**Chapter 1**

**Managers and Managing**

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**Learning Ob****jectives**

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

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

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

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

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

**LO1-6. *Discuss the principle challenges managers face in today’s increasingly competitive global environment***

**Key Definitions/Terms**

**Competitive advantage:** The ability of one organization to outperform other organizations because it produces the desired goods or services more efficiently and effectively than they do.

**Conceptual skills:** The ability to analyze and diagnose a situation and to distinguish between cause and effect.

**Controlling:** Evaluating how well an organization is achieving its goals and taking action to maintain or improve performance; one of the four principle tasks of management.

**Core competency:** The specific set of departmental skills, knowledge, and experience that allows one organization to outperform another.

**Department:** A group of people who work together and possess similar skills or use the same knowledge, tools, or techniques to perform their jobs.

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

**Efficiency:** A measure of how well or how productively resources are used to achieve a goal.

**Empowerment:** The expansion of employees’ knowledge, tasks, and decision-making responsibilities.

**First-line manager:** A manager who is responsible for the daily supervision of non-managerial employees.

**Global organizations:** Organizations that operate and compete in more than one country.

**Human skills:** The ability to understand, alter, lead, and control the behavior of other individuals and groups.

**Innovation:** The process of creating new or improved goods and services or developing better ways to produce or provide them.

**Leading:** Articulating a clear vision and energizing and enabling organizational members so that they understand the part they play in achieving organizational goals; one of the four principle tasks of management.

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

**Middle manager:** A manager who supervises first-line managers and is responsible for finding the best way to use resources to achieve organizational goals.

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

**Organizational structure:** A formal system of task and reporting relationships that coordinates and motivates organizational members so they work together to achieve organizational goals.

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

**Organizing:** Structuring working relationships in a way that allows organizational members to work together to achieve organizational goals; one of the four principal tasks of management.

**Outsourcing:** Contracting with another company, usually abroad, to have it perform an activity the organization previously performed itself.

**Planning:** Identifying and selecting appropriate goals; one of the four principle tasks of management.

**Restructuring:** Downsizing an organization by eliminating the jobs of large numbers of top, middle, and first-line managers and non-managerial employees.

**Self-managed team:** A group of employees who assume responsibility for organizing, controlling, and supervising their own activities and monitoring the quality of the goods and services they provide.

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

**Technical skills:** The job-specific knowledge and techniques required to perform an organizational role.

**Top manager:** A manager, who establishes organizational goals, decides how departments

should interact, and monitors the performance of middle managers.

**Top management team:** A group composed of the CEO, the COO, the president, and the heads of the most important departments.

**Turnaround management:** The creation of a new vision for a struggling company based on a new approach to planning and organizing to make better use of a company’s resources and allow it to survive and prosper.

**Chapter Overview**

Chapter 1 examines what management is including what managers do, and how they use resources to achieve organizational goals. The chapter highlights the four main functions of management (*planning, organizing, leading, and controlling*), exploring the levels of management (*first-line, middle, and top*) as well as the importance of three types of managerial skills (*conceptual, human, and technical*). The chapter concludes with a discussion of the major changes and challenges brought forth by *increased globalization and advancement in information technology* and competition faced by managers today.

**Lecture Outline**

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| **NOTE ABOUT INSTRUCTOR POWERPOINT SLIDES**  The Instructor PowerPoint Slides include most Student PowerPoint slides, along with additional material that can be used to expand the lecture. Images of the Instructor PowerPoint slides can be found at the end of this chapter on page 1-43. | **BASIC powerpoint slide 1**  **(Instructor’s POWERPOINT SLIDE 1)**  **Chapter 1: Managers and Managing** |

**A Manager’s Challenge (Pages 3-4 of text)**

***Hitting the Mark at Alcon Entertainment***

Scott Parish is the chief financial officer and chief operating officer of Alcon Entertainment, a Los Angeles-based entertainment production company. Alcon was started in 1997 by film producers (and former business students) Broderick Johnson and Andrew Kosove, who remain Alcon’s Chief Executive Officers (CEOs). Since its humble beginnings in a rented apartment, the company has grown into a respected and profitable enterprise, making hit movies such as *The Blind Side, P.S., I Love You*, and *What to Expect When You’re Expecting.*

Parish left a successful career in logistics and transportation to pursue his dream of working in the motion picture industry. Relocating from Mississippi to California, he took an hourly administrative job at a film production company to learn about the craft. By taking the initiative to develop his understanding of the entertainment business from the ground up, Parish was able to rise in management over the years. Now as a member of Alcon’s top team, he is credited with helping grow Alcon from a boutique film company into a respected creator of not just films, but of television shows and music as well.

However, maintaining Alcon’s growth is a significant challenge in a turbulent and changing entertainment business. Managers like Scott Parish must economically produce valuable content that earns profits. Film creation is a complex process. It can take years to shepherd a film from inception to distribution before audiences. As a result, significant planning is invested into production long before the cameras roll. Parish and Alcon’s leadership team are constantly on the lookout for innovative ideas that give them an edge at the box office, and must identify and produce ideas that have a strong potential to connect with an intended audience.

In addition to the challenges of managing film production in a competitive environment, Parish is helping lead Alcon in an entertainment industry being transformed by technological and economic change. Consumers increasingly prefer to watch content digitally, so Alcon has evolved to broaden the ways it distributes content. Previously, film production companies like Alcon worked with movie theaters and brick-and-mortar retailers to sell content. Although these distribution channels are still being used, Alcon’s content can now be found digitally on streaming subscription services such as Netflix, for download on Amazon Prime, and on other services. Alcon also retains the rights to its films, meaning it earns residual income from its catalog of film projects. With changing consumer tastes and a recession that has limited consumers’ disposable income, managers like Parish are challenged to find new ways of ensuring profitable content creation and distribution.

In a larger sense, the ease of transferring digital content has made digital piracy more prevalent, posing a significant threat to the entertainment industry. Piracy occurs when third parties distribute copyrighted materials that they do not own to others without permission from the copyright holder, typically for commercial gain. However, entertainment production companies receive revenues only when their content is purchased by retailers or consumers, meaning piracy has the potential to undermine the production of new movies, music, and television. Indeed, Alcon now adjusts its revenue projections to reflect the threats of piracy. However, the company is not responding passively to this new managerial challenge, but is taking action to mitigate the distribution and use of pirated content.

Running an entertainment company is difficult work. Managers like Scott Parish must help their companies stay creative and create profitable content in an industry rapidly evolving amid changing consumer tastes and technological change. This requires managers to represent the interests of the organization to the public and an increasingly complex array of external stakeholders.

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| **I. What Is Management?**   * All managers work in organizations. * **Organizations** are collections of people who work together and coordinate their actions to achieve a wide variety of goals or desired future outcomes. * Managers are the people responsible for supervising and making the most of an organization’s human and other resources to achieve its goals. * **Management** is the planning, organizing, leading and controlling of human and other resources to achieve organization goals effectively and efficiency. * An organization’s *resources* include assets such as people and their skills, know-how, and experience; machinery; raw materials; computers and information technology; and patents, financial capital, and loyal customers and employees.   **A. Achieving High Performance: A Manager’s Goal**   * One of the most important goals that organizations and their members try to achieve is to provide some kind of good or service that customers value or desire. * **Organizational performance** is a measure of how efficiently and effectively a manager uses resources to satisfy customers and achieve organizational goals. * **Efficiency** is a measure of how productively resources are used to achieve a goal. * A manager’s responsibility is to ensure that an organization and its members perform as efficiently as possible all the activities needed to provide goods and services to customers. * **Effectiveness** is a measure of the *appropriateness* of the goals that managers have selected for the organization to pursue and the degree to which the organization achieves those goals.   **B. Why Study Management?**   * Because managers decide how to use many of a society’s most valuable resources, they directly impact the wellbeing of a society and the people in it. Understanding what managers do and how they do it is of central importance to understanding how a society creates wealth and affluence for its citizens. * Studying management 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, solve conflicts between them, achieve team goals, and thus increase performance. * A person who has been working for several years and then returns to school for an MBA can usually, after earning the degree, find a more interesting, satisfying job that pays significantly more than the previous jobs. * Salaries increase rapidly as people move up the organizational hierarchy. * Salaries paid to top managers are enormous.   **II. Essential Managerial Tasks: Planning, Organizing, Leading and Controlling**   * Managers accomplish the company objectives by performing four essential managerial tasks: *planning, organizing, leading, and controlling.*   **A. Planning**   * To perform the **planning** task, managers identify and select appropriate organizational goals and courses of action; they develop *strategies* for how to achieve high performance. * The three steps involved in planning are: * Deciding which goals the organization will pursue * Deciding what strategies to adopt to attain those goals * Deciding how to allocate organizational resources to pursue the strategies that attain those goals * The outcome of planning is a **strategy**, a cluster of decisions about what goals to pursue, what actions to take, and how to use resources to achieve goals. * A *low-cost strategy* is a way of obtaining customers by making decisions that allow an organization to produce goods or services more cheaply than its competitors so it can charge lower prices than they do. * A *differentiation strategy* is a way of obtaining customers by making decisions that allow an organization to produce new, exciting, and unique goods or services. * Planning strategy is complex and difficult, especially because planning is done under uncertainty when the result is unknown so that either success or failure is a possible outcome of the planning process.   **B.Organizing**   * **Organizing** is structuring working relationships so organizational members interact and cooperate to achieve organizational goals. * The outcome of organizing is the creation of an **organizational structure**, a formal system of task and reporting relationships that coordinates and motivates members so they work together to achieve organizational goals.   **C.Leading**   * An organization’s *vision* is a short, succinct,and inspiring statement of what the organization intends to become and the goals it is seeking to achieve. * **Leading** is the articulation of a clear vision and energizing and enabling organizational members so they understand the part they are play in achieving organizational goals. * Leadership involves managers using their power, personality, influence, persuasion, and communication skills to coordinate people and groups so their activities and efforts are in harmony.   **D. Controlling**   * Controlling is the process of evaluating how well an organization is achieving it goals, and taking corrective actions to maintain or improve performance. * The outcome of the control process is the ability to measure performance accurately and regulate organizational efficiency and effectiveness. * To exercise control, managers must decide which goals to measure—perhaps goals pertaining to productivity, quality and responsiveness to customers—and then they must design control systems that will provide the information necessary to assess performance—that is, determine to what degree the goals have been met. * The controlling task also helps managers evaluate how well they themselves are performing the other three tasks of management—planning, organizing, and leading—and take corrective action.   **E. Performing Managerial Tasks: Mintzberg’s Typology**   * Henry Mintzberg, by following managers and observing what they actually *do* hour-by-hour and day-by-day, identified 10 kinds of specific roles, or sets of job responsibilities, that capture the dynamic nature of managerial work. * He grouped these roles according to whether the responsibility was primarily decisional, interpersonal, or informational; they are described in Table 1.1: * Decisional: * Entrepreneur * Disturbance Handler * Resource Allocator * Negotiator * Interpersonal: * Figurehead * Leader * Liaison * Informational: * Monitor * Disseminator * Spokesperson   **III. Levels and Skills of Managers**   * To perform the four managerial tasks efficiently and effectively, organizations group or differentiate their managers in two main ways—by level in hierarchy and by type of skill. * Organizations differentiate managers according to their level or rank in the organization’s hierarchy of authority. The three levels of managers are first-line managers, middle managers, and top managers—arranged in a hierarchy. * Organizations group managers into different departments (or functions) according to their specific job-related skills, expertise, and experiences, such as a manager’s engineering skills, marketing expertise, or sales experience. * A **department** is a group of people who work together and possess similar skills or knowledge, tools, or techniques to perform their jobs.   **A. Levels of Management**   * Organizations normally have three levels of management: first-line managers, middle managers, and top managers (Figure 1.3). * At the base of the managerial hierarchy are **first-line managers**, often called supervisors. They are responsible for daily supervision of the nonmanagerial employees who perform the specific activities necessary to produce goods and services. * Supervising the first-line managers are **middle managers**, responsible for finding the best way to use resources to achieve organizational goals. * **Top managers** establish organizational goals, decide how departments should interact, and monitor the performance of middle managers. They have *cross-departmental* responsibility. * The *chief executive officer* (CEO) is a company’s most senior and important manager, the one all other top managers report to. * The term *chief operating officer* (COO) often refers to the top manager who is being groomed to take over as CEO when the current CEO becomes the chair of the board, retires, or leaves the company. * Together the CEO and COO are responsible for developing good working relationships among the top managers of various departments; usually these top managers have the title “vice president.” * A central concern of the CEO is the creation of a smoothly functioning top management team, a group composed of the CEO, the COO, and the vice presidents most responsible for achieving organizational goals. * The relative importance of planning, organizing, leading, and controlling—the four principal managerial tasks—to any particular manager depends on the manager’s position in the managerial hierarchy. * The amount of time managers spend planning and organizing resources to maintain and improve organizational performance increases as they ascend the hierarchy (Figure 1.4).   **B. Managerial Skills**   * Both education and experience enable managers to recognize and develop the personal skills they need to put organizational resources to their best use. * Research has shown that education and experience help managers acquire and develop three types of skills: conceptual, human, and technical. * **Conceptual skills** are demonstrated in the general ability to analyze and diagnose a situation and to distinguish between cause and effect. * Top managers require the best conceptual skills because their primary responsibilities are planning and organizing. * Formal education and training are important in helping managers develop conceptual skills. * Today continuing management education and training, including training in advanced information technology (IT), are an integral step in building managerial skills because new theories and techniques are constantly being developed to improve organizational effectiveness. * Organizations may also wish to develop a particular manager’s abilities in a specific skill area. * **Human skills** include the general ability to understand, alter, lead, and control the behavior of other individuals and groups. * The ability to communicate, to coordinate, and to motivate people, and to mold individuals into a cohesive team, distinguishes effective from ineffective managers. * These skills can be learned through education and training, as well as be developed through experience. * ***Technical skills*** are the *job-specific* skills required to perform a particular type of work or occupation at a high level. * The array of technical skills managers need depends on their position in their organizations. * Managers and employees who possess the same kinds of technical skills typically become members of a specific department. * Figure 1.5 shows how an organization groups managers into departments on the basis of their job-specific skills. * The term **core competency** is often used to refer to the specific set of departmental skills, knowledge, and experience that allows one organization to outperform its competitors. * Departmental skills that create a core competency give an organization a *competitive advantage*. * Effective managers need all three types of skills—conceptual, human, and technical—to help their organizations perform more efficiently and effectively. * Developing new and improved skills through education and training has become a priority for both aspiring managers and the organizations they work for.   **IV. Recent Changes in Management Practices**   * Two major factors that have led to these changes are global competition and advances in information technology (IT).   **A.** **Restructuring and Outsourcing**   * **Restructuring** involves simplifying, shrinking, or downsizing an organization’s operation to lower operating costs. It downsizes an organization by eliminating the jobs of large numbers of top, middle, and first-line managers and nonmanagerial employees. * Modern IT’s ability to improve efficiency has increased the amount of downsizing in recent years because IT makes it possible for fewer employees to perform a given task. * **Outsourcing** involves contracting with another company, usually in a low-cost country abroad, to have it perform a work activity the organization previously performed itself. * Outsourcing increases efficiency because it lowers operating costs, freeing up money and resources that can be used in more effective ways—for example, to develop new products. * The need to respond to low-cost global competition has speeded outsourcing dramatically in the 2000s. In 2013, nearly 2.6 million U.S. jobs were outsourced offshore. * Large for-profit organizations today typically employ 10% to 20% fewer people than they did 10 years ago because of restructuring and outsourcing.   **B. Empowerment and Self-Managed Teams**   * **Empowerment** is a management technique that involves giving employees more authority and responsibility over how they perform their work activities. It is the expansion of employees’ knowledge tasks, and decision-making responsibilities. * IT is being increasingly used to empower employees because it expands employees’ job knowledge and increases the scope of their job responsibilities. * IT also facilitates the use of a **self-managed team**, a group of employees who assume collective responsibility for organizing, controlling and supervising their own work activities.   **V. Challenges for Management in a Global Environment**   * The rise of **global organizations**, organizations that operate and compete in more than one country, has pressured many organizations to identify better ways to use their resources and improve their performance. * Five major challenges stand out for managers in today’s world: * Building a competitive advantage * Maintaining ethical standards * Managing a diverse work force * Utilizing new information systems and technologies * Practicing global crisis management   **A. Building Competitive Advantage**   * **Competitive advantage** is the ability of one organization to outperform other organizations because it produces desired goods or services more efficiently and effectively than its competitors. * The four building blocks of competitive advantage are superior: * Efficiency * Quality * Speed, flexibility, and innovation * Responsiveness to customers * Organizations increase their efficiency when they reduce the quantity of resources they use to produce goods or services. * Many organizations are training their workforces in the new skills and techniques needed to operate heavily computerized assembly plants. * One major thrust to improving quality has been to introduce the quality-enhancing techniques known as *total quality management* (TQM). * Employees involved in TQM are often organized into quality control teams and are responsible for finding new and better ways to perform their jobs; they also must monitor and evaluate the quality of the goods they produce. * Today companies can win or lose the competitive race depending on their speed—how fast they can bring new products to market—or their flexibility —how easily they can change or alter the way they perform their activities to respond to actions of their competitors. * Companies that have speed and flexibility are agile competitors: Their managers have superior planning and organizing abilities; they can think ahead, decide what to do, and then speedily mobilize their resources to respond to a changing environment. * **Innovation**, the process of creating new or improved goods and services that customer want or developing better ways to produce or provide goods and services, poses a special challenge. * Managers must create an organizational setting in which people are encouraged to be innovative. * Organizations compete for customers with their products and services, so training employees to be responsive to customers’ needs is vital for all organizations, but particularly for service organizations. * Many organizations are empowering their customer service employees and giving them the authority to take the lead in providing high-quality customer service. * Sometimes the best efforts of managers to revitalize their organization’s fortunes fail; and faced with bankruptcy, the directors of these companies are forced to appoint a new CEO who has a history of success in rebuilding a company. * **Turnaround management** is the creation of a new vision for a struggling company based on a new approach to planning and organizing to make better use of a company’s resources and allow it to survive and prosper. * Achieving a competitive advantage requires that managers use all their skills and expertise, as well as their companies’ other resources, to find new and improved ways to improve efficiency, quality, innovation, and responsiveness to customers.   **B. Maintaining** **Ethical and Socially Responsible Standards**   * Managers at all levels, especially after the recent economic crisis, are under considerable pressure to make the best use of resources to increase the level at which their organizations perform. * Pressure to increase performance can be healthy for an organization because it leads managers to question how the organization is working, and it encourages them to find new and better ways to plan, organize, lead, and control. * However, too much pressure may induce managers to behave unethically, and even illegally, when dealing with people and groups inside and outside the organization. * The issue of social responsibility, centers on deciding what obligations a company has toward the people and groups affected by its activities—such as employees, customers, or the cities in which it operates.   **C. Managing a Diverse Workforce**   * A major challenge for managers everywhere is to recognize the ethical need and legal requirement to treat human resources fairly and equitably. * Today the age, gender, race, ethnicity, religion, sexual preference, and socioeconomic composition of the workforce present new challenges for managers. * To create a highly trained and motivated workforce, and to avoid lawsuits, managers must establish human resource management (HRM) procedures and practices that are legal and fair and do not discriminate against any organizational members. * Managers who value their diverse employees succeed best in promoting performance over the long run. * Today more organizations are realizing that people are their most important resource and that developing and protecting human resources is the most important challenge for managers in a competitive global environment.   **D. Utilizing IT and E-Commerce**   * Increasingly, new kinds of IT enable not just individual employees but also self-managed teams by giving them important information and allowing virtual interactions around the globe using the Internet. * Increased global coordination helps improve quality and increase the pace of innovation.   **E. Practicing Global Crisis Management**   * The causes of global crises or disasters fall into two main categories: * Natural causes—crises that arise because of natural causes, including hurricanes, tsunamis, earthquakes, famines, and diseases. * Human causes—human-created crises result from factors such as industrial pollution, poor attention to worker and workplace safety, global warming, and the destruction of the natural habitat or environment, and geopolitical tensions and terrorism. * Crisis management involves making important choices about how to: * Create teams to facilitate rapid decision making and communication * Establish the organizational chain of command and reporting the relationships necessary to mobilize a fast response * Recruit and select the right people to lead and work in such teams * Develop bargaining and negotiating strategies to manage the conflicts that arise whenever people in groups have different interests and objectives | **LO1-1: *Describe what management is, why management is important, what managers do, and how managers utilize organizational resources efficiently and efficiently and effectively to achieve organizational goals***.    **Student powerpoint slide 4**  **(Instructor’s POWERPOINT SLIDE 4)**  **Managers: Definition**    **Student powerpoint slide 5**  **(Instructor’s POWERPOINT SLIDE 5)**  **Management: Definition.**    **Student powerpoint slide 6**  **(Instructor’s POWERPOINT SLIDE 10)**  **Efficiency and Effectiveness**    **Instructor’s POWERPOINT SLIDE 11)**  **Why Study Management?**    **Instructor’s POWERPOINT SLIDE 12)**  **Why Study Management? cont.**  **LO1-2:** ***Distinguish among planning, organizing, leading, and controlling (the four principle managerial tasks), and explain how managers’ ability to handle each one affects organizational performance.***    **Student powerpoint slide 7**  **(Instructor’s POWERPOINT SLIDE 13)**  **Four Tasks of Management: Figure 1.2**  **TEXT REFERENCE*smallbus***  **MANAGER AS A PERSON**  ***Dennis Corsi: Flying High***  ***at Armstrong Consultants***  Dennis Corsi is president of Armstrong Consultants, a Colorado-based airport engineering consulting firm. Armstrong  Consultants works to help general and commercial aviation airports plan, engineer, and construct facilities that meet the needs of their customers. Corsi’s knowledge, experience, and managerial talent have helped Armstrong to become a leader in the region. Corsi helps clients coordinate with local, state, and federal agencies to comply with highly complex regulations. He has become knowledgeable about the industry from having inspected airfield facilities, and recommends corrective actions when needed.  **A. Planning examples**:   * Offering the right mix of facilities to accommodate the needs of pilots. Staying ahead of the curve when it comes to technological advancements in aviation.   **B**. **Organizing examples**:   * Helping clients coordinate with different agencies to comply with regulations and regulatory issues. * Maintaining a small fleet of aircraft to give employees better access to clients. Coordinating activities for multiple clients at once. Determining the staff of engineers, planners, environmental specialists, and construction managers appropriate for client projects.     **C**. **Leading examples:**   * Helping airports understand and accommodate the different needs of pilots and aircrafts. * Building and maintaining strong relationships with regulatory agencies, such as the Federal Aviation Administration. * Retaining and motivating the staff of engineers, planners, environmental specialists, and construction managers.   **D**. **Controlling examples**:   * Tracking progress towards meeting demanding service goals (avoiding excess costs, schedule slippages, measure progress). * Monitoring to ensure plans/designs meet regulations. * (Box in text on pages 8-9)     **(Instructor’s POWERPOINT SLIDE 20)**  **Decisional Roles**    **(Instructor’s POWERPOINT SLIDE 21)**  **Interpersonal Roles**    **(Instructor’s POWERPOINT SLIDE 22)**  **Informational Roles**  **LO1-3**: ***Differentiate among three levels of management, and understand the tasks and responsibilities of managers at different levels in the organizational hierarchy.***    **Student powerpoint slide 12**  **(Instructor’s POWERPOINT SLIDE 24)**  **Levels of Managers: Figure 1.3**    **(Instructor’s POWERPOINT SLIDE 25)**  **Levels of Management: First-line & Middle managers**    **(Instructor’s POWERPOINT SLIDE 26)**  **Top managers**  **LO1-4: *Distinguish between three kinds of managerial skills, and explain why mangers are divided into different departments to perform their tasks more efficiently and effectively.***    **Student powerpoint slide 13**  **(Instructor’s POWERPOINT SLIDE 28)**  **Managerial Skills**    **(Instructor’s POWERPOINT SLIDE 29)**  **Core competency**  **LO1-5: *Discuss some major changes in management practices today that have occurred as a result of globalization and the use of advanced information technology (IT).***    **(Instructor’s POWERPOINT SLIDE 30)**  **Restructuring**    **Student powerpoint slide 14**  **(Instructor’s POWERPOINT SLIDE 31)**  **Empowerment**  **LO1-6:** ***Discuss the principle challenges managers face in today’s increasingly competitive global environment***    **(Instructor’s POWERPOINT SLIDE 33)**  **Building competitive advantage**    **Student powerpoint slide 15**  **(Instructor’s POWERPOINT SLIDE 34)**  **Building Blocks of Competitive Advantage: Figure 1.6**  **TEXT REFERENCE**  **ethics in action**  **Apple Makes Sure Its Suppliers Don’t Fall Too Far from the Tree**  Apple has to coordinate with suppliers throughout the globe for materials including “conflict minerals,” such as tantalum, gold, tungsten, and tin. Some of these materials are mined in politically unstable countries and have standards of work that differ significantly from Western expectations. Apple has responded to complaints about physically and psychologically crippling working conditions by stepping up its supplier compliance and monitoring efforts. Through routine and surprise audits, interviewing workers, reviewing financial statements, and monitoring production practices, Apple has been able to report significant improvements in working conditions throughout its supply chain.  (Box in text on page 23).  **TEXT REFERENCE**  **ethics in action**  ***Digging Deep to Promote Workplace Safety***  In 2010, 29 coal miners were killed in a massive explosion in the Upper Big Branch South Mine in West Virginia. This tragedy brought the issue of mine safety to the national forefront. An investigation by the Mine Health and Safety Administration (MHSA) faulted Massey Energy, the company that managed the mine, for lax oversight and management practices. The Governor’s Independent Investigation Panel (GIIP), set up by the governor of West Virginia, also found Massey to blame. Massey’s management overlooked critical information that would have potentially  reduced the risk of an explosion, and the lack of leadership and careful control led to a tragic disaster. MSHA now reports that accident injury rates have dropped to historic lows, thanks to safer equipment, better safety programs, and a more cooperative attitude toward safety issues by the mining industry, labor, and government.    (Box in text on pages 26-27). |

**LECTURE ENHANCERS**

***Lecture Enhancer 1.1***

WHY COMPANIES FAIL

CEOs often attempt to explain poor corporate performance with external environmental factors outside of their control, such as a bad economy, market turbulence, or competitive subterfuge. A close study of corporate failure, however, suggests that most companies flounder because of managerial error, according to a recent article in Fortune Magazine. By failure, the article’s authors are referring to any type of dramatic fall from grace, which may or may not result in bankruptcy. Often these failures are years in the making and are unique to the company’s own industry and culture. Below is a list of some of the mistakes made by corporate leaders that often lead to the downfall of their organizations.

*Softened by Success*: A number of studies show that people are less likely to make optimal decisions after prolonged periods of success. NASA, Enron, Lucent, and WorldCom all had reached the mountaintop before they ran into trouble.

*See No Evil*: Author Jim Collins says that a litmus test of greatness within a company is its willingness to confront brutal facts head-on instead of trying to explain them away. Andy Grove and Gordon Moore of Intel passed this test. While watching their competitors change memory chips into a cheap commodity, they made the decision to exit the chip business and enter the microprocessor business. However, Polaroid and Xerox failed. Both were slow to confront the changing world around them and face the fact that their business models were no longer sustainable.

*Fearing the Boss More Than the Competition*: Sometimes CEOs don’t get the information they need because their subordinates are afraid to tell them the truth. Although it may not be CEOs intent, sometimes a subtle signal, such as sour expression or curt response, can signal that bad news is not welcome. An example is Samsung Chairman Lee Kun Hee’s 1997 decision to take the company into the automobile business. Knowing that this industry was crowded and plagued with overcapacity, many of Samsung’s top managers silently opposed this decision but were unwilling to confront their forceful leader. Samsung Motors closed after its first year of production.

*Listening to Wall Street more than to employees*: During the late 1990’s, Lucent’s CEO was delivering the top-line growth that Wall Street wanted, and in return, Wall Street lavished the company with attention. But as McGinn continued to perform for investors, he failed to listen to his own scientists, who feared the company was missing out on an important new technology, and his own salespeople, who realized that sales targets were becoming increasingly unrealistic.

*Strategy Du Jour*: When companies run into trouble, the desire for a quick fix can become overwhelming. The frequent result is illustrated by a description of A&P by author Jim Collins. “A&P vacillated, shifting from one strategy to another, always looking for a single stroke to quickly solve its problems. It held pep rallies, launched programs, grabbed fads, fired CEOs, hired CEOs, and hired them again.” Lurching from one silver bullet solution to another, the company never gained any traction.

Taken from the *Why Companies Fail*, by Ram Charan and Jerry Useem, published in the May 27, 2002 issue of Fortune Magazine.

## Lecture Enhancer 1.2

## WHY GOOD EMPLOYEES CAN BE BAD MANAGERS

You have a good employee, a hard worker, technically proficient. You promote him and it turns out to be a bad decision. You have promoted your best technical employee, and in the process, lose a good employee and gain a poor manager. How does this happen?

Good technical employees can make good managers, of course, but many do not. Good technical specialists—engineers, accountants, computer gurus, financial analysts, statistical experts—are more likely to have introvert personalities. Introverts prefer to work alone. They revel in painstaking details, meaningful paperwork, tedious activities, and precision. They can focus for hours on extracting meaningful data from mounds of information. The presence of ambiguity and clutter motivates them to find the “perfect solution.”

The traits that make technical experts successful actually get in the way of managing others. The world of the worker encourages them to seek precision and order. By contrast, the management role is messy, complicated, and ambiguous. Additionally, the sense of pride and reward for completing a task is missing.

Relationship complexities are more dynamic than task complexities. Management analysis must account for distasteful political elements, egos, pride, insecurities, envy, hurt feelings, and petty conflicts.

To make the successful transition to leadership, technical experts learn to rely more upon their instincts, insights, intuitions, and tolerance for human equations, underlying values, and their “feel” for things. Rational analysis is still important; it just is not sufficient.

**MANAGEMENT IN ACTION**

Notes for Topics for Discussion and Action

# Discussion

1. *Describe the difference between efficiency and effectiveness and identify real organizations you think are, or are not, efficient and/or effective.*

An organization’s performance is directly tied to the levels of efficiency and effectiveness exhibited by managers within the organization. Efficiency is described as a measure of how well or productively resources are used to achieve an organizational goal. Efficiency can be increased by minimizing inputs needed to achieve desired outputs. Effectiveness is a measure of the appropriateness of the goals chosen and the degree to which they are achieved. Organizations are more effective when managers choose appropriate goals and then achieve them.

2. *In what ways can managers at each of the three levels of management contribute to organizational efficiency and effectiveness?*

Efficiency is a measure of how well or productively resources are used to achieve a goal. First-line managers can contribute to organizational efficiency by instituting quality control procedures. Production should be monitored to ensure that the goods and services are produced without defects to prevent wasted materials, returned merchandise, and/or unsatisfied customers. The first-line manager should be very familiar with how his or her employees complete their tasks and responsibilities, meeting with them on a regular basis to discuss alternative methods that could save time and materials. Middle managers can contribute to organizational efficiency by finding ways to help first-line managers and employees better utilize resources in order to reduce manufacturing costs or improve the way services are provided to customers. They are responsible for ensuring that employees are properly trained and are equipped with the necessary skills and have access to the most efficient technology and machinery. Top managers can contribute to organizational efficiency by ensuring that departments throughout the company are cooperating with each other in the most efficient manner. It is important for them to determine if it is more economical to provide certain resources in-house (such as marketing, legal, accounting) or outsource these functions to external agencies.

Effectiveness is a measure of the appropriateness of the goals chosen and the degree to which they are achieved. First-line managers can contribute to organizational effectiveness by informing their employees of the expectations and goals that are set for them and discuss the best way to fulfill those goals and expectations. In addition, he or she might include the employees in setting appropriate goals that they both feel are obtainable. The first-line manager should periodically give feedback to his or her employees to let them know if they are on the right track in meeting pre-set goals and expectations. Middle managers can contribute to organizational effectiveness by evaluating whether or not the goals that an organization are pursuing are appropriate and by suggesting ways in which they could be changed. Top managers can contribute to organizational effectiveness by establishing appropriate organizational goals. They are responsible for deciding which goods and services the company should produce. In addition, they must monitor their middle managers throughout the organization to ensure that they are making the most effective use of their resources to accomplish goals.

3. *Identify an organization that you believe is high performing and one you believe is low performing. Give five reasons why you think the performance levels of the two organizations differ so much.*

(**Note to instructor:**Due to the nature of this question, individual answers may vary widely.Examples of factors affecting performance are listed.)

Organizations that operate at different performance levels (high vs. low performing organizations) may have many different factors affecting their performance:

* The high performing organization has managers who interact with and motivate employees, while the low performing organization has managers who are aloof and do not interact with or motivate employees directly, perhaps negatively affecting morale.
* The high performing organization has managers who set difficult but achievable goals for their employees.A low performing organization may not set goals, or the ones they do set are vague and difficult to attain.
* In a high performing organization, bonuses or rewards are directly tied to the company’s performance.In a low performing organization, bonuses or rewards are tied to other criteria, which may or may not include performance.
* High performing organization managers are able to delegate authority, and hold employees responsible for meeting organizational goals.Managers from low performing organizations may not be able to effectively delegate authority or hold employees responsible for achieving goals.
* Managers who solicitfeedback from employees on how to manage the organization efficiently and effectively and use this information wisely will likely have a higher performing organization than managers who refuse to listen to their employees’ suggestions for improving organizational performance.
* Managers in high performing organizations tend to take a “hands-on” approach to management, for example, visiting a production line and learning the day-to-day operations of an organization.Managers in low performing organizations tend to not take this approach, preferring to hear about problems or situations through indirect communication with employees.
* High performing organizations have managers who are able to choose appropriate goals to pursue, decide what courses of action to adopt to attain those goals, and allocate resources to attain those goals.In other words, these managers plan effectively.Low performing organizations may have managers who lack the ability to plan effectively.
* Managers in high performing organizations know how to organize, or how to establish relationships within the organization that allows employees to work together toward achieving organizational goals.Managers in low performing organizations may be ineffective in establishing these important relationships within their organization.
* Leading involves determining direction, articulating a clear vision for employees to follow, and energizing and enabling employees so they understand the part they play in achieving organizational goals.High performing organizations have effective leaders, while low performing organizations have ineffective leaders who are unable to encourage employees to perform at a high level.
* High performing organizations have managers who are proficient at controlling, or evaluating how well the organizations achieve their goals, and are capable of taking corrective action to maintain and improve performance. Low performing organizations may have managers who are unable to evaluate and adapt to changing performance needs.

4. *What are the building blocks of competitive advantage? Why is obtaining a competitive advantage an important to managers?*

The four building blocks of competitive advantage are increasing efficiency, increasing quality, increasing speed, flexibility and innovation, and responsiveness to customers.

Organizations can increase efficiency by reducing the resources they use to produce their goods or services. Organizations can increase the quality of the goods and services they produce by implementing, monitoring, and evaluating procedures to reduce the amount of defective products that reach the customer. Organizations can increase innovation by encouraging employees to think creatively to create new products or methods of completing tasks. Also, organizations need to take risks to follow through in implementing the best employee ideas. Organizations can increase responsiveness to customers by providing customer service to address the needs of the customer during and subsequent to their purchase.

Obtaining competitive advantage is an important aspect of management today because organizations compete in a global environment.Often, organizations face competitors who are able to provide the same goods and services for a lower price because they utilize lower cost resources from foreign countries.

5. *In what ways do you think managers’ jobs have changed the most over the last 10 years? Why have these changes occurred?*

Many new challenges face today's managers, including changes in the workforce, the environment, and organizational cultures themselves. As the workforce becomes increasingly diverse, managers must establish HRM procedures that are legal, fair, and do not discriminate among any organizational members. Managers must recognize the performance enhancing benefits of a diverse workforce and develop strategies and practices that take advantage of different kinds of people.

In addition to effectively managing diversity, managers must be prepared to compete in an increasingly globalized environment. The breakdown of barriers between formerly distinct economies has forced companies to improve performance in order to compete successfully with companies around the world.Managers can learn to keep their competitive advantage by achieving superior efficiency, increasing quality, increasing innovation, and increasing responsiveness to customers.In order to achieve these goals, managers must encourage creativity in finding new ways to use resources efficiently, empower their employees to monitor and evaluate quality, reward risk taking, and encourage employees to provide outstanding customer service.

The nature of a manager’s job has also changed in response to the shift in industry concentration of the United States from manufacturing to a more service oriented emphasis.This has caused a modification in the nature of the work performed and mandated a greater emphasis on personal relations and leadership skills.

In addition, managers need to take advantage of the technological advances that offer opportunities to increase responsiveness to customers, improve quality, facilitate communication, and increase the rate of innovation.Organizations that can harness the power of these new technologies and information systems to increase performance will maintain a competitive advantage in an increasingly complex business environment.

# Action

6. *Choose an organization such as a school or a bank, visit it, and then list the different kinds of organizational resources it uses.* *How do managers use these resources to maintain and improve its performance?*

(**Note to instructor:**Due to the nature of this question, individual answers may vary widely.An example of a school is provided below.)

In order to provide the best educational environment for its students, George Washington High School makes use of many organizational resources from within and outside of the school.Internal resources include department heads (e.g., social studies, math, science, English, etc.) that closely manage the teachers in their department, the roster office that handles scheduling, counseling and psychological services that provide testing and guidance for students, the athletic department that provides organized and competitive sports in which many students participate, the custodial and maintenance workers that handle the physical needs of the building such as cleaning, heating and repairs, secretaries that help with administration functions, the public address system for communication, computers used for teaching andorganizing information, finances received from school district to purchase books, supplies and equipment, and the cafeteria that provides meals for both students and teachers.

G.W.H.S. also utilizes resources external to the organization. They include the surrounding community and organizations within it, the local police department, as well as private organizations that provide mentorship and internships for students.As in most localities, G.W.H.S. falls under the jurisdiction of a local school district that provides administrative support, training, curriculum support, information technology, research, and supplemental facilities maintenance.All resources, whether obtained internally or externally, are essential to the successful operation of this school.

7. *Visit an organization and talk to first-line, middle, and top managers about their respective management roles in the organization and what they do to help the organization be efficient and effective.*

(**Note to instructor:**Due to the nature of this question, individual answers may differ widely, though students should address the following points in their answers.)

Managers at various levels within an organization have different but related types of responsibilities for utilizing organizational resources to increase efficiency and effectiveness. First-line managers have the day-to-day responsibility of supervising the employees who actually perform the activities necessary to produce goods and services.Given the knowledge of day-to-day operations that first-line managers have, they are often in a good position to make suggestions to middle managers on how processes can be made more effective and efficient.

Middle managers supervise first-line managers and are also responsible for finding the best way to combine human and other resources to achieve organizational goals.Middle managers increase efficiency by finding ways to help first-line managers and non-management employees better utilize resources in order to reduce manufacturing costs and or improve the way services are provided to customers.To increase effectiveness, middle managers are responsible for evaluating whether or not the goals that an organization is pursuing are appropriate and for suggesting ways in which they could be changed.Since achieving these goals efficiently is the main focus, middle managers try to find the best ways to use organizational resources.They also nurture and develop in others the organizational skills that are necessary for an organization to be efficient and effective.

Top managers are at the apex of the managerial pyramid.They are responsible for supervising all the departments in an organization, and deciding how the different departments can cooperate and work together to achieve organizational goals. They are ultimately responsible for the success or failure of an organization.Top managers are responsible for establishing appropriate organizational goals and monitoring the performance of each department in achieving those goals. Most of their time is devoted to planning and organizing resources to maintain and improve efficiency and effectiveness, which determine an organization’s long-term performance.

8. *Ask a middle or top manager, perhaps someone you already know to give examples of how he or she performs the management functions of planning, organizing, leading, and controlling. How much time does he or she spend in performing each task?*

Mark Jayton is a production manager at clothing manufacturing company.In our discussion he informed me that he performs all four management functions in varying degrees.He spends time at the end of each month, quarter, and year developing departmental budgets, goals, and strategies for the upcoming period. After completing these strategic plans, he must disseminate them to both his superiors and subordinates.He spends time organizing on a weekly basis as he determines which project team should work on which production line and in what order the projects should be completed. This ensures that human and material resources are used to their full capacity.Mark devotes some time each day to motivating his employees and is always available to listen to their concerns and suggestions, which exemplifies leading. Also, Mark regularly monitors the performance of his department at all levels so that he can be proactive in dealing with any issues or problems that could arise, which exemplifies controlling.

9. *Like Mintzberg, try to find a cooperative manager who will allow you to follow him or her around for a day. List the types of roles the manager plays and how much time he or she spends performing them.*

Peter Johnson is the manager of a real-estate office.This job requires him to perform many of the roles identified Mintzberg.Peter acts as a *figurehead* since he is the person who symbolizes to others his organization and what it is seeking to achieve.As a *leader*, he models for his field agents the appropriate ways to behave in the organization with his professional manner and enthusiasm. As a *disseminator,* he informs field agents about changes occurring within the industry and local communities that his office serves. Another important part of Peter’s job is that of *liaison*, as he attempts to establish beneficial working relationships between his organization and various community organizations, as well as the local government. As a *monitor*, Peter evaluates the performance of his field agents and makes suggestions to improve their level of performance.He also works as a *resource allocator* who decides how to distribute resources such office space and computer hardware and software throughout the organization. Finally, as a *negotiator*, Peter resolve differences of opinion that sometimes arise within the office.

AACSB: Analytic, Reflective Thinking

**BUILDING MANAGEMENT SKILLS**

**Thinking About Managers and Management**

1. *Think of your direct supervisor. Of what department is he or she a member and at what level of management is this person?*

Janice Lewis is an audit manager at a large accounting firm.Her position is considered middle-management since she reports to the partners of the firm and is responsible for managing the supervisors who closely monitor the staff associates on a day-to-day basis.

2. *How would you characterize your supervisor’s approach to management? For example, which particular management tasks and roles does this person perform most often? What kinds of management skills does the manager have?*

Janice performs the four functions of management to different degrees. She is involved in *planning* when she determines strategies for soliciting customers and recruiting new employees. She also determines which of his supervisors and staff associates would be best suited to work with certain clients. Janice performs the *organizing* function by choosing team members that will work together to achieve the goals that she has assigned them. She needs to coordinate the efforts of the support staff, such as the tax department, whose services are essential in completing the project. She also needs to allocate her staff appropriately so that all of the firm’s client needs are met in a timely manner. When beginning a new project, Janice exercises her *leadership* skills by holding meetings with the entire staff to communicate goals for the project and empower the staff to complete their assigned tasks. Her confident nature coupled with her accounting expertise motivates her team to enthusiastically tackle the challenges that she has assigned each of them. She continues to *control* the project by holding weekly meetings with her team to assess their progress and provide necessary feedback. She reviews the work that they have completed and makes recommendations for any necessary changes. At this point she determines whether her team is on schedule with the budget and, if necessary, how they can better manage their time.

Janice performs many of the interpersonal, informational and decisional roles coined by Mintzberg. Within the category of interpersonal roles, she is required to act as a *figurehead, leader and liaison* among and between her team members. She performs informational roles by *monitoring* technical and client specific information and *disseminating* the necessary information to clients and staff. She acts as a *spokesperson* when she represents the firm at various meetings, presentations and recruiting events. Within the category of decisional roles, she must act as an *entrepreneur* in determining what lines of business are best to solicit, a *disturbance handler* when any unforeseen events effect the progress of her team, a *resource allocator* in determining which employee should work on which project, and a *negotiator* when she must resolve conflicts with other managers regarding the scheduling of her team members.

Janice possesses tremendous technical and human skills. Her technical skills include her ever increasing accounting expertise as well as her up to date knowledge of the issues facing her clients and their industry. She exercises her human skills every time she interacts with supervisors, staff associates, partners, support staff, and clients.

3. *Do you think the tasks, roles, and skills of your supervisor are appropriate for the particular job he or she performs? How could this manager improve his or her task performance? How can IT affect this?*

Janice possesses the functions, roles and skills that are necessary for her to effectively manage her project teams, while also satisfying the customer and soliciting new business on a regular basis.However, she could work on his conceptual skills.At times she has trouble seeing the big picture when it comes to managing the careers of his employees. She is very good at ensuring that she has the best people on his team and that they are equipped with the technical skills needed for that project, but is lacking when it comes to the development needed for them to progress to the next level.She has a habit of handling the more technically difficult aspects of the project instead of involving team members so that they will become more proficient in those areas.

Clearly, Janice needs to do a better job of empowering her employees. She should considering delegating additional technical tasks to teams of employees, serving as their coach instead of providing direct supervision, and using IT to monitor the progress of those teams.

4. *How did your supervisor’s approach to management affect your attitudes and behavior? For example, how well did you perform as a subordinate and how motivated were you?*

As a result of the functions she performed, the skills she possessedand the roles she fulfilled, I found that Janice’s management style had a positive effect on my attitudes and my work performance.I was very motivated to provide top quality work and eager to please a well-respected figurehead in my organization.To make up for any deficiency in Janice’s conceptual skills of “seeing the big picture,” I found myself feeling more responsible for my future growth and development.This did not prevent me from performing to my full potential, it merely meant that I needed to spend my own time and energy to ensure that I gained the additional skills and knowledge that I did not learn while working on Janice’s projects.

5. *Think of the organization and its resources. Do its managers utilize organizational resources effectively? Which resources contribute most to the organization’s performance?*

Being a service oriented organization made it necessary to ensure that organizational resources were utilized most effectively and efficiently.In a service organization the “human” resources are the most valuable resources that the company possesses.The accounting firm has an entire department devoted to the scheduling functions of employees to project teams in response to managers’ requests.In addition, they have an in-house educational department that spends a great deal of time and money on employee training and development.

6. *Describe the way the organization treats its human resources. How does this treatment affect the attitudes and behaviors of the workforce?*

To a great extent this accounting firm values its most precious resource, its employees.They organize social functions on a regular basis during the busiest times of the year to reward employees for hard work and provide some relaxation.In addition, employees are rewarded monetarily for overtime worked and receive bonuses annually which are based on performance.Problems do arise when managers are extremely demanding of their project teams and require them to meet unreasonable budgets.As a result, employees feel forced to neglect their personal obligations and needs.Fortunately, the human resource department monitors the hours worked by all employees and consults with managers when their teams are working an exorbitant number of hours.In response to the professional nature of the firm and the high level of respect for it by most employees, the vast majority of employees are extremely motivated and self-driven.

7. *If you could give your manager one piece of advice or change one management practice in the organization, what would it be?*

I would suggest to Janice that he take a more proactive role in the management of her subordinate’s careers. By looking at the “big picture” she can help to develop, which would enable smoother transitions as their careers progressed. If she would include subordinates in the more difficult tasks of the project, they could benefit tremendously while gaining the experience and exposure necessary to enter the future ranks of management.

8. *How attuned are the mangers in the organization to the need to increase efficiency, quality, innovation, or responsiveness to customers? How well do you think the organization performs its prime goals of providing the goods or services that customers want or need the most?*

The managers at this accounting firm are constantly faced with pressure from upper management to increase efficiency while increasing the quality of the services rendered.Since time budgets are extremely important and used as a measurement of success, actual hours spent are measured against budgeted hours on a regular basis.Managers are open to suggestions from supervisors and staff associates about how to provide the same service in a more timely fashion, as long as the intended purpose is served and quality is not compromised.Managers are responsible for reviewing the work performed by their project teams and require that errors and omissions are attended to on a timely basis.In a service-oriented environment it is essential that the organization be responsive to customer needs.Therefore, any successful manager is constantly in touch with his or her clients and keeps abreast of any issue that is or will potentially affect his or her client’s financial or economic health.

AACSB: Reflective Thinking

**MANAGING ETHICALLY**

1. *Either by yourself or in a group, give three reasons why you think the behavior was unethical. For example, what rules or norms were broken? Who benefited or was harmed by what took place? What was the outcome for the people involved?*

Responses to this set of questions will differ, based upon the varying experiences of students. Examples of unethical behavior might including observing an employee intentionally mislead customers to generate sales, padding expense accounts, falsifying credentials on a resume, or accepting expensive gifts from suppliers eager to improve business relationships with their client. Dishonesty is unacceptable regardless of the circumstance. Employees should be careful to avoid conflicts of interest that may cause others to question their integrity. Although those involved in such unethical situations may perhaps benefit in the short run, in the long run they harm not only their customers and their companies, but also themselves.

2. *What steps might you take to prevent such unethical behavior and encourage people to behave in an ethical way?*

Managers should establish an organizational code of ethics and make all employees aware that they are expected to abide by it. Training sessions for employees regarding ethical expectations are also helpful. Most critical is that managers always engage in ethical conduct themselves, so that they can set an example for others.

AACSB: Reflective Thinking.

**SMALL GROUP BREAKOUT EXERCISE**

**Opening a New Restaurant**

1. *Decide what each partner’s managerial role in the restaurant will be. For example, who will be responsible for the necessary departments and specific activities? Describe your management hierarchy.*

(**Note to instructor:**Due to the nature of this question, individual answers may differ widely. Students should address the roles of first-line managers, middle managers, and top managers.

A middle manager is needed to manage daily operations and to ensure that resources are utilized efficiently. The middle manager is responsible for purchasing ingredients, maintaining an organized floor plan, and for training, motivating, and rewarding the kitchen and wait staff. Middle managers will also evaluate operations to determine if goals are being met, and if they are not, make suggestions regarding change. First line managers, sometimes called supervisors or team leaders, are needed for morning, afternoon, and evening shifts to coordinate and manage wait staff and kitchen staff activity.

The primary investors should serve as top managers who are ultimately responsibility for the restaurant’s success or failure. They will make all key decisions regarding marketing, financial management, compensation structure, etc.

2. *Which building blocks of competitive advantage do you need to establish to help your restaurant succeed? What criteria will you use to evaluate how successfully you are managing the restaurant?*

Success ofa new restaurant will require a competitive advantage.This restaurant will need to provide food service more efficiently and effectively than its competitors if it is going to survive.The restaurant will need to achieve superior efficiency, quality, innovation, and responsiveness to customers.

Middle managers can increase efficiency by finding suppliers who have competitive prices and who are flexible in their ordering processes.Management can also increase efficiency by effectively training kitchen staff and wait staff to perform at a high level.

Quality in food and service will also help ensure the success of the restaurant.Wait staff should be encouraged to be friendly and professional, while kitchen staff should be encouraged to use high quality ingredients and methods for preparing food.The restaurant must be kept clean and attractive to provide a pleasant dining experience.

In addition to providing quality food and service, employees should be empowered to be creative and develop better ways of doing things.Weekly or biweekly staff meetings should make use of employee suggestions for promoting new menu items or increasing customer feedback.

Responsiveness to customers is vital to service organizations such as restaurants.The success of the restaurant depends on the staff to provide quality food and service at reasonable cost.Employees should be empowered to do whatever it takes to satisfy customers and make their dining experiences pleasant.

To evaluate the success of the restaurant, management should examine financialsuccess, occupancy numbers, customer feedback, employee satisfaction, and media reviews.Evaluating both qualitative and quantitative measures of success will allow management to maintain, or if necessary, revise, organizational goals and procedures.

3. *Discuss the most important decisions that must be made about (a) planning, (b) organizing, (c) leading, and (d) controlling, to allow you or your partners to use organizational resources effectively and build a competitive advantage.*

Management must plan, which involves deciding which goals an organization should pursue, what courses of action to adopt to attain those goals, and how to allocate organizational resources to attain those goals.The partners need to decide if they will focus on food quality, low prices, speed of service, or uniqueness of style in the restaurant.

In organizing, or establishing the structure of working relationships between organizational members that best allows them to work together to achieve organizational goals, management must decide how to structure the reporting system and hierarchy of authority so that problems can be solved quickly.Employees need to know to whom they can turn to give suggestions and make their voices heard.

In leading, management must coordinate the behaviors of all restaurant staff, resulting in a high level of motivation and commitment from everyone.A fair and adequate compensation system and bonuses tied to good performance would likely result in high performance and commitment.

In controlling, management must decide how they will evaluate how well the organization is achieving its goals.Sales revenue generation, customer satisfaction, and profitability would seem to be appropriate measures for evaluation of goal attainment.

4. *For each managerial task, list the issues to solve, and decide which roles will contribute the most to your restaurant’s success.*

(Note to instructor:Due to the nature of this question, student responses may vary.The following are examples.)

*Planning*:Determining organizational goals, developing strategies that will lead to competitive advantage, and developing budgets that determine how financial resources will be allocated.

*Organizing*:Deciding how many employees will be needed, writing job descriptions (job design), and the creation of an organizational structure that coordinates employees so that they work together efficiently to achieve an organization’s goals.

*Leading*:Articulating a clear vision for employees to follow, empowering and motivating employees.

*Controlling:* Establishing control systems that allow managers to readily measure and evaluate progress toward goal attainment.

AACSB: Analytic, Reflective Thinking

**EXPLORING THE WORLD WIDE WEB**

Planning

Mike Curb owns and operates one of the world’s leading independent music companies. Curb Records is considered to be the oldest record company in the United States that is still being managed by its founder. Curb is both the founder and the Chairman of Curb Records, giving him top decision-making status in the organization. His experience as a songwriter and producer have informed his ability to make successful decisions as a record company owner, including launching the careers of numerous recording artists across over 12 musical genres.

**Organizing**

Curb has founded several subsidiary companies to Curb Records, such as Curb Entertainment International Corp. These subsidiaries are run by trusted managers (Curb’s sister, for example) to keep music and film ventures separate. Decisions are made and resources are organized around managing artists in over 12 musical genres.

**Leading**

Curb has received numerous awards to recognize his contributions to the music industry, including the lifetime achievement award, Nashvillian of the Year, and a star on the Hollywood Walk of Fame. He has also worked in public service and politics. These awards are motivating towards to continued success in the recording industry.

To create a successful record label, Curb records establishes a climate of empowerment through fostering collaborative song writing and recording projects.

**Controlling**

Curb records has achieved 433 number one records, over 1,500 Top Ten records, and charted over 4,500 records.

AACSB: Analytic, Reflective Thinking

**BE THE MANAGER**

***Questions:***

1. *What kinds of organizing and controlling problems is Achieva suffering from?*

During its early stages, it is very common for a company’s organizational structure to be very informal. However, as a company expands, its management must deal with a new set of organizational issues resulting from that expansion. In this case, management must determine how to group programmers into departments based upon their job-specific tasks, and also lay out lines of authority and responsibility. This will curb current problems resulting from its loose, informal structure. Also, a control system that allows management to assess employee performance is needed. This will allow employees who deserve recognition to be readily identified and rewarded. It will also help to ensure that all programmers are held to the same set of standards and thus treated fairly.

2. *What kinds of management changes need to be made to solve them?*

An organizational chart must be designed and an employee performance evaluation system must be put in place. Additionally, management must develop an organizational culture that reinforces values and norms consistent with the company’s objectives, such as innovation, open communication, and fairness. Also it appears that critical leadership tasks are being ignored. Managers must listen to employee ideas and act upon the good ones. This will improve company morale and help retain valuable employees.

AACSB: Analytic

**CASE IN THE NEWS**

***Case Synopsis:* Elon Musk is in an Empire State of Mind**

Despite the current trend of outsourcing resources (Uber and AirBnB outsource the “messy” ownership of cars and hotels), Elon Musk is building an infrastructure to allow SolarCity to manufacture its own solar panels. Musk has acquired Silveo, a manufacturer of high-quality solar panels, and plans to build his solar panels in Buffalo, New York (Silveo’s former site), in the now-defunct Republic Steel mill. The move will garner the company numerous tax, goodwill, and distribution benefits.

The expansion into manufacturing solar panels comes at an unusual time in the industry’s history. Prices for panels have fallen for several years, owing in a large part to the influx of cheap Chinese panels. In the past, SolarCity purchased the cheap panels and sold them to customers at a markup.

Innovation-wise, Musk and Peter Rive, Musk’s cousin and SolarCity’s co-founder, hope to increase Silveo’s production capacity from the current 32 to 1,000 megawatts. SolarCity already installs one out of three solar panels installed in the United States and is hoping to increase that level by controlling every step of the manufacturing and sales process.

Musk and Rive are planning for the day when government subsidy for installation of solar panels disappears. “What we are trying to address is not the lay of the land today,” the company wrote in a blog post, “but how we see the future developing. Without decisive action to lay the groundwork today, the massive volume of affordable, high-efficiency panels needed for unsubsidized solar power to outcompete fossil fuel grid power simply will not be there when it is needed.”

**Questions:**

1. *What management challenges is Elon Musk facing as he prepares SolarCity to make its own solar panels?*

SolarCity is entering the low-cost arena dominated by China and other developing countries with plans to use American workers and technology. SolarCity will be competing against well-entrenched Chinese providers making high volumes of low-quality, low-cost panels. Musk must find ways to keep costs below that of his rivals to take advantage of the tax and distribution benefits offered by New York state. He must also increase customer demand for solar panels despite the likelihood government subsidies disappear, which will have a negative impact on demand. Additionally, he needs to find ways to differentiate the quality of his high-quality panels from the lower-cost/lower-quality alternatives. With the goals of high quality and low cost, his company risks getting “stuck in the middle.” His use of affordable financing and pricing options will be important to his success.

2. *How is Elon Musk responding to these challenges?*

Elon Musk is following a vertical integration strategy to become a low-cost provider. His SolarCity company has acquired Silveo, a maker of high-quality solar panels. He is taking advantage of existing tax benefits gained by repurposing a defunct steel mill in Buffalo, New York. His selection of that site also gives him the advantage of recruiting workers in an area with unemployment rates around eight percent. He can anticipate positive benefits to his company’s reputation by bringing jobs and industry to an area needing an infusion of capital and employers.

3*. Search the web. How is SolarCity performing?*

The company has yet to see a profit. A proposed merger between SolarCity and Tesla motors has created some controversy. *The Wall Street Journal* cites concerns over burdening Tesla’s cash position due to SolarCity’s debt (more than $3 billion in long-term debt) and an ongoing need for capital (SolarCity spent $766 million in 2015, more than twice its revenue). Those in favor of the merger point to the importance of demonstrating confidence in Elon Musk, Tesla, and SolarCity’s Chairman and largest stockholder.

Source: <http://www.wsj.com/articles/more-than-money-at-stake-in-teslas-solarcity-deal-1474903454>

AACSB: Reflective Thinking

**SUPPLEMENTAL FEATURES**

**The following material is available as Interactives through Connect.**

**VIDEO CASE**

**MANAGER’S HOT SEAT (MHS)**

There is no recommended MHS for Chapter 1.

**INSTRUCTOR’S POWERPOINT SLIDES**

These Instructor’s PowerPoint slides can be used to supplement the lecture material.

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| **Instructor’s powerpoint**  **slide 1**  **Chapter Title** | **Instructor’s PowerPoint**  **Slide 2**  **Learning Objectives** | **INSTRUCTOR’S pOWERPOINT**  **SLIDE 3**  **Learning Objectives cont.** |
|  |  |  |
| **INSTRUCTOR’S POWERPOINT SLIDE 4**  **What is Management?**  **Organizations** | **INSTRUCTOR’S POWERPOINT SLIDE 5**  **Managers: definition** | **INSTRUCTOR’S POWERPOINT SLIDE 6**  **Management: definition.** |
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| **INSTRUCTOR’S POWERPOINT SLIDE 7**  **Resources** | **INSTRUCTOR’S POWERPOINT SLIDE 8**  **Organizational Performance** | **INSTRUCTOR’S POWERPOINT SLIDE 9**  **Efficiency and Effectiveness: Figure 1.1** |
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| **INSTRUCTOR’S POWERPOINT SLIDE 10**  **Efficiency & Effectiveness** | **INSTRUCTOR’S POWERPOINT SLIDE 11**  **Why Study Management?** | **INSTRUCTOR’S POWERPOINT SLIDE 12**  **Why Study Management? cont.** |
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| **INSTRUCTOR’S POWERPOINT SLIDE 13**  **Four Tasks of** **Management**: **Figure** 1.2 | **INSTRUCTOR’S POWERPOINT SLIDE 14**  **Steps in the Planning Process** | **INSTRUCTOR’S POWERPOINT SLIDE 15**  **Example – Dell Computers** |
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| **INSTRUCTOR’S POWERPOINT SLIDE 16**  **Organizing** | **INSTRUCTOR’S POWERPOINT SLIDE 17**  **Organizational Structure** | **INSTRUCTOR’S POWERPOINT SLIDE 18**  **Leading** |
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| **INSTRUCTOR’S POWERPOINT SLIDE 19**  **Controlling** | **INSTRUCTOR’S POWERPOINT SLIDE 20**  **Decisional Roles** | **INSTRUCTOR’S POWERPOINT SLIDE 21**  **Interpersonal Roles** |
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| **INSTRUCTOR’S POWERPOINT SLIDE 22**  **Informational Roles** | **INSTRUCTOR’S POWERPOINT SLIDE 23**  **Areas of Managers** | **INSTRUCTOR’S POWERPOINT SLIDE 24**  **Levels of Managers: Figure 1.3** |
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| **Instructor’s POWERPOINT SLIDE 25**  **Levels of Management: First-line & Middle managers** | **INSTRUCTOR’S POWERPOINT SLIDE 26**  **Top managers** | **INSTRUCTOR’S POWERPOINT SLIDE 27**  **Relative Amount of Time That Mangers Spend on the Four Managerial Functions: Figure 1.4** |
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| **Instructor’s powerpoint slide 28**  **Managerial Skills** | **Instructor’s POWERPOINT SLIDE 29**  **Core Competency** | **Instructor’s powerpoint slide 30**  **Restructuring** |

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| **Instructor’s powerpoint slide 31**  **Empowerment** | **Instructor’s powerpoint slide 32**  **Challenges for Management in a Global Environment** | **Instructor’s powerpoint slide 33**  **Building Competitive Advantage** |
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| **Instructor’s powerpoint slide 34**  **Building Blocks of Competitive Advantage: Figure 1.6** | **Instructor’s powerpoint slide 35**  **Example – Spectrum Health** | **Instructor’s powerpoint slide 36**  **Turnaround Management** |
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| **Instructor’s powerpoint slide 37**  **Maintaining Ethical and Socially Responsible Standards** | **Instructor’s powerpoint slide 38**  **Managing a Diverse Workforce** | **instructor’s powerpoint slide 39**  **Practicing Global Crisis Management** |
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| **Instructor’s powerpoint slide 40**  **Video Case: Fed Ex** |  |  |
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