." That is, they design the organization and culture to anticipate threats and opportunities from the environment, challenge the status quo, and promote creativity, learning, adaptation, and innovation. Industries, technologies, economies, governments, and societies are in constant flux, and managers are responsible for helping their organizations navigate through the unpredictable with flexibility and innovation.<sup>8</sup>

The COVID-19 pandemic challenged many parts of the economy, with countless businesses going under. Restaurants were one segment hit especially hard. Hallie Meyer used her business acumen and creativity to reorganize the brand-new Caffè Panna shortly after it was forced to close down.



At age 26, Hallie Meyer opened her gelateria-influenced Caffè Panna just six months before the pandemic lockdown in New York City. Before the pandemic, Caffè Panna was serving their gelato-inspired ice cream in pints, in sundaes, in affogatos, and in scoops while patrons also sat at tables sipping coffee and eating pastries. It was heady times with multiple newspaper stories and a growing loyal customer base, who, like Meyer, were obsessed with ice cream, especially the frequent changing of selections and the freshness. "If you eat it today, it was made today," Meyer says. "We do our flavors weekly, if not daily, and we make everything in house." Such devotion to quality was instilled in Meyer when she started, in eighth grade, cooking dinners for her family—a practice she savored.

Then came the lockdown. On March 16, 2020, all restaurants were closed except for take-out and delivery. Almost overnight, cafés had to adapt to completely new requirements, with no end in sight, and over 4,000 eating establishments in New York City ending up closing in the coming months.

But Hallie Meyer knows how to pivot. She shuttered the café for two weeks to figure out what to do. There was no way to keep the previous 25 staff members, but could she manage to employ some of them? It was more important for certain team-members' well-being, and she really wanted to get ice cream to her loyal customers. At first, with two other staff, she opened a retail window one day a week selling pints, which had to be pre-ordered within a preset time slot. Then they added delivery with the pre-orders. When that went well, she began offering walk-up ordering because some people were starting to go outside again.

By now she is up to 19 employees, and the business is very streamlined. Hallie sees the pandemic as an opportunity for businesses to try new things, because no one would get angry if you changed it next week. Well, almost no one. . . . Currently there is no front-of-the-house wait-staff to take orders, service, and clean up, so staffing costs are less. Employees take orders at the window and fulfill them on the spot, as opposed to guiding guests through a line, tasting ice creams (something that is hard on all



JEEVAH MOON/The New York Times/Redux

ice cream shops and that the pandemic provides a good excuse out of!). Add that to the efficiencies she's made in ice cream production, and you have higher productivity with more focus on product volume. The store used to be open seven days a week, 12 hours a day, doing scoops, coffee bar, and pastries. Now they are open four days a week and focus on pints. Because they have increased other channels such as nationwide shipping and wholesale, only four retail days are needed to make the bottom line work. In fewer hours with less labor, the café makes more money in retail.

Caffè Panna sells pints and scoops at the walk-up, delivers locally, and has partnered with GoldBelly so they can ship their dry-iced products nationwide. In addition, they do wholesale business in a number of grocery stores and with other retailers. For example, they have partnered with a buffalo farmer, who delivers buffalo milk to them. They use the milk to make buffalo ice cream, which he then sells.

With the economy still in flux and plenty of other—often more convenient—ice creams available, does Meyer worry about losing business? She thinks not.

"Our customers come for the Oreo with peanut butter flecks," Meyer says. "They are literally flavor-obsessed."

SOURCES: Jackie Cooperman, "Hallie Meyer Charts Her Own Course," *Worth Magazine*, September 30, 2019; and Hallie Meyer, personal communication, January 2020.

Managers in all types of organizations are learning to apply the new management skills and competencies, and you will encounter some of them throughout this textbook. For example, today's sports teams reflect the shift toward new management ideas. In 2018, the New York Mets, the Washington Nationals, and the Boston Red Sox all replaced their team managers with younger, gentler leaders who demonstrated an ability to connect personally with players and to create a positive, nurturing, relationship-oriented environment. "It speaks to the importance of the personal qualities—communication, collaboration—as opposed to just what's going on on the field," said Mets former general manager Sandy Alderson, who is now a senior advisor with the Oakland A's. Alderson emphasizes that for today's team managers, a commitment to fostering relationships is "one of the most important aspects of the job description." Seattle Mariners manager Scott Servais agrees. Servais made a commitment to speak individually with each player every day, usually about something other than baseball. Many teams are also doing away with the traditional approach of yelling at players in favor of a softer, more caring method of motivation and correction.<sup>9</sup>



A similar approach is also being used more often in other types of organizations. Research has found that the "drill sergeant approach" doesn't go over well with many of today's employees, so managers in all types of organizations are using a softer, more collaborative style of management.

The shift to a new way of managing isn't easy for traditional managers who are accustomed to being "in charge," making all the decisions, and knowing where their subordinates are and what they're doing at every moment. Even more changes and challenges are on the horizon for organizations and managers. This is an exciting and challenging time to be entering the field of management. Throughout this book, you will learn much more about the new workplace, about the new and dynamic roles that managers are playing in the twenty-first century, and about how you can be an effective manager in a complex, ever-changing world.

## 1-1b The Trend Toward Bosslessness

A few organizations are even experimenting with a bossless design that turns management authority and responsibility over to employees. At least 18 organizations around the world, including French automotive components manufacturer FAVI; tomato processor Morning Star, based in Woodland, California; and Spain's diversified Mondragon Corporation, are operated as primarily bossless workplaces.<sup>10</sup> Although some management and human resource (HR) professionals and scholars question whether the bossless trend will last for long,<sup>11</sup> it is interesting to note that some of these companies have been operating without traditional bosses for decades. When Jean-François Zobrist took over as CEO of FAVI in 1983, he eliminated two things: the personnel department and the bosses. At FAVI, team spirit and autonomy are leading goals, and people on the front lines work directly with one another and with customers without someone looking over their shoulders.<sup>12</sup>

One reason for the trend toward bossless design is that how and where work gets done has shifted in major ways now that new technology enables people to work from home or other

### Recipe for Success } Morning Star

Many people are surprised to learn that the world's largest tomato processor is a company that has no titles or promotions, no hierarchy, and no managers. Morning Star, where 400 or so employees (called colleagues) produce more than \$700 million in annual revenue, relies on contract-style agreements called Colleague Letters of Understanding (CLOUs). If someone needs an expensive piece of equipment to fulfill their CLOU, they can buy it without seeking permission. Similarly, if a colleague needs an additional worker, they can go ahead and hire one. People

negotiate responsibilities and compensation with their peers and are expected to consult widely with colleagues before making major decisions. Everyone goes through training to learn how to work effectively as part of a team; how to handle the responsibilities of "planning, organizing, leading, and controlling" that are typically carried out by managers; how to balance freedom and accountability; how to understand and effectively communicate with others; and how to manage conflicts. "Around here," one colleague said, "nobody's your boss and everybody's your boss."<sup>13</sup>



locations outside a regular office. Many bossless companies, such as Valve Corporation, a leader in the PC gaming market, and Peakon, a maker of human resources and employee engagement software, operate in technology-related industries. Even so, companies as diverse as W.L. Gore & Associates (best known for Gore-Tex fabrics), Whole Foods Market (supermarkets), and Semco (diversified manufacturing) have succeeded with bossless structures.<sup>14</sup>

One particularly interesting example of bosslessness is tomato processor Morning Star.

A bossless work environment can have advantages, including increased flexibility, greater employee initiative and commitment, and better and faster decision making. However, bossless work environments also present new challenges. Costs may be lower because of reduced overhead, but money must be invested in ongoing training and development for employees so that they can work effectively within a bossless system. The culture also must engage employees and support the nonhierarchical environment.<sup>15</sup>

### Remember This

- Managers get things done by coordinating and motivating other people.
- **Management** is defined as the attainment of organizational goals in an effective and efficient manner through planning, organizing, leading, and controlling organizational resources.
- Turbulent environmental forces have caused a significant shift in the competencies required for effective managers.
- Traditional management competencies include a command-and-control leadership style, a focus on individual tasks, and a standardization of procedures to maintain stability.
- New management competencies include being an enabler rather than a controller, using an empowering leadership style, encouraging collaboration, leading teams, and mobilizing for change and innovation.
- Caffè Panna survived the pandemic by keeping to its core mission but reaching customers differently.
- Several Major League Baseball teams, including 2019 World Series champions the Washington Nationals, have hired new managers who demonstrate some of the new management competencies.
- A number of companies are experimenting with a bossless organization design that turns authority and responsibility over to people throughout the organization.

## 1-2 The Basic Functions of Management

“Good management is the art of making problems so interesting and their solutions so constructive that everyone wants to get to work and deal with them.”

—Paul Hawken,  
Environmentalist, Entrepreneur,  
and Author of *Natural Capitalism*

Every day, managers solve difficult problems, turn organizations around, and achieve astonishing performances. To be successful, every organization needs good managers. The famed management theorist Peter Drucker (1909–2005), often credited with creating the modern study of management, summed up the job of the manager by specifying five tasks.<sup>16</sup> In essence, managers set goals, organize activities, motivate and communicate, measure performance, and develop people. These five manager activities apply not only to top executives such as Tim Cook at Apple, Mary Barra at General Motors, and Kenneth Frazier at Merck, but also to the manager of a restaurant in your hometown, the leader of an airport security team, a supervisor at a Web hosting service, and the director of sales and marketing for a local business.

Performance should be measured in large and small organizations. When Thomas McQuillan was hired as Baldor’s Director of Food Sales and Sustainability, he saw a great deal of waste and an opportunity to help the company perform better and contribute positively to the environment.

The activities outlined in Exhibit 1.2 fall into four fundamental management functions: planning (setting goals and deciding activities), organizing (organizing activities and people), leading (motivating, communicating with, and developing people), and controlling (establishing targets and measuring performance). Depending on their job situation, managers perform numerous and varied tasks, but they all can be categorized within these four primary functions.



## Recipe for Success

### Urban Roots

Where someone sees waste, Thomas McQuillan, Baldor's Director of Food Sales and Sustainability, sees opportunity. Before he arrived, 150,000 pounds of waste were derived each week from the million pounds of produce delivered to Baldor's plant in the Bronx. What to do with the strawberry tops, carrot peels, onion skins, etc.? Previously, all went to the landfill. McQuillan believed that because it was food, it should be treated as food.

Currently, nothing is hauled to the dump. Skins and other parts of veggies are bagged and sold to chefs for soups or sauces. Fruit leftovers are offered to juiceries, which use them in cold-pressed juices. Non-edible waste, such as rind from cantaloupes, is used for animal feed.

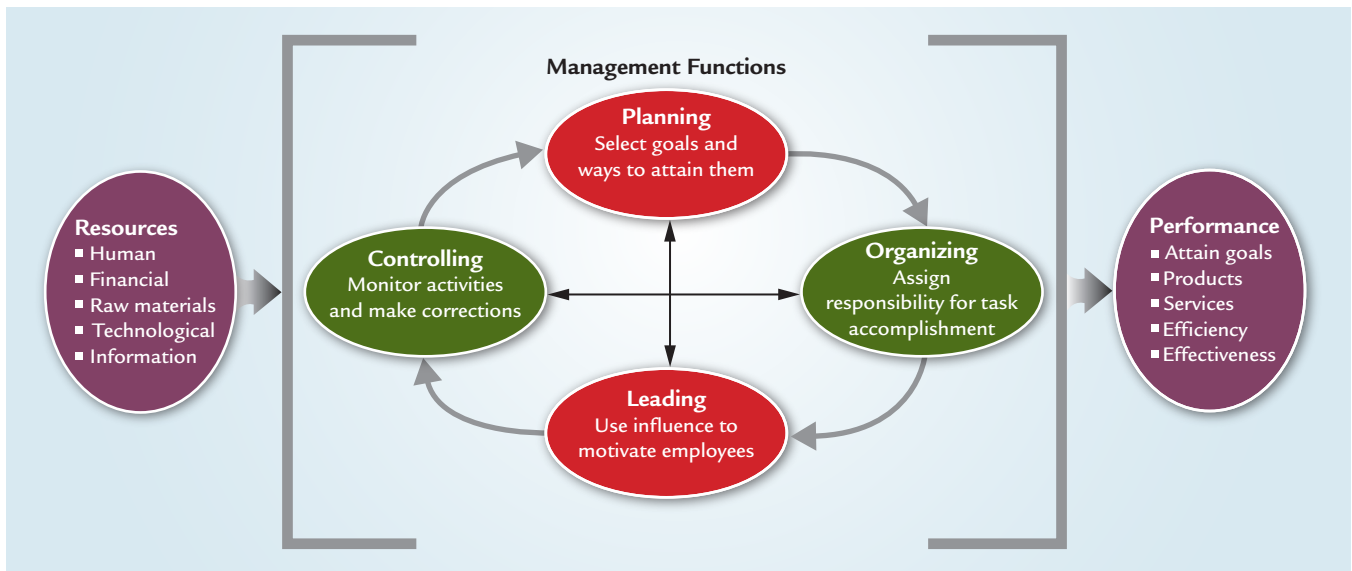
Baldor discovered it could blend scraps into completely new products and started a new line in organic food stores. Urban Roots sells items that derive from "dry vegetable blend," which contains 20 different veggies, dehydrated and crushed into a flourlike ingredient for gluten-free baked goods and other foods.

The new venture saves money because hauling scraps to the dump had cost 10 cents per pound, and it turns out that carrot scraps sell for 30 cents a pound. Who knew? Part of the challenge is getting the word out to food preparers, such as chef Adam Kaye. He uses the pale inner leaves of celery hearts for spice stocks, and he marinates the tough lettuce cores of lettuce heads. "We talk about the nose-to-tail approach in butchery," he says, and we need to "apply that same approach to vegetables."

McQuillan isn't stopping there. He's experimenting with reusing packaging and rethinking the unrecyclable produce containers in grocery stores. He is confident Baldor will find solutions. "We can do things differently."

SOURCES: "How One Company Has Built Sustainability Initiatives That Drive Meaningful Reductions in Food Waste," Refed.com, October 24, 2019; and Adele Peters, "Peel Appeal," *INC Magazine* (August 2017): 54–56.

### Exhibit 1.2 The Process of Management



### Concept Connection

John Stonecipher finds that as the president and CEO of Guidance Aviation, a high-altitude flight school in Prescott, Arizona, his job involves all four management functions. Once he's charted the course for the operation (**planning**) and put all the necessary policies, procedures, and structural mechanisms in place (**organizing**), he supports and encourages his 50-plus employees (**leading**) and makes sure that nothing falls through the cracks (**controlling**). Thanks to his strengths in all of these areas, the U.S. Small Business Administration named Stonecipher a National Small Business Person of the Year.



Don Bartlett/Los Angeles Times/Getty Images