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7e

# MANAGEMENT FUNDAMENTALS

CONCEPTS, APPLICATIONS, AND SKILL DEVELOPMENT

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# 1 Management and Its History

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## IDEAS ON MANAGEMENT

### at Netflix

The idea of Netflix came to Reed Hastings when he was forced to pay \$40 in overdue fines after returning a video well past its due date. Netflix was founded in 1997 by Hastings and Marc Randolph. Today, Netflix is the world's leading Internet television network with over 57 million members in nearly 50 countries enjoying more than 2 billion hours of TV shows and movies per month, including original series, documentaries, and feature films.

Hastings continues to run the company as founder and chief executive officer (CEO). He was named *Fortune's* "Businessperson of the Year," and Netflix is ranked second among *Fortune's* "World's Most Admired Companies" in the entertainment industry after Disney. So how did Hastings do it? We will answer the Ideas on Management (IOM) questions below throughout the chapter to give you a better understanding of how managers run successful companies.

**IOM 1.** What resources does Netflix use to sell its entertainment?

**IOM 2.** Which of Hastings's management skills has led to Netflix's success?

**IOM 3.** What management functions are performed at Netflix?

**IOM 4.** What level manager is Hastings, and which of his skills and functions are more important to Netflix's success?

You'll find answers to these **IOM** questions throughout the chapter. **Go to the Internet:** To learn more about Hastings and Netflix, visit [www.netflix.com](http://www.netflix.com).

Source: Information for the case was taken from the Netflix website, [www.netflix.com](http://www.netflix.com), accessed March 24, 2015; "World's Most Admired Companies," *Fortune* (March 1, 2015); "Businessperson of the Year," *Fortune* (2010).

You will find a box before all of the major sections with Learning Outcomes to alert you to the sections that contain the important concepts you should know. The answer to the LO is provided in the section and summarized in the Chapter Summary at the end of the chapter.

### Why Study Management?

As you will learn, applying management skills can help you succeed in both your personal life and your professional life. It's natural at this point to be thinking, "What can I get from this book?" or "What's in it for me?" These common questions are seldom asked or answered directly.<sup>1</sup> The short answer is that the better you can work with people—and this is what most of this book is about—the more successful you will be both personally and professionally.<sup>2</sup>

Do you want to be happy? Well, happiness comes from our relationships.<sup>3</sup> Relationships are important.<sup>4</sup> **LinkedIn** cofounder **Reid Hoffman** says job satisfaction and success comes from relationships at work.<sup>5</sup> Do you prefer generous or selfish people?<sup>6</sup> One thing to realize is that people who are generous—not self-centered, just looking out for number one—are the happiest and most successful. Former **Land O'Lakes** CEO **Jack Gherty** said that he became successful, and that his

### LEARNING OUTCOMES

After studying this chapter, you should be able to:

- 1-1. Describe a manager's responsibility. **PAGE 2**
- 1-2. List the three skills of effective managers. **PAGE 4**
- 1-3. Explain the four management functions and the three management role categories. **PAGE 6**
- 1-4. Recall the hierarchy of management levels and describe the differences among the levels in terms of skills needed and functions performed. **PAGE 10**
- 1-5. Summarize the major similarities and differences between the classical and behavioral theorists. **PAGE 14**

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## Mintzberg on Management

company is doing so well, because he focuses on helping other people win. CEO of LinkAmerica Andrés Ruzo says the more you give, the more you get back.<sup>7</sup> CEO of XPRIZE Peter Diamandis says the best way to become a billionaire is to help a billion people.<sup>8</sup>

As management guru Henry Mintzberg said, “No job is more vital to our society than that of a manager.”<sup>9</sup> If you are a manager, or want to be a manager someday, you need good management skills to be successful.<sup>10</sup> But even if you are not interested in being a manager, you still need management skills to succeed in today’s workplace. The old workplace, in which managers simply told employees what to do, is gone.<sup>11</sup> Today, employees want to be involved in management, and organizations are recruiting employees with people skills who can work effectively in teams and share in decision making and other management tasks.<sup>12</sup> Unfortunately, it has been said that new college grads lack the ability to manage or lead.<sup>13</sup>

This book can help you develop management skills that you can apply in your personal and professional lives. In this chapter, you will learn what management is all about, and we will begin the discussion of how you can develop your management skills.

## L01-1

Describe a manager’s responsibility.

## What Is a Manager’s Responsibility?

### Managers and the Organizational Resources They Manage

A **manager** is responsible for achieving organizational objectives through efficient and effective utilization of resources. *Efficient* means doing things right so as to maximize the utilization of resources. *Effective* means doing the right thing in order to attain an objective. Facebook Chief Information Officer (CIO) Timothy Campos says his job is to use information technology (IT) to enable the efficiency and effectiveness of the company.<sup>14</sup> Management consultant Stanley McChrystal of McChrystal Group says it’s the relationships and processes you set up that make the firm effective.<sup>15</sup>

The **manager’s resources** are human, financial, physical, and informational. These resources are limited,<sup>16</sup> and managers need to integrate them efficiently and effectively to be successful at implementing strategies<sup>17</sup> to meet objectives,<sup>18</sup> especially the resources to make and/or deliver products and services.<sup>19</sup> The resources are listed in Exhibit 1–1.

**Human Resources.** Human resources are people, often referred to as *human capital*, and people are organizations’ most valuable asset.<sup>20</sup> Managers are responsible for getting the job done through employees, so people are essential to organizational performance as they are the ones to achieve the organizational objectives.<sup>21</sup> Throughout this book, we will focus on how managers work with employees to accomplish organizational objectives.

**Financial Resources.** It takes money to make money, and without proper finances, you don’t have a business. Hastings invested \$2.5 million in startup cash for Netflix.<sup>22</sup> Most managers have a budget stating how much it should cost to operate their department/store for a set period of time. In other words, a budget defines the financial resources available.

**Physical Resources.** Getting the job done requires effective and efficient use of physical resources. Managers are responsible for making the products and services and keeping equipment in working condition and ensuring that necessary products, materials, and supplies are available when needed. Amazon has thousands of products in 96 distribution centers around the world to provide fast delivery of the products it sells.<sup>23</sup>

**manager** The individual responsible for achieving organizational objectives through efficient and effective utilization of resources.

**manager’s resources** Human, financial, physical, and informational resources.

**Informational Resources.** You need information to set objectives and make decisions on how to use your resources to attain the objectives.<sup>24</sup> Information should be based on knowledge, and information should flow freely throughout the organization and between organizations.<sup>25</sup>

**Resources and Performance.** Managers have a profound impact on the performance of their organizations.<sup>26</sup> So how you manage the four resources affects organizational performance.<sup>27</sup> The level of organizational **performance** is based on how effectively and efficiently managers utilize resources to achieve objectives. Managers are responsible for and evaluated on how well they meet organizational strategies and objectives through utilization of resources.<sup>28</sup> Selecting the right resources—being effective—and using them efficiently results in high levels of performance.<sup>29</sup>

Netflix's (IOM 1) resource needs have changed over the years. People still remain critical to operating the entertainment, especially its original TV shows and movies. Hastings started Netflix with \$2.5 million of his own money, and today membership subscriptions are its source of income. The entertainment content (TV and movies) and the Internet equipment used to stream it are critical physical resources. Getting information from subscribers on what they want to view (such as *House of Cards*) on Netflix is important to entertainment selection.

## A Manager Interview

This interview with **Bonnie Castonguay**, a store manager for **Gap Inc.**, provides an overview of the manager's job and responsibility.

**Q:** What was your progression to your present job as store manager?

**A:** I started as a store manager in training. I replaced a woman on maternity leave as acting store manager, and then I had my first store. After a while, I was promoted to larger stores with more sales volume. A few years later, I was promoted to manager of [a] Gap outlet store. . . . My next career advancement is to general manager. . . . I would still be in one store, but I would assist the district manager by overseeing other stores in my district.

**Q:** Briefly describe your job.

**A:** Gap Inc.'s two-page "Position Overview Store Management" form, which also contains a detailed summary for each level of management, presents this general summary: "The Store Management team manages the sales, operations, and personnel functions of the store to ensure maximum profitability and compliance with company procedures. The Team includes Assistant Managers, Associate Managers, the Store Manager, and/or the General Manager."

**Q:** What do you like best about being a manager?

**A:** You don't have time to get bored on the job because you are always doing something different.

**Q:** What do you like least about being a manager?

**A:** Dealing with difficult performance problems of employees and customers, and always being on call. When I'm not at work, I'm still on call when there are problems at the store. This could mean going to the store at 2:00 A.M. to shut off the alarm.

### EXHIBIT 1-1

## MANAGEMENT RESOURCES

Management Resources
Human
Financial
Physical
Informational

### WORK APPLICATION 1-1

*Describe the specific resources used by a present or past boss. Give the manager's job title and department.*

**performance** Means of evaluating how effectively and efficiently managers utilize resources to achieve objectives.

- Q: What advice would you give to college graduates without any full-time work experience who are interested in a management career after graduation?
- A: You need to be dedicated and hardworking. You must take great pride in your work. You have to be willing to take on a lot of responsibility. Remember, your employees are always looking to you to set the example; when you make a mistake (which you will do), it affects your staff. You have to be a self-starter. As a store manager, you have to motivate employees, but your boss is not around much to motivate you.

## LO1-2

List the three skills of effective managers.

## WORK APPLICATION 1-2

Identify a specific manager, preferably one who is or was your boss, and explain what makes him or her successful or unsuccessful. Give examples.



Henry Mintzberg

**management skills** The skills needed to be an effective manager, including technical, interpersonal, and decision-making skills.

**technical skills** The ability to use methods and techniques to perform a task.

**interpersonal skills** The ability to understand, communicate with, and work well with individuals and groups through developing effective relationships.

## What Does It Take to Be a Successful Manager?

Although managers' jobs vary, researchers generally agree on a set of qualities, skills, and competencies necessary to be a successful manager.

### Management Qualities

Over the years, numerous researchers have attempted to answer the question "What does it take to be a successful manager?" In a *Wall Street Journal* Gallup survey, 782 top executives in 282 large corporations were asked, "What are the most important traits for success as a supervisor?"<sup>30</sup> Before you read what these executives replied, complete the Self-Assessment on management traits to find out if you have these qualities. It is said that self-awareness<sup>31</sup> and self-assessment<sup>32</sup> are crucial for improvement in the workplace. So you will have the opportunity to complete self-assessments in every chapter.

The executives in the Gallup survey identified integrity, industriousness, and the ability to get along with people as the three most important traits for successful managers.

### Management Skills

*Skills* involve the ability to perform some type of activity or task. **Management skills** include (1) *technical*, (2) *interpersonal*, and (3) *decision-making skills*. Because management skills are so important, the focus of this book is on skill building. If you work at it, you can develop your management skills through this course.

**Technical Skills.** **Technical skills** involve the ability to use methods and techniques to perform a task. All employees need technical skills to perform their jobs. A manager may develop a budget (managerial job) using **Microsoft Excel®** (technical skill). Technical skills are more important for employees than managers, and they vary widely from job to job; therefore, this course does not focus on developing these skills.

**Interpersonal Skills.** **Interpersonal skills** involve the ability to understand, communicate with, and work well with individuals and groups through developing effective relationships. Interpersonal skills are sometimes also referred to as human or people skills, as well as soft skills, and they are increasingly more important for managers than technical skills.<sup>33</sup> If having good human relations is just common sense, then why doesn't everyone at work get along,<sup>34</sup> why do companies seek employees with good people skills,<sup>35</sup> and why are companies spending millions to develop employees' interpersonal skills?<sup>36</sup> The resources you need to get the job done are made available through relationships.<sup>37</sup> Sir **Richard Branson**, of **Virgin Group**, says, "You definitely need to

1-1

## SELF ASSESSMENT

### Management Traits

The following 15 questions relate to some of the qualities needed to be a successful manager. Rate yourself on each item by indicating with a number (1–4) how well each statement describes you.

1. The statement does not describe me at all.
2. The statement somewhat describes me.
3. The statement describes me most of the time.
4. The statement describes me very accurately.

- \_\_\_ 1. I enjoy working with people. I prefer to work with others rather than working alone.
- \_\_\_ 2. I can motivate others. I can get people to do things they may not want to do.
- \_\_\_ 3. I am well liked. People enjoy working with me.
- \_\_\_ 4. I am cooperative. I strive to help the team do well rather than to be the star.
- \_\_\_ 5. I am a leader. I enjoy teaching, coaching, and instructing people.
- \_\_\_ 6. I want to be successful. I do things to the best of my ability to be successful.
- \_\_\_ 7. I am a self-starter. I get things done without having to be told to do them.
- \_\_\_ 8. I am a problem solver. If things aren't going the way I want them to, I take corrective action to meet my objectives.
- \_\_\_ 9. I am self-reliant. I don't need the help of others.
- \_\_\_ 10. I am hardworking. I enjoy working and getting the job done.
- \_\_\_ 11. I am trustworthy. If I say I will do something by a set time, I do it.
- \_\_\_ 12. I am loyal. I do not do or say things to intentionally hurt my friends, relatives, or coworkers.
- \_\_\_ 13. I can take criticism. If people tell me negative things about myself, I give them serious thought and change when appropriate.
- \_\_\_ 14. I am honest. I do not lie, steal, or cheat.
- \_\_\_ 15. I am fair. I treat people equally. I don't take advantage of others.
- \_\_\_ TOTAL SCORE (add numbers on lines 1–15; the range of possible scores is 15–60)

In general, the higher your score, the better your chances of being a successful manager. You can work on improving your *integrity* (items 11–15), *industriousness* (items 6–10), and ability to get along with *people* (items 1–5) both in this course and in your personal life. As a start, review the traits listed here. Which ones are your strongest and weakest? Think about how you can improve in the weaker areas—or, even better, write out a plan.

be good with people to help bring out the best in people.”<sup>38</sup> Several chapters focus on developing your interpersonal skills, especially the leadership section (Chapters 10–13).

**Decision-Making Skills.** Clearly, the decisions you have made over your lifetime have affected you today. Leadership decisions determine the success or failure of organizations,<sup>39</sup> so organizations are training their people to improve their decision-making skills.<sup>40</sup> **Decision-making skills** are based on the ability to conceptualize situations and select alternatives to solve problems and take advantage of opportunities. You will develop your decision-making skills in Chapter 4.

Netflix (IOM 2) CEO Hastings doesn't do much technically, and he has good interpersonal skills to get employees to continually improve the business. However, the major skill leading to Netflix's success is Hastings's decision-making skill as he conceptually understands how technology is affecting

### WORK APPLICATION 1-3

Select a manager, preferably one who is or was your boss, and state the specific management skills he or she uses on the job.

**decision-making skills** The ability to conceptualize situations and select alternatives to solve problems and take advantage of opportunities.



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the entertainment industry and continues to create new business opportunities. The first important decision was to start Netflix as a mail-order DVD business to compete with Blockbuster; and Netflix essentially killed Blockbuster. The second key decision was to replace mail-order DVD rentals with streaming. More recently, Hastings decided to produce and stream original TV programs and movies.

To summarize, technical skills are primarily concerned with things, interpersonal skills are primarily concerned with people, and decision-making skills are primarily concerned with ideas and concepts. Review the management skills in Exhibit 1–2; then complete Applying the Concept 1–1.

### AACSB Competencies

In addition to qualities and skills, the AACSB (Association to Advance Collegiate Schools of Business) has established standards for accreditation of business schools. The standards do not require any specific courses in the curriculum. Normally, the degree program includes learning experiences in such general-knowledge and skill areas as communication abilities, ethical understanding and reasoning abilities, analytic skills, dynamics of the global economy, multicultural and diversity understanding, and reflective thinking skills.<sup>41</sup>

How well you get along with the people you encounter in your work will affect your career success.

### EXHIBIT 1-2 MANAGEMENT SKILLS

Management Skills
Decision-Making Skills
Interpersonal Skills
Technical Skills

#### LO 1-3

Explain the four management functions and the three management role categories.

This book includes Skill Builders at the end of each chapter to foster the development of your management qualities, skills, and competencies. Each exercise identifies the area of development.

### WHAT DO MANAGERS DO?

Years of research have shown that essentially everything a manager does can be classified into one of the four management functions, or as nonmanagerial work, and by the managerial role being performed. Performing the management functions clearly is difficult real work, and managers may also perform employee tasks.

### Management Functions

The four **management functions** include *planning, organizing, leading, and controlling*. Managers perform the management functions through using organizational resources to achieve organizational objectives through others, usually in teams.<sup>42</sup> All of the Skill Builder exercises identify the management function skill being developed through the activity. Exhibit 1–3 lists the four functions of management.

**management functions** Planning, organizing, leading, and controlling.

**planning** The process of setting objectives and determining in advance exactly how the objectives will be met.

**Planning—Based on Objectives.** Planning is typically the starting point in the management process, and you should begin with a clear objective.<sup>43</sup> **Planning is the process of setting objectives and determining in advance exactly how the objectives will be met.** So before we do anything, we should have an objective stating the end result and then develop a plan for how to complete it.<sup>44</sup> You should also realize that the other three functions also focus on achieving your

1-1

## APPLYING THE CONCEPT

### Management Skills

Identify each activity as being one of the following types of management skills:

A. technical

B. interpersonal

C. decision making

- \_\_\_ 1. The manager is trying to figure out a way to solve a problem.
- \_\_\_ 2. The manager is giving an employee praise for a job well done.
- \_\_\_ 3. The manager is working on fixing a broken machine.
- \_\_\_ 4. The bank president is letting the branch managers know they exceeded the loan quota for the month in an email.
- \_\_\_ 5. The manager is scheduling which machines will produce each product next week.

objectives. You will learn how to write effective objectives and plans in Part II: Planning (Chapters 4–6).

**Organizing.** Performance is based on how managers organize their resources.<sup>45</sup> **Organizing** is the process of delegating and coordinating tasks and allocating resources to achieve objectives. An important part of coordinating human resources is to assign people to various jobs and tasks. So we design our work to achieve our objectives.<sup>46</sup> An important part of organizing, sometimes listed as a separate function, is staffing. *Staffing* is the process of selecting, training, and evaluating employees.<sup>47</sup> You will learn how to organize in Part III: Organizing (Chapters 7–9).

**Leading.** The ability to lead is an important skill for everyone, especially for managers, and a survey found that 63% of companies screen new hires on the basis of leadership ability.<sup>48</sup> **Leading** is the process of influencing employees to work toward achieving objectives. Managers must communicate the objectives to employees and motivate them to achieve those objectives by developing positive relationships.<sup>49</sup> You will learn how to lead in Part IV: Leading (Chapters 10–13).

**Controlling.** Objectives will not be met without consistent monitoring.<sup>50</sup> You can't manage what you don't measure,<sup>51</sup> and sometimes you need to overcome obstacles to accomplish the objective.<sup>52</sup> **Controlling** is the process of monitoring and measuring progress and taking corrective action when needed to ensure that objectives are achieved. You will learn how to control in Part V: Controlling (Chapters 14–15).

**Nonmanagement Functions.** All managers perform the four functions of management as they get work done through employees. However, many managers perform nonmanagement, or employee, functions as well. For example, at McDonald's it is common for store managers to be cooking or waiting on customers at mealtimes, which is a nonmanagement function. Many managers are called working managers because they perform both management and employee functions.

Netflix's (IOM 3) managers are constantly implementing the four management functions. Managers set objectives and have to continuously plan the entertainment content to stream. When going from mail rental to online streaming, Netflix had to change its organizational structure, as Hastings delegated

### EXHIBIT 1-3

## MANAGEMENT FUNCTIONS

### Management Functions

Planning

Organizing

Leading

Controlling



Leadership

### WORK APPLICATION 1-4

Identify a specific manager, preferably one who is or was your boss, and give examples of how that person performs each of the four management functions.

**organizing** The process of delegating and coordinating tasks and allocating resources to achieve objectives.

**leading** The process of influencing employees to work toward achieving objectives.

**controlling** The process of monitoring progress and taking corrective action when needed to ensure that objectives are achieved.

implementing the change and reallocation of resources. Managers need to consistently influence employees to achieve the objectives, and measuring and monitoring progress is needed to meet the objectives.

**The Transition to Management—Managing People.** Going from being an employee to being a manager is not an easy transition.<sup>53</sup> New managers tend to view themselves as the boss, telling others what to do, making decisions, and getting things done, but with time they realize their job is to manage people—interpersonal skills.<sup>54</sup> They also don't realize just how hard the job really is and how much more work managers do than employees, who constantly interrupt them, putting demands on their time. Because most new managers are used to doing nonmanagement functions, they often do the work for employees when their actual job is to train employees to do their job, help them improve their performance, and solve problems to make their jobs easier and less frustrating. As a new manager, you will likely need to perform nonmanagement functions, but be sure to focus on planning, organizing, leading, and controlling to get the job done through people.

## Management Roles

Managers have a set of distinct roles. A *role* is a set of expectations of how one will behave in a given situation. Henry Mintzberg identified 10 roles that managers embody as they accomplish management functions. Studies have supported Mintzberg's management role theory. Mintzberg grouped these 10 roles into three **management role categories**<sup>55</sup>: *interpersonal, informational, and decisional roles* (see Exhibit 1-4).

**Interpersonal Roles.** When managers play interpersonal roles, they use their interpersonal skills as they perform management functions. Managers play the *figurehead* role when they represent the organization or department in ceremonial and symbolic activities. Managers play the *leader* role when they motivate, train, communicate with, and influence others. Managers play the *liaison* role when they interact with people outside of their unit to gain information and favors.

**management role categories** The categories of roles—interpersonal, informational, and decisional—managers play as they accomplish management functions.

1-2

## APPLYING THE CONCEPT

### Management Functions

Indicate which type of function the manager is performing in each situation:

- A. planning
- B. organizing
- C. leading
- D. controlling

E. nonmanagement

- 6. The manager is conducting an employee's annual performance evaluation.
- 7. The manager is checking how many new bank accounts have been produced so far today.
- 8. The manager is encouraging an employee to get a college degree so he can advance in the company.
- 9. The manager is conducting a job interview to select a new employee for a new open position in accounting.
- 10. The manager is emptying her trash down the hall from her office.
- 11. The manager is scheduling employee work hours for the next two weeks.
- 12. The manager is giving the workers a pep talk to motivate them to work hard to meet the production quota today with an absent employee.

**Informational Roles.** When managers play informational roles, they use their interpersonal skills. Managers play the *monitor* role when they read and talk to others to receive information. Managers play the *disseminator* role when they send information to others. Managers play the *spokesperson* role when they provide information to people outside the organization.

**Decisional Roles.** When managers play decisional roles, they use their conceptual decision-making management skills. Managers play the *entrepreneur* role when they innovate and initiate improvements. Managers play the *disturbance-handler* role when they take corrective action during disputes or crisis situations. Managers play the *resource-allocator* role when they schedule, request authorization, and perform budgeting and programming activities, as when managers perform the *negotiator* role when they represent their department or organization during nonroutine transactions to gain agreement and commitment.

### The Systems Relationship Among the Management Skills, Functions, and Roles

The management skills are interrelated, or have a systems effect.<sup>56</sup> For example, a first-line supervisor's technical skills will affect his or her interpersonal and decision-making skills and vice versa. A manager's skills also affect the implementation of the management functions and roles.

The management functions are not steps in a linear process. Managers do not usually plan, then organize, then lead, and then control. The functions are distinct yet interrelated. Managers often perform them simultaneously. In addition, each function depends on the others. For example, if you start with a poor plan, the objective will not be met even if things are well organized, led, and controlled. Or, if you start with a great plan but are poorly organized or lead poorly, the objective may not be met. Plans without controls are rarely implemented effectively. Remember that the management functions are based on setting objectives (planning) and achieving them (through organizing, leading, and controlling).

How well a manager plays the various management roles is also affected by his or her management skills. The 10 management roles are also integrated with the management functions. Certain management roles are played when performing the different management functions.

#### EXHIBIT 1-4

### MANAGEMENT ROLES

Management Roles
Interpersonal—figurehead, leader, liaison
Informational—monitor, disseminator, spokesperson
Decisional—entrepreneur, disturbance handler, resource allocator, negotiator

#### WORK APPLICATION 1-5

*Identify a specific manager, preferably one who is or was your boss, and give examples of how that person performs roles in each of the three management role categories. Be sure to identify at least one of the three or four roles in each category.*

1-3

## APPLYING THE CONCEPT

### Management Roles

Identify each of the managerial activities as part of one of the three role categories:

- A. interpersonal role
- B. informational role
- C. decisional role

\_\_\_ 13. The manager shows a police officer how to complete the paperwork for an arrest.

\_\_\_ 14. The manager discusses next year's budget.

\_\_\_ 15. The CEO is cutting the ribbon at the groundbreaking for the new restaurant.

\_\_\_ 16. The manager develops a new app that will be sold as an additional source of income.

\_\_\_ 17. The manager is reading the monthly production report before beginning work.

**EXHIBIT 1-5** MANAGEMENT SKILLS, FUNCTIONS, AND ROLES

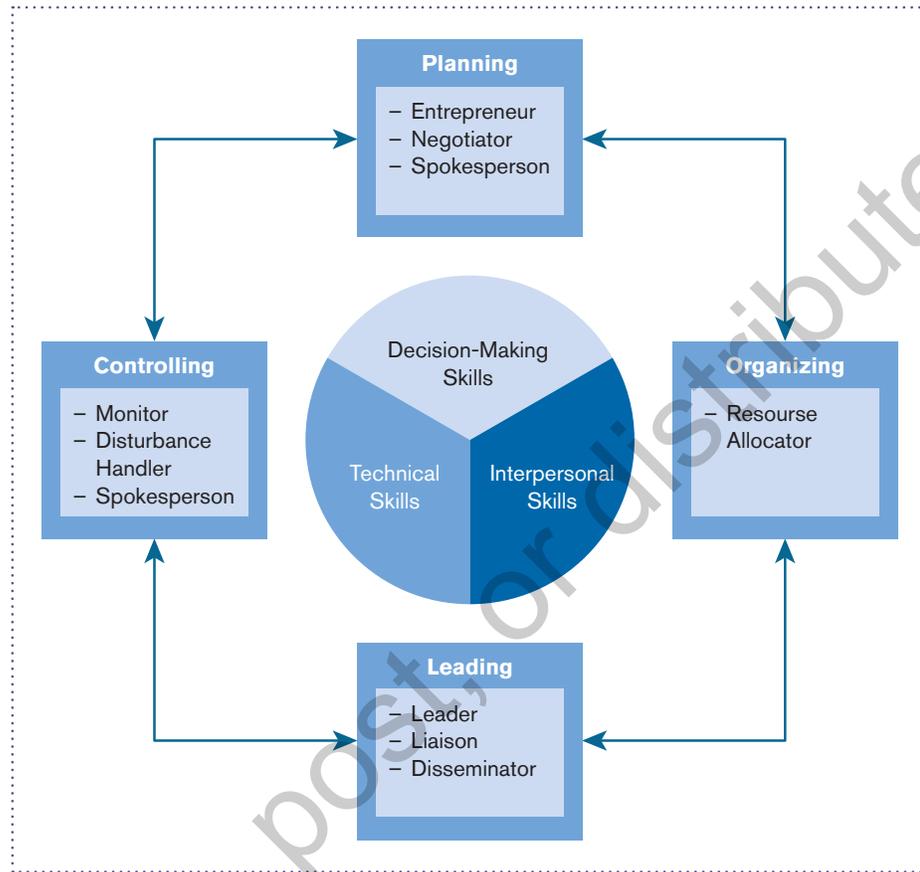


Exhibit 1-5 illustrates the interrelationship of management skills, functions, and roles.

**L01-4**

Recall the hierarchy of management levels and describe the differences among the levels in terms of skills needed and functions performed.

**Differences Among Managers**

As you will learn in this section, there are different levels of managers, and the importance of the skills and functions needed to perform the job varies by level. We will also discuss some of the differences between business sizes and managing for-profit companies and not-for-profit organizations.

**The Three Levels of Management**

Managers differ in the level of management, and there are also nonpermanent managers called team leaders, as well as nonmanager operative employees. There are also different types of managers by level of management. Let’s cover these concepts in this sequence.

The three **levels of management** are *top managers*, *middle managers*, and *first-line managers*. Job titles are given to help identify the level of management.<sup>57</sup> The three levels relate to each other as described here. See Exhibit 1-6 for an illustration of the three levels of management and operative employees.

**levels of management** Top managers, middle managers, and first-line managers.

**Top Managers.** Top managers—people in executive positions—have titles such as CEO, president, or vice president. Most organizations have relatively few

top management positions. Top managers are responsible for managing an entire organization or major parts of it. They develop and define the organization's purpose, objectives, and strategies; for example, the new CEO of **Levi's Strauss**, **Chip Bergh**, is charged with bringing the blue jeans pioneer back to its old glory.<sup>58</sup> They report to other executives or boards of directors and supervise the activities of middle managers.



CharanGriffin/Stockbyte/Thinkstock

**Middle Managers.** People in middle-management positions have titles such as sales manager, branch manager, or department head. Middle managers are responsible for implementing top management's strategy by developing short-term operating plans. They generally report to executives and supervise the work of first-line managers.

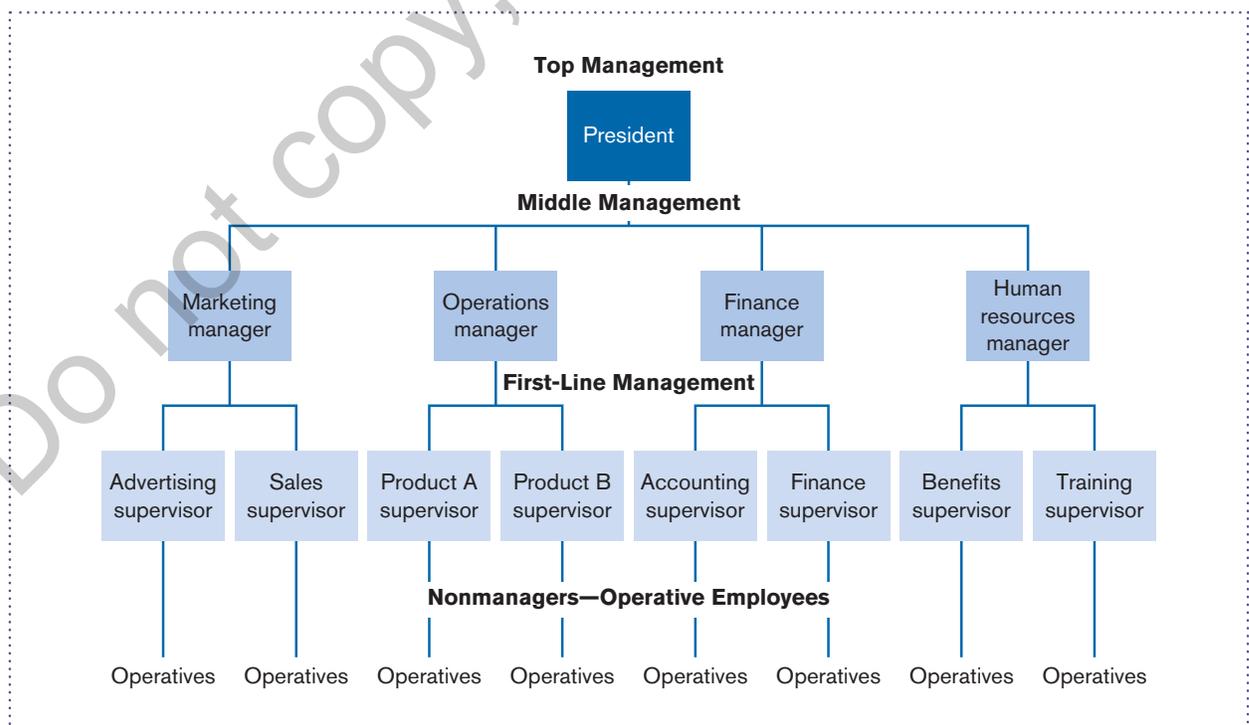
**First-Line Managers.** Examples of titles of first-line managers are team or crew leader, supervisor, head nurse, and office manager. These managers are responsible for implementing middle managers' operational plans. They generally report to middle managers. Unlike those at the other two levels of management, first-line managers do not supervise other managers; they supervise operative employees.

**Team Leader.** This is a newer management position needed in organizations that focus on a team-based structure.<sup>59</sup> They are often called a project or program leader or task force or committee leader. The team leader facilitates team activities to achieve a goal rather than telling people what to do.<sup>60</sup>

Higher-level managers may also be team leaders who supervise a small group of people to achieve a goal. Nonmanagement operative employees may also be

Large corporations have multiple levels of management that serve different purposes to the organization. Levi's Strauss's CEO Chip Bergh is a top manager who steered the company back to its position of prominence in American culture.

**EXHIBIT 1-6 MANAGEMENT LEVELS AND FUNCTIONAL AREAS**



team leaders who manage a team until the goal is completed. The team leader is not usually a permanent management position and thus is not a level in the hierarchy of management. You will learn more about teams and how to lead them in Chapter 8.

**Nonmanagement Operative Employees.** Operative employees are the workers in an organization who do not hold management positions. They commonly report to first-line managers and possibly to team leaders. They make the products, wait on customers, perform repairs, and so on.

## WORK APPLICATION 1-6

Identify the levels of management in a specific organization by level and title. Be sure to give the organization's name.

## WORK APPLICATION 1-7

Identify which type of boss you have now or have had previously. If that person is or was a functional manager, be sure to specify the functional tasks of the department.

**types of managers** General managers, functional managers, and project managers.

**Types of Managers by Level.** The three **types of managers** are general managers, functional managers, and project managers. Top-level and some middle managers are general managers because they supervise the activities of several departments that perform different activities. Middle and first-line managers are often business functional managers who supervise the completion of related tasks. Project managers are often team leaders.

The four most common *business functional* areas include marketing (sell the products and services), operations/production (make the product or perform the service), finance/accounting (maintain financial records), and human resources/personnel management (hire and compensate employees), as shown in Exhibit 1-6. We will discuss these functional areas in Chapter 7.

A *project manager* coordinates employees and other resources across several functional departments to accomplish a specific goal or task, such as developing and producing a new breakfast cereal for **Kellogg's** or a new aircraft at **Boeing**.

## Differences in Management Skills and Functions

**Differences in Management Skills.** All managers need technical, interpersonal, and decision-making skills. However, the relative importance of these types of skills varies with the level of management. At all three levels of management, the need for interpersonal skills remains fairly constant. However, top-level managers have a greater need for decision-making skills, whereas first-line

1-1

## JOIN THE DISCUSSION ETHICS & SOCIAL RESPONSIBILITY

### Executive Compensation

In 2013, the CEO-to-worker pay ratio was 331:1, and the CEO-to-minimum-wage-worker pay ratio was 774:1. **Oracle's** CEO made an estimated \$189,000 per hour in one year. A minimum-wage full-time employee at **Walmart** would have to work 1,372 hours to earn as much as the CEO makes in one hour. Some say top executives are being overpaid. *Fortune* 500 CEOs all make millions.

However, not everyone agrees. In capitalist countries, talented CEOs, like in pro sports, are entitled to fetch their price. Top executives should be paid multimillion-dollar compensation packages; after all, if it weren't for effective CEOs, companies would not be making the millions of dollars of profits they make each year. CEOs deserve a piece of the pie they help create.

1. Do executives deserve to make 300 times more than the average worker?
2. Is it ethical for managers to take large pay increases when laying off employees?
3. Is it ethical for managers to get pay raises when their companies lose money?
4. Are companies being socially responsible when paying executives premium compensation?

Sources: Information taken from the AFL-CIO's website at <http://www.aflcio.org/Corporate-Watch/Paywatch-2014>, accessed March 26, 2015; R. Lowenstein, "Is Any CEO Worth \$189,000 Per Hour?" *BusinessWeek* (February 20–26, 2012), 8–9; R. Fisman and T. Sullivan, "In Defense of the CEO," *Wall Street Journal* (January 12–13, 2013), C1–C2; E. D. Smith and P. Kuntz, "Some CEOs Are More Equal Than Others," *BusinessWeek* (May 6–12, 2013), 70–73.

managers have a greater need for technical skills. Middle managers tend to need all three skills, but the mix required differs somewhat from organization to organization.

**Differences in Management Functions.** All managers perform the four management functions: planning, organizing, leading, and controlling. However, the time spent on each function varies with the level of management. First-line managers spend more time leading and controlling, middle-level managers spend equal time on all four functions, and top managers spend more time planning and organizing.

Exhibit 1-7 summarizes the primary skills needed and functions performed at each of the three management levels.



Middle Managers

### EXHIBIT 1-7 SKILLS NEEDED AND FUNCTIONS PERFORMED AT DIFFERENT MANAGEMENT LEVELS

Management Level	Primary Management Skills Needed	Primary Management Functions Performed
<b>Top</b>	Decision-Making and Interpersonal Skills	Planning and Organizing
<b>Middle</b>	Balance of All Three	Balance of All Four
<b>First-Line</b>	Technical and Interpersonal Skills	Leading and Controlling

Hastings is the CEO of Netflix (IOM 4), so he is a top-level manager. As discussed in IOM 2, Hastings has less need for technical skills and a greater need for decision-making skills. Hastings had responsibility for strategically planning how Netflix would change from rentals to streaming and developing original content. He also had to radically reorganize the company as it changed strategies.

### Differences in Size and Profits

**Large-Business Versus Small-Business Managers.** Managers in large and small firms need the same skills and perform the same functions. However, generally, the larger the company, the more specialized the job. **Bonnie Castonguay** works for a large organization—**Gap Inc.** Her independent store resembles a small business, but it has the support of a large organization. Exhibit 1-8 lists

## 1-4 APPLYING THE CONCEPT

### Differences Among Management Levels

Identify the level of management in the following five instances:

A. top

B. middle

C. first-line

- \_\_\_ 18. Managers who tend to spend more time planning and organizing.
- \_\_\_ 19. Managers who have operative employees reporting to them.
- \_\_\_ 20. Managers who take the long-term strategy and develop short-term operating plans.
- \_\_\_ 21. Managers who report to executives.
- \_\_\_ 22. Managers who need technical skills more than decision-making skills.

**EXHIBIT 1-8 DIFFERENCES BETWEEN LARGE AND SMALL BUSINESSES**

Functions and Roles	Large Business	Small Business
<b>Planning</b>	Commonly have formal written objectives and plans with a global business focus.	Commonly have informal objectives and plans that are not written with a global focus.
<b>Organizing</b>	Tend to have formal organization structures with clear policies and procedures, with three levels of management. Jobs tend to be specialized.	Tend to have informal structures without clear policies and procedures, with fewer than three levels of management. Jobs tend to be more general.
<b>Leading</b>	Managers tend to be more participative, giving employees more say in how they do their work and allowing them to make more decisions.	Entrepreneurs tend to be more autocratic and want things done their way, often wanting to make the decisions.
<b>Controlling</b>	Tend to have more sophisticated computerized control systems.	Tend to use less sophisticated control systems and to rely more on direct observation.
<b>Important management roles</b>	Resource allocator.	Entrepreneur and spokesperson.

some of the differences between large and small businesses. However, these are general statements; many large and small businesses share certain characteristics. Most large businesses, including **Google** and **Apple**, started as small businesses and grew.

**Managers of For-Profit Versus Not-for-Profit Organizations.** Is the manager's job the same in for-profit and not-for-profit organizations? Although some noteworthy differences exist (volunteers and fund-raising), the answer is basically yes. All managers need management skills, perform management functions, and play management roles regardless of the organization type. **Bonnie Castonguay** works for a for-profit business, the **Gap**. Employees of the **American Red Cross** and the **YMCA** work for the public (not-for-profit) sector. Is the college you are attending for profit or not?

In the past, it was common to classify both nongovernmental and governmental organizations together into one group called not-for-profits. However, the current trend is to distinguish not-for-profit organizations into nongovernmental organizations (NGOs, such as **Doctors Without Borders**) and governmental organizations (**IRS**).

Exhibit 1–9 lists some of the differences between for-profit and not-for-profit organizations.

**L01-5**

Summarize the major similarities and differences between the classical and behavioral theorists.

**A Brief History of Management**

Organizational theorists say “History Matters.”<sup>61</sup> There are two primary reasons you should be concerned about the history of management: to better understand current developments and to avoid repeating mistakes. Also, as you read the history, you will realize that today's organizations still use these management theories, as indicated by the chapters they are covered in. Early literature on management was written by management practitioners who described their experiences and attempted to extrapolate basic principles. More recent literature comes from researchers. There are different classifications of management approaches, or schools of management thought. In this section, you will learn about five management theories: the classical, behavioral, management science, systems, and contingency theories.

## EXHIBIT 1-9

## DIFFERENCES BETWEEN FOR-PROFIT AND NOT-FOR-PROFIT ORGANIZATIONS

Function	For-Profit	Not-for-Profit	
		Nongovernmental Organizations	Governmental Organizations
<b>Ownership and Profits</b>	The primary universal measure of performance is bottom-line profit. Owners are entitled to take profits out of the firm.	Organizations are mission driven; like all businesses, profits are the objective. However, any excess revenue remains in the organization. There are no individual owners.	Organizations are mission driven; however, unlike nongovernmental organizations, profits are not the goal. Ownership is an entity of a function of government.
<b>Revenues</b>	Raised primarily through sales.	Raised through donations, grants, memberships, and investments, as well as sales.	Raised through taxes, fees, and sales.
<b>Staffing</b>	Primarily all paid employees.	Both volunteer workers and paid employees.	Primarily all paid employees, with some entities relying on volunteers.

Source: Dr. Kathryn Carlson Heler, professor at Springfield College, 2010. Used with permission.

## Classical Theory

The *classical theorists* focus on the job and management functions to determine the best way to manage in all organizations. In the early 1900s, managers began an organized approach to increasing performance by focusing on the efficiency of managing jobs. This focus later changed to a concern for managing departments and organizations. Scientific management stressed job efficiency through the development of technical skills, while administrative theory stressed rules and the structure of the organization.

**Scientific Management.** Frederick Winslow Taylor (1856–1915), an engineer known as the Father of Scientific Management, focused on analyzing jobs and redesigning them so that they could be accomplished more efficiently—which today is considered a technology goal.<sup>62</sup> As he searched for the best way to maximize performance, he developed “scientific management” principles, including the following:

1. Develop a procedure for each element of a worker’s job.
2. Promote job specialization.
3. Select, train, and develop workers scientifically.
4. Plan and schedule work.
5. Establish standard methods and times for each task.
6. Use wage incentives such as piece rates and bonuses.<sup>63</sup>

**Frank Gilbreth** (1868–1924) and his wife **Lillian Gilbreth** (1878–1972) used time-and-motion studies to develop more efficient work procedures. Their work was popularized in a book titled *Cheaper by the Dozen* (and later two movies and a television comedy of the same name), which described their application of scientific management practices to their family of 12 children. When Frank died, the children ranged in age from 2 to 19 years old. Lillian continued her work as a consultant but changed the focus of her work to become a pioneer in industrial psychology. Lillian became a professor of management at Purdue University and is commonly referred to as the First Lady of Management.



Ford and Taylor

**classical theorists** Researchers who focus on the job and management functions to determine the best way to manage in all organizations.



People are the most important resource that organizations have. Mary Parker Follett's work, which focused on interactions between management and employees, still influences organizations today.



Hawthorne Effect

**behavioral theorists** Researchers who focus on people to determine the best way to manage in all organizations.

Another person who made important contributions to scientific management was **Henry Gantt** (1861–1919). He developed a method for scheduling work over a period of time that is still widely used today. You will learn how to develop a Gantt chart in Chapter 15.

**Administrative Theory.** **Henri Fayol** (1841–1925) was a French engineer who is sometimes referred to as the Father of Modern Management. Fayol was a pioneer in the study of the principles and functions of management. He made a clear distinction between operating and managerial activities. Fayol identified five major functions of management: planning, coordinating, organizing, controlling, and commanding. In addition to his five management functions, Fayol developed 14 principles that are still used today.<sup>64</sup> Most principles-of-management textbooks are organized on the basis of the functions of management.

Two other contributors to administrative management are **Max Weber** (1864–1920) and **Chester Barnard** (1886–1961). Weber was a German sociologist who developed the *bureaucracy concept*. The aim of his concept of bureaucracy was to develop a set of rules and procedures to ensure that all employees were treated fairly. Barnard studied authority and power distributions in organizations. He raised awareness of the informal organization—cliques and naturally occurring social groupings within formal organizations.

**Mary Parker Follett** (1868–1933) stressed the importance of people rather than engineering techniques. Follett contributed to administrative theory by emphasizing the need for worker participation, conflict resolution, and shared goals. The trend today is toward increasingly higher levels of employee participation. Barnard's and Follett's contributions led to the development of behavioral theory.

Many companies still use classical management techniques successfully today. McDonald's system of fast-food service is one good example of a company that uses these techniques. Managers at **Monsanto** also use classical techniques, such as time-and-motion studies and organization principles that you will learn about in Chapter 7. Large organizations that are downsizing to cut costs by laying off employees and becoming more efficient are using a classical management approach.

## Behavioral Theory

The **behavioral theorists** focus on people to determine the best way to manage in all organizations. In the 1920s, management writers began to question the classical approach to management and changed their focus from the job itself to the people who perform the job. Like the classicists, behaviorists were looking for the best way to manage in all organizations. However, the behavioral approach to management stressed the need for human skills rather than technical skills.

Elton Mayo (1880–1949) pioneered the *human relations* movement. Mayo headed a group of Harvard researchers in conducting the Hawthorne studies, a landmark series of studies of human behavior in **Western Electric's** Hawthorne plant (Cicero, Illinois) from 1927 to 1932. Like Taylor, Mayo wanted to increase performance; however, he viewed determining the best work environment as the means to this end. Mayo's research suggested that a manager's treatment of people had an important impact on their performance. In other words, treating people well and meeting their needs frequently results in

increased performance. The *Hawthorne effect* refers to the phenomenon that just studying people affects their performance.<sup>65</sup>

Abraham Maslow (1908–1970) developed the *hierarchy of needs* theory.<sup>66</sup> Maslow is one of the earliest researchers to study motivation, and motivation is still a major area of research. You will learn more about Maslow's hierarchy of needs and other motivation theories in Chapter 11.

Douglas McGregor (1906–1964) developed *Theory X* and *Theory Y*. McGregor contrasted the two theories, based on the assumptions that managers make about workers. Theory X managers assume that people dislike work and that only if managers plan, organize, and closely direct and control their work will workers perform at high levels. Theory Y managers assume that people like to work and do not need close supervision. McGregor did not give specific details on how to manage; he suggested a reorientation in managerial thinking.<sup>67</sup>

Behaviorists believed that happy employees would be productive. However, later research suggested that a happy worker is not necessarily a productive worker. As you can see, the classical and behavioral theories are very different, yet both kinds of theorists claim that their approach is the best way to manage in all organizations.

The behavioral approach to management is still evolving and being used in organizations. The current term for studying people at work is the *behavioral science approach*, which draws from economics, psychology, sociology, and other disciplines. Most of the material in the chapters in Parts III and IV is based on behavioral science research. Managers all over the globe use behavioral sciences in dealing with people.

## Management Science

The **management science theorists** focus on the use of mathematics to aid in problem solving and decision making. During World War II, a research program began to investigate the applicability of quantitative methods to military and logistics problems. After the war, business managers began to use management science (math). Some of the mathematical models are used in the areas of finance, management information systems (MIS), and operations management. The use of computers has led to an increase in the use of quantitative methods by managers all over the globe. Because management science stresses decision-making skills and technical skills, it is more closely aligned with classical management theory than with behavioral theory. You will learn more about management science in the chapters in Parts II and V. Management science is not commonly used in organizing and leading.

## Integrative Perspective

The integrative perspective has three components: systems theory, sociotechnical theory, and contingency theory.

**Systems Theory.** The **systems theorists** focus on viewing the organization as a whole and as the interrelationship of its parts. In the 1950s, management theorists attempted to integrate the classical, behavioral, and management science theories into a holistic view of the management process. Systems theorists began by assuming that an organization is a system that transforms inputs (resources) into outputs (products and/or services).

According to Ludwig von Bertalanffy, Margaret Mead, Harold Koontz, Daniel Katz, Robert Kahn, Peter Senge, and others, the systems approach recognizes that an organization is an open system because it interacts with and is affected by the external environment.<sup>68</sup> For example, government laws affect what an organization can and cannot do, the economy affects the organization's sales, and so on. You will learn more about open systems and the organizational environment in Chapter 2.



Management Science

### management science

**theorists** Researchers who focus on the use of mathematics to aid in problem solving and decision making.

### systems theorists

Researchers who focus on viewing the organization as a whole and as the interrelationship of its parts.

According to Russell Ackoff, the commonly used classical approach to problem solving is a reductionist process. Managers tend to break an organization into its basic parts (departments), understand the behavior and properties of the parts, and add the understanding of the parts together to understand the whole. They focus on making independent departments operate as efficiently as possible. According to systems theorists, the reductionist approach cannot yield an understanding of the organization, only knowledge of how it works. Because the parts of a system are interdependent, even if each part is independently made to perform as efficiently as possible, the organization as a whole may not perform as effectively as possible. For example, all-star athletic teams are made up of exceptional players. But because such players have not played together as a team before, the all-star team may not be able to beat an average team in the league.<sup>69</sup>

Systems theory stresses the need for conceptual skills in order to understand how an organization's subsystems (departments) interrelate and contribute to the organization as a whole. For example, the actions of the marketing, operations, and financial departments (subsystems) affect each other; if the quality of the product goes down, sales may decrease, causing a decrease in finances. Before managers in one department make a decision, they should consider the interrelated effects it will have on the other departments. The organization is a system (departments), just as the management process is a system (planning, organizing, leading, and controlling), with subsystems (parts of departments) that affect each other. So, in other words, when you have a problem to solve, do not break it into pieces; focus on the whole.

Today one of the major trends is toward total quality management (TQM) for continuous improvements, which takes a systems approach to management. You will learn more about TQM in Chapters 2 and 15.

**Sociotechnical Theory.** The **sociotechnical theorists** focus on integrating people and technology. Sociotechnical theory was formulated during the 1950s and 1960s by Eric Trist, Ken Bamforth, Fred Emery, and others.<sup>70</sup> They realized, as today's managers do, that a manager must integrate both people and technology. To focus on one to the exclusion of the other leads to lower levels of performance. Much of current behavioral science work is in agreement with sociotechnical theory.

**Contingency Theory.** The **contingency theorists** focus on determining the best management approach for a given situation. In the 1960s and 1970s, management researchers wanted to determine how the environment and technology affected the organization. Tom Burns and George Stalker conducted a study to determine how the environment affects a firm's organization and management systems. They identified two different types of environments: stable (where there is little change) and innovative (great changes). The researchers also identified two types of management systems: mechanistic (similar to bureaucratic classical theory) and organic (nonbureaucratic, similar to behavioral theory). They concluded that in a stable environment, the mechanistic approach works well, whereas in an innovative environment, the organic approach works well.<sup>71</sup>

Joan Woodward conducted a study to determine how technology (the means of producing products) affects organizational structure. She found that organizational structure did change with the type of technology. Woodward concluded that the mechanistic or classical approach worked well with mass-production technology (such as that of an automobile assembly line), whereas the organic or behavioral approach worked well with small-batch (custom-made) products and long-run process technology (such as that for refining crude oil).

These contingency theories may be historic, but they still influence present-day organizational structures. We will revise them in Chapter 7, "Organizing and Delegating Work."

**sociotechnical theorists** Researchers who focus on integrating people and technology.

**contingency theorists** Researchers who focus on determining the best management approach for a given situation.

## Comparing Theories

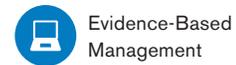
Exhibit 1–10 reviews the theories covered in this chapter. Throughout this book, you will learn to take an integrative perspective using systems and contingency theories, combined with some management science, to ensure that you maximize development of your management skills. For example, Skill Builder 1–4 at the end of this chapter uses a contingency approach.

## Managing the Old Versus New Workplace

In the old workplace, managers used an autocratic leadership style with a local domestic view, jobs were specialized and routinely performed by individuals, employees were homogeneous, and change was slow.<sup>72</sup> In the new workplace, managers use a more participative leadership style with a global view,<sup>73</sup> jobs are more flexible and performed by teams, employees are diverse, and change is rapid.<sup>74</sup>

**Knowledge Management.** Today’s leaders focus on learning and knowledge management, because the acquisition of knowledge and the ability to learn are important to organizational success.<sup>75</sup> Knowledge workers process information rather than physical goods. **Knowledge management** involves everyone in an organization in sharing knowledge and applying it to continuously improve products and processes. Learning is the process whereby knowledge is created through the transformation of experience. Knowledge sharing provides opportunities for mutual learning.<sup>76</sup> Learning organizations have everyone engaged in identifying and solving problems, enabling change, and continuous improvement. They share three characteristics: a team-based structure, participative management, and the sharing of information through knowledge management.<sup>77</sup>

**Evidence-Based Management (EBM).** Knowledge management is all about learning new things and applying the knowledge in order to improve.<sup>78</sup> It goes hand in hand with *evidence-based management*, which is the systematic use of the best available evidence to improve management practice.<sup>79</sup> EBM is about replacing hunches and guesswork with management practices that are supported through research.<sup>80</sup> By ignoring EBM, billions of dollars are spent on ineffective management practices, to the detriment of employees and their families, communities, and the society at large.<sup>81</sup> As suggested in EBM,<sup>82</sup> throughout this book, as discussed in the next section, you will learn about management and how to apply the knowledge to develop management skills based on EBM that you can use in your personal and professional lives. For more information on EBM, visit the **Center for Evidence-Based Management** ([www.cebma.org](http://www.cebma.org)).



Evidence-Based Management

**knowledge management** Involving everyone in an organization in sharing knowledge and applying it continuously to improve products and processes.

### EXHIBIT 1-10 COMPARING THEORIES

Classical	Behavioral	Management Science	Systems Theory	Sociotechnical Theory	Contingency Theory
Attempts to develop the best way to manage in all organizations by focusing on the jobs and structure of the firm.	Attempts to develop a single best way to manage in all organizations by focusing on people and making them productive.	Recommends using math (computers) to aid in problem solving and decision making.	Manages by focusing on the organization as a whole and the interrelationship of its departments rather than on individual parts.	Recommends focusing on the integration of people and technology.	Recommends using the theory or the combination of theories that meets the given situation.



## Experiential Learning

## Objectives of the Book

If you change some of your behaviors, you can develop your management skills<sup>83</sup>—that is the major objective of this book. This book takes a “how-to” approach to management, as research has shown that knowledge is more likely to be implemented when it is acquired from learning by doing rather than from learning by reading, listening, or thinking.<sup>84</sup> As indicated by its subtitle, “Concepts, Applications, and Skill Development,” this book uses a three-pronged approach, with these objectives:

- To teach you the important concepts of management
- To develop your ability to apply the management concepts through critical thinking
- To develop your management skills in your personal and professional lives

The book offers some unique features to further each of these three objectives, as summarized in Exhibit 1–11.

## Management Concepts

Throughout this book, you will learn management concepts based on EBM and see how they relate to organizational success, as well as to the difficulties and challenges managers face. Your knowledge of EBM concepts is vital to your success,<sup>85</sup> as EBM provides you with tools (concepts, theories, and models) to use on

## EXHIBIT 1-11

### FEATURES OF THIS BOOK'S THREE-PRONGED APPROACH AND TABLE OF CONTENTS

		Table of Contents
Features That Present Important Concepts	<ul style="list-style-type: none"> <li>• Text discussions of management research</li> <li>• Step-by-step behavior models</li> <li>• Learning Outcomes</li> <li>• Chapter summaries and glossaries</li> <li>• Key Term Review</li> <li>• Review questions</li> </ul>	I. THE GLOBAL MANAGEMENT ENVIRONMENT 1. Management and Its History 2. The Environment: Culture, Ethics, and Social Responsibility 3. Managing Diversity in a Global Environment
Features That Help You Apply What You Learn	<ul style="list-style-type: none"> <li>• Ideas on Management cases</li> <li>• Organizational examples</li> <li>• Work Applications</li> <li>• Applying the Concept</li> <li>• Cases</li> <li>• Videos</li> <li>• Join the Discussion: Ethics and Social Responsibility</li> </ul>	II. PLANNING 4. Creative Problem Solving and Decision Making 5. Strategic and Operational Planning 6. Managing Change, Innovation, and Entrepreneurship III. ORGANIZING 7. Organizing and Delegating Work 8. Managing Teamwork 9. Human Resources Management Appendix: Career Management and Networking
Features That Foster Skill Development	<ul style="list-style-type: none"> <li>• Self-Assessments</li> <li>• Communication Skills</li> <li>• Behavior Modeling training</li> <li>• Skill Builder exercises</li> </ul>	IV. LEADING 10. Organizational Behavior: Power, Politics, Conflict, and Stress 11. Motivating for High Performance 12. Leading With Influence V. CONTROLLING 13. Communication and Information Technology 14. Managing Control Systems, Finances, and People 15. Operations, Quality, and Productivity

the job to improve your performance.<sup>86</sup> This book offers the seven features listed in Exhibit 1–11 to help you learn management concepts.

## Application of Management Concepts

Understanding theory and concepts is essential before moving to the next level: applying the concepts, which requires critical thinking.<sup>87</sup> One of the criticisms of management education is the focus on teaching theory without the application to practice, called the knowing-doing gap and theory-practice gap.<sup>88</sup> But EBM tools are useless unless you actually apply them.<sup>89</sup> As shown in Exhibit 1–11, this book offers seven features to help you develop critical-thinking skills. You will be given the opportunity to apply the concepts in every chapter.

## Development of Management Skills

The third and highest-level objective is to develop the management skills that you can use in your personal and professional lives as both a leader and a follower,<sup>90</sup> and thus AACSB wants skill development in the business curriculum.<sup>91</sup> Think about the EBM models in this book like proven cooking recipes. If you follow the step-by-step instructions, you will get consistently better results, as opposed to winging it on your own and potentially making mistakes.<sup>92</sup> This book offers four features to help you do so.

**Practice.** As with just about everything in life, you cannot become skilled by simply reading about or trying something once. Developing management skills takes persistence and practice.<sup>93</sup> The great **Green Bay Packers** football coach Vince Lombardi said that leaders are made by effort and hard work. If you want to develop your management skills, you must not only learn the concepts in this book but also practice with the applications and skill-building exercises. But most important, to be successful, you need to practice using your skills in your personal and professional lives to gain experience.<sup>94</sup> Are you willing to change some of your behavior to develop habits of using the concepts of EBM? Will you commit today?<sup>95</sup>

**Flexibility.** This book has so many features that it is unlikely that all of them can be covered in class during a one-semester course. Your instructor will select the features that best meet the course objectives and the amount of time available, but you may want to cover some or all of the other features on your own or with the assistance of others.

## Organization of the Book

This book is organized into five parts, with Part I covering the introductory information and Parts II through V covering the four functions of management discussed in this chapter. Part II, which covers planning, includes three chapters. Part III on organizing has three chapters and an appendix. Part IV covers leading and includes four chapters. Finally, Part V, which covers controlling, contains two chapters. See Exhibit 1–11 for the table of contents.

## Trends and Issues in Management

Sorry, but there are no secrets to success. Research has shown that highly successful companies today can be the failures of tomorrow, such as **BlackBerry**. The only company listed on the original 12 corporation stock market index, the **Dow Jones Industrial Average (DJI)**, today is **GE**. In 2013, **Goldman Sachs**, **Nike**, and **Visa** replaced **Alcoa**, **Bank of America**, and **Hewlett-Packard**; and **Apple** replaced **AT&T** in 2015.<sup>96</sup> The highly successful companies are the ones that keep up with the latest trends and issues managers face. So we will end every chapter with a section to discuss some of the challenges managers face today.

So what are some of the current important trends and issues? To answer this question, a survey of CEOs of major corporations listed the top four: *globalization*, *technology* (which is moving two to three times faster than management), *cybersecurity* (which is based on tech and also includes *privacy*), and a shift in economic power (again a global issue).<sup>97</sup>

With globalization, multinational corporations need to adapt to a *diversity* of cultures.<sup>98</sup> Even domestic companies have the challenge of diversity as the American workforce becomes increasingly diversified.<sup>99</sup> Because having a global mindset is important to career success,<sup>100</sup> in Chapter 3 we will discuss globalization and diversity; recall these are AACSB competencies.

Trust in business today is low due to ethical scandals,<sup>101</sup> *ethics* is an AACSB competency. Also, society expects *corporate social responsibility*. Because ethics and social responsibility are so important, we cover these issues in Chapter 2, and in every chapter you will find the boxed item titled “Join the Discussion: Ethics & Social Responsibility.”

As we bring this chapter to a close, you should realize the importance of studying management, what management is and the resources managers manage, the three skills and four functions of management, and some of the differences among managers. You should also understand a brief history of management, the objectives of the book, and some of the most important trends and issues facing managers today.



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## CHAPTER SUMMARY

### 1-1. Describe a manager's responsibility.

A manager is responsible for achieving organizational objectives through efficient and effective use of resources. *Efficient* means doing things right, and *effective* means doing the right thing. The manager's resources include human, financial, physical, and informational resources.

### 1-2. List the three skills of effective managers.

The three management skills are technical, interpersonal, and decision-making skills. Technical skills involve the ability to use methods and techniques to perform a task. Interpersonal skills involve the ability to understand, communicate with, and work well with individuals and groups through developing effective relationships. Decision-making skills are based on the ability to conceptualize situations and select alternatives to solve problems and take advantage of opportunities.

### 1-3. Explain the four management functions and the three management role categories.

The four management functions are planning, organizing, leading, and controlling. Planning is the process of setting objectives and determining in advance exactly how the objectives will be met. Organizing is the process of delegating and coordinating tasks and allocating resources to achieve objectives. Leading is the process of influencing employees to work toward achieving objectives. Controlling is the process of measuring and monitoring progress and taking corrective action when needed to ensure that objectives are achieved.

Managers play the interpersonal role when they act as figurehead, leader, or liaison. Managers play the informational role when they act as monitor, disseminator, or spokesperson. Managers play the decisional role when they act as entrepreneur, disturbance handler, resource allocator, or negotiator.

**1-4. Recall the hierarchy of management levels and describe the differences among the levels in terms of skills needed and functions performed.**

The three hierarchy levels are top managers (e.g., operations executive), middle managers (e.g., marketing manager), and first-line managers (e.g., accounting supervisor). Top managers have a greater need for decision-making skills than do first-line managers. Middle managers have a need for all three skills. First-line managers

have a greater need for technical skills than do top managers.

**1-5. Summarize the major similarities and differences between the classical and behavioral theorists.**

Both classical and behavioral theorists wanted to find the best way to manage in all organizations. However, the classicists focused on the job and management functions, whereas the behaviorists focused on people.

● ● ● **KEY TERMS**

behavioral theorists, 16  
classical theorists, 15  
contingency theorists, 18  
controlling, 7  
decision-making skills, 5  
interpersonal skills, 4  
knowledge management, 19  
leading, 7

levels of management, 10  
management functions, 6  
management role categories, 8  
management science theorists, 17  
management skills, 4  
manager, 2  
manager's resources, 2  
organizing, 7

performance, 3  
planning, 6  
sociotechnical theorists, 18  
systems theorists, 17  
technical skills, 4  
types of managers, 12

● ● ● **KEY TERM REVIEW**

Complete each of the following statements using one of this chapter's key terms:

- A \_\_\_\_\_ is responsible for achieving organizational objectives through efficient and effective utilization of resources.
- The \_\_\_\_\_ include human, financial, physical, and informational.
- The level of organizational \_\_\_\_\_ is based on how effectively and efficiently managers utilize resources to achieve objectives.
- \_\_\_\_\_ include technical, interpersonal, and decision-making skills.
- \_\_\_\_\_ involve the ability to use methods and techniques to perform a task.
- \_\_\_\_\_ involve the ability to understand, communicate, and work well with individuals and groups through developing effective relationships.
- \_\_\_\_\_ are based on the ability to conceptualize situations and select alternatives to solve problems and take advantage of opportunities.
- The four \_\_\_\_\_ include planning, organizing, leading, and controlling.
- \_\_\_\_\_ is the process of setting objectives and determining in advance exactly how the objectives will be met.
- \_\_\_\_\_ is the process of delegating and coordinating tasks and allocating resources to achieve objectives.
- \_\_\_\_\_ is the process of influencing employees to work toward achieving objectives.
- \_\_\_\_\_ is the process of monitoring progress and taking corrective action when needed to ensure that objectives are achieved.
- The \_\_\_\_\_ include interpersonal, informational, and decisional.
- There are three \_\_\_\_\_: top managers, middle managers, and first-line managers.
- There are three \_\_\_\_\_: general, functional, and project.
- The \_\_\_\_\_ focus on the job and management functions to determine the best way to manage in all organizations.
- The \_\_\_\_\_ focus on people to determine the best way to manage in all organizations.
- The \_\_\_\_\_ focus on the use of mathematics to aid in problem solving and decision making.
- The \_\_\_\_\_ focus on viewing the organization as a whole and as the interrelationship of its parts.
- The \_\_\_\_\_ focus on integrating people and technology.
- The \_\_\_\_\_ focus on determining the best management approach for a given situation.
- \_\_\_\_\_ involves everyone in an organization in sharing knowledge and applying it to continuously improve products and processes.

## ●●● REVIEW QUESTIONS

1. What are a manager's resources?
2. What are the three management skills?
3. What are the four functions of management?
4. What are the three management role categories?
5. What are the three levels of management?
6. What are the three types of managers?
7. What are the objectives of this book?

## ●●● COMMUNICATION SKILLS

The following critical-thinking questions can be used for class discussion and/or as written assignments to develop communication skills. Be sure to give complete explanations for all questions.

1. Are you interested in being a manager?
2. Why is it important to take this course in management?
3. Is it more important for managers to be efficient or effective? Can you improve both at the same time?
4. Is management ability universal? In other words, can a good manager in one environment (e.g., computers) also be effective in another (e.g., banking)?
5. Some people say the hard skills (technical, finance, quantitative analysis) are more important for managers than soft skills (interpersonal), and some say the opposite is true. What is your view?
6. Is your college professor a manager? Why or why not?
7. When a good employee is promoted to management, which management level is the promotion usually to, and how do the management skills and functions change with the job promotion?
8. When an employee is promoted to manager, do most organizations provide some type of training? Should they? Why or why not?

## ●●● CASE: JIFFY LUBE UNIVERSITY

"A leading provider of oil changes, Jiffy Lube doesn't expect to see its customers every day—but about every three months or 3,000 miles. The company boasts more than 2,100 outlets throughout North America that are mostly franchised. The rest of its locations are company-owned and operated. Besides oil changes, Jiffy Lube facilities provide maintenance services for air conditioning, fuel systems, and transmissions. At some of its locations, it also performs inspections and emissions testing, repairs windshields, and rotates tires. The company serves vehicle fleet operators, as well as individual consumers. Jiffy Lube, which is a subsidiary of Shell Oil Company, was founded in 1979."<sup>1</sup>

Jiffy Lube, mostly known for its oil changes, is less known for its synthetic and high-mileage specialty oil product offerings. Despite being recommended to customers that come in for oil changes, the sales of Jiffy Lube specialty oils were low in comparison to total motor oil sales in 2011. Why was this the case? According to Jiffy Lube, there was not "effective communication" regarding the benefit of these specialty motor oils to the customer from the technicians at the service centers.

To rectify the situation, Jiffy Lube decided to utilize its university, started in the fall of 2004, to help increase productivity, customer service, and consistency through internal training and education. Jiffy Lube University focused on educating Jiffy Lube Customer Service

Advisors (CSAs) through communication strategies that would be universally beneficial for all CSAs—this particular online course was called "Empower the Customer—Oil Selection."<sup>2</sup>

Once the course was introduced in 2012, 10,000 CSAs including store managers have completed this training. Ken Barber, who is in charge of Jiffy Lube learning and development, said that more than 80% of the Jiffy Lube Service Centers utilized this communication approach, and as a result, specialty oil increased by 25% from January 2011 to July 2013.<sup>3</sup>

Jiffy Lube University has also used this model to develop key leaders through classes and simulations. There are three leader development programs: team leader, management, and leadership training. Each is specifically tailored to the needs of the firm and level of management. Team leader includes a problem-solving module and instructions on how to properly work the floor. Management is the most intricate as it includes a leadership challenge and simulation that takes participants through a day in the life of a store manager. Through this "learn and apply" simulation, managers deal with common issues they'll likely encounter on the job. To attain certification, workers are graded and must receive a specified minimum score. Leadership training is all about developing a winning team and learning how to identify such teams. Since 2012, there was a dramatic

increase from 52% to 92% for team leader training, 63% to 114% for management training, and 25% to 100% for leadership training.<sup>4</sup>

Jiffy Lube University provides more than just classes for management. The company has also introduced virtual garages for employees to experience different team dynamics while taking on various roles. Clearly, Jiffy Lube is invested in the education of its employees and management. As a result, Jiffy Lube's specialty oil sales and employee participation increased. In 2014, out of a pool of 125 organizations, Jiffy Lube was named *Training* magazine's top training organization.

#### Case Questions

1. Which management resources did Jiffy Lube utilize? Explain.
  2. How does Jiffy Lube University develop interpersonal skills?
  3. Explain how the management training contributes to each of the four management functions.
  4. Does teaching a universal approach to sales help management or hurt management? Explain your answer.
5. What are the benefits to having Jiffy Lube University?
  6. Would you like to attend Jiffy Lube University or a similar program for job training?

#### Case References

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## ●●● SKILL BUILDER 1–1: GETTING TO KNOW YOU

#### Objectives

1. To get acquainted with some of your classmates
2. To gain a better understanding of what the course covers
3. To get to know more about your instructor

#### Skills

The primary skills developed through this exercise are:

1. Management skill—interpersonal
2. AACSB competency—communication
3. Management function—leading
4. Break into groups of five or six, preferably with people you do not know. Have each member tell his or her name and two or three significant things about himself or herself. Then ask each other questions to get to know each other better.
5. Can everyone in the group address every other person by name? If not, have each member repeat his or her name. Then each person in the group should repeat the names of all the group members until each person knows everyone's first name.

#### Discussion

What can you do to improve your ability to remember people's names?

1. Elect a spokesperson for your group. Look over the following categories and decide on some specific questions you would like your spokesperson to ask the instructor from one or more of the categories. The spokesperson will not identify who asked the questions. You do not have to have questions for each area.
  - Course expectations. What do you expect to cover or hope to learn from this course?
  - Doubts or concerns. Is there anything about the course that you don't understand?
  - Questions about the instructor. List questions to ask the instructor in order to get to know him or her better.
2. Each spokesperson asks the instructor one question at a time until all questions have been answered. Spokespeople should skip questions already asked by other groups.

#### Apply It

What did I learn from this experience? How will I use this knowledge in the future?

### ●●● SKILL BUILDER 1–2: COMPARING MANAGEMENT SKILLS

**Objective**

To better understand the importance of good management skills and functions

**Skills**

The primary skills developed through this exercise are:

1. Management skill—decision making
2. AACSB competency—analytic
3. Management function—planning

**Compare Your Supervisor’s Management Skills**

Recall the best supervisor or boss you ever worked for and the worst one you ever worked for. Compare these two people by writing brief notes in the chart below about each person’s management skills and ability to perform the four management functions.

Management Skills and Functions		
Best Supervisor or Boss		Worst Supervisor or Boss
	Technical	
	Interpersonal (your relationship with the boss)	
	Decision Making	
	Planning	
	Organizing	
	Leading	
	Controlling	

Based on your own experiences with a good boss and a poor one, what do you believe are the key differences between good and poor managers?

**Apply It**

What did I learn from this exercise? How will I use this knowledge in the future?

### ●●● SKILL BUILDER 1–3: CAREERS

**Objective**

To think about your career

**Skills**

The primary skills developed through this exercise are:

1. Management skill—decision making
2. AACSB competency—reflective thinking
3. Management function—planning

**Discussion Questions**

1. When you graduate, do you want to work in a for-profit or not-for-profit organization as an employee, manager, or entrepreneur?

2. Regarding a career plan, do you believe your answer will change with time? If yes, how?

**Apply It**

What did I learn from this exercise? How will I use this knowledge in the future?

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### ●●● SKILL BUILDER 1–4: MANAGEMENT STYLES

Note that this Skill Builder is based on leadership and can also be used with Chapter 12.

**Objectives**

1. To learn your preferred management style
2. To learn how to match a situation to an appropriate management style

**Skills**

The primary skills developed through this exercise are:

- Management skill—decision making
- AACSB competency—analytic
- Management function—leading

**Self-Assessment of Your Preferred Management Style**

Following are 12 situations. Select the one alternative that most closely describes what you would do in each situation. Don't be concerned with trying to pick the right answer; select the alternative you would really use. Circle a, b, c, or d. (Ignore the C \_\_\_\_ preceding each situation and the S \_\_\_\_ following each answer choice; these will be explained later.)

C \_\_\_\_ 1. Your rookie crew members seem to be developing well. Their need for direction and close supervision is diminishing. What do you do?

- Stop directing and overseeing performance unless there is a problem. S \_\_\_\_
- Spend time getting to know them personally, but make sure they maintain performance levels. S \_\_\_\_
- Make sure things keep going well; continue to direct and oversee closely. S \_\_\_\_
- Begin to discuss new tasks of interest to them. S \_\_\_\_

C \_\_\_\_ 2. You assigned Jill a task, specifying exactly how you wanted it done. Jill deliberately ignored your directions and did it her way. The job will not meet the customer's standards. This is not the first problem you've had with Jill. What do you decide to do?

- Listen to Jill's side, but be sure the job gets done right. S \_\_\_\_
- Tell Jill to do it again the right way and closely supervise the job. S \_\_\_\_
- Tell her the customer will not accept the job and let Jill handle it her way. S \_\_\_\_
- Discuss the problem and solutions to it. S \_\_\_\_

C \_\_\_\_ 3. Your employees work well together and are a real team; the department is the top performer in the organization. Because of traffic problems, the president has approved staggered hours for departments. As a result, you can change your department's hours. Several of your workers are in favor of changing. What action do you take?

- Allow the group to decide the hours. S \_\_\_\_
- Decide on new hours, explain why you chose them, and invite questions. S \_\_\_\_

c. Conduct a meeting to get the group members' ideas. Select new hours together, with your approval. S \_\_\_\_

d. Send out a memo stating the hours you want. S \_\_\_\_

C \_\_\_\_ 4. You hired Rahim, a new employee. He is not performing at the level expected after a month's training. Rahim is trying, but he seems to be a slow learner. What do you decide to do?

- Clearly explain what needs to be done and oversee his work. Discuss why the procedures are important; support and encourage him. S \_\_\_\_
- Tell Rahim that his training is over and it's time to pull his own weight. S \_\_\_\_
- Review task procedures and supervise his work closely. S \_\_\_\_
- Inform Rahim that his training is over and that he should feel free to come to you if he has any problems. S \_\_\_\_

C \_\_\_\_ 5. Padma has had an excellent performance record for the last five years. Recently you have noticed a drop in the quality and quantity of her work. She has a family problem. What do you do?

- Tell her to get back on track and closely supervise her. S \_\_\_\_
- Discuss the problem with Padma. Help her realize that her personal problem is affecting her work. Discuss ways to improve the situation. Be supportive and encourage her. S \_\_\_\_
- Tell Padma you're aware of her productivity slip and that you're sure she'll work it out soon. S \_\_\_\_
- Discuss the problem and solution with Padma and supervise her closely. S \_\_\_\_

C \_\_\_\_ 6. Your organization does not allow smoking in certain areas. You just walked by a restricted area and saw Joan smoking. She has been with the organization for 10 years and is a very productive worker. Joan has never been caught smoking before. What action do you take?

- Ask her to put the cigarette out; then leave. S \_\_\_\_
- Discuss why she is smoking and what she intends to do about it. S \_\_\_\_
- Give her a lecture about not smoking and check up on her in the future. S \_\_\_\_
- Tell her to put the cigarette out, watch her do it, and tell her you will check on her in the future. S \_\_\_\_

C \_\_\_\_ 7. Your employees usually work well together with little direction. Recently a conflict between Sue and Tom has caused problems. What action do you take?

- a. Call Sue and Tom together and make them realize how this conflict is affecting the department. Discuss how to resolve it and how you will check to make sure the problem is solved. S \_\_\_\_
- b. Let the group resolve the conflict. S \_\_\_\_
- c. Have Sue and Tom sit down and discuss their conflict and how to resolve it. Support their efforts to implement a solution. S \_\_\_\_
- d. Tell Sue and Tom how to resolve their conflict and closely supervise them. S \_\_\_\_

C \_\_\_\_ 8. Hector usually does his share of the work with some encouragement and direction. However, he has migraine headaches occasionally and doesn't pull his weight when this happens. The others resent doing Hector's work. What do you decide to do?

- a. Discuss his problem and help him come up with ideas for maintaining his work; be supportive. S \_\_\_\_
- b. Tell Hector to do his share of the work and closely watch his output. S \_\_\_\_
- c. Inform Hector that he is creating a hardship for the others and should resolve the problem by himself. S \_\_\_\_
- d. Be supportive but set minimum performance levels and ensure compliance. S \_\_\_\_

C \_\_\_\_ 9. Barbara, your most experienced and productive worker, came to you with a detailed idea that could increase your department's productivity at a very low cost. She can do her present job and this new assignment. You think it's an excellent idea. What do you do?

- a. Set some goals together. Encourage and support her efforts. S \_\_\_\_
- b. Set up goals for Barbara. Be sure she agrees with them and sees you as being supportive of her efforts. S \_\_\_\_
- c. Tell Barbara to keep you informed and to come to you if she needs any help. S \_\_\_\_
- d. Have Barbara check in with you frequently so that you can direct and supervise her activities. S \_\_\_\_

C \_\_\_\_ 10. Your boss asked you for a special report. Franco, a very capable worker who usually needs no direction or support, has all the necessary skills to do the job. However, Franco is reluctant because he has never done a report. What do you do?

- a. Tell Franco he has to do it. Give him direction and supervise him closely. S \_\_\_\_
- b. Describe the project to Franco and let him do it his own way. S \_\_\_\_

c. Describe the benefits to Franco. Get his ideas on how to do it and check his progress. S \_\_\_\_

d. Discuss possible ways of doing the job. Be supportive; encourage Franco. S \_\_\_\_

C \_\_\_\_ 11. Jean is the top producer in your department. However, her monthly reports are constantly late and contain errors. You are puzzled because she does everything else with no direction or support. What do you decide to do?

- a. Go over past reports, explaining exactly what is expected of her. Schedule a meeting so that you can review the next report with her. S \_\_\_\_
- b. Discuss the problem with Jean and ask her what can be done about it; be supportive. S \_\_\_\_
- c. Explain the importance of the report. Ask her what the problem is. Tell her that you expect the next report to be on time and error free. S \_\_\_\_
- d. Remind Jean to get the next report in on time without errors. S \_\_\_\_

C \_\_\_\_ 12. Your workers are very effective and like to participate in decision making. A consultant was hired to develop a new method for your department using the latest technology in the field. What do you do?

- a. Explain the consultant's method and let the group decide how to implement it. S \_\_\_\_
- b. Teach the workers the new method and supervise them closely as they use it. S \_\_\_\_
- c. Explain to the workers the new method and the reasons it is important. Teach them the method and make sure the procedure is followed. Answer questions. S \_\_\_\_
- d. Explain the new method and get the group's input on ways to improve and implement it. S \_\_\_\_

To determine your preferred management style, circle the letter you selected for each situation.

	Autocratic	Consultative	Participative	Empowering
1.	c	b	d	a
2.	b	a	d	c
3.	d	b	c	a
4.	c	a	d	b
5.	a	d	b	c
6.	d	c	b	a
7.	d	a	c	b
8.	b	d	a	c
9.	d	b	a	c
10.	a	c	d	b
11.	a	c	b	d
12.	b	c	d	a
Totals	_____	_____	_____	_____

Now add up the number of circled items per column. The column with the most items circled suggests your preferred management style. Is this the style you tend to use most often?

Your management style flexibility is reflected in the distribution of your answers. The more evenly distributed the numbers, the more flexible your style. A total of 1 or 0 for any column may indicate a reluctance to use that style.

**Learn More About Management Styles**

According to contingency theorists, there is no best management style for all situations. Instead, effective managers adapt their styles to individual capabilities or group situations. Below is a discussion of how to use Model 1–1 (Situational Management); refer to it as you read about it.

**MODEL 1–1 SITUATIONAL MANAGEMENT**

Step 1. Determine the capability level of employees on a continuum from C1 to C4; follow the arrow left to right.

Step 2. Match the management style (S1A, S2C, S3P, S4E) with the employee capability level; follow the arrow down from the capability-level box to the management-style box.

**CAPABILITY LEVEL (C)**

*Employee Ability and Motivation to Perform the Task*

(C1) Low Low Ability or Low Motivation	(C2) Moderate Low Ability/ High Motivation	(C3) High High Ability/ Lower Motivation	(C4) Outstanding High Ability/ High Motivation
Employees are unable to perform the task without supervision or lack motivation (unwillingness to perform).	Employees have moderate ability and are motivated to do the task with supervision.	Employees have the ability to do the task but need some motivation (they are reluctant or need confidence buildup).	Employees have the ability and motivation to perform the task without direction or support.

**MANAGEMENT STYLE (S)**

*Directive and Supportive Behavior Manager Needs to Give Employee to Perform the Task*

(S1A) Autocratic High Directive/ Low Supportive	(S2C) Consultative High Directive/ High Supportive	(S3P) Participative Low Directive/ High Supportive	(S4E) Empowerment Low Directive/ Low Supportive
Manager tells employees what to do and how to do it and closely oversees performance. Manager makes decisions without any employee input.	Manager sells employees on doing the task and oversees performance. Manager typically gets input from individual employees when making decisions.	Manager develops motivation by developing confidence. Manager typically has a group meeting to get employee input into decisions.	Manager assigns tasks and lets the employees do it on their own. Manager lets the employee or group make decision.

1. **Manager–Employee Interactions.** Managers' interactions with employees can be classified into two distinct categories: directive and supportive.

- *Directive behavior.* The manager focuses on directing and controlling behavior to ensure that tasks get done and closely oversees performance.
- *Supportive behavior.* The manager focuses on encouraging and motivating behavior without telling the employee what to do. The manager explains things and listens to employee views, helping employees make their own decisions by building up confidence and self-esteem.

As a manager, you can focus on directing (getting the task done), supporting (developing relationships), or both.

2. **Employee Capability.** There are two distinct aspects of employee capability.

- *Ability.* Do employees have the knowledge, experience, education, skills, and training to do a particular task without direction?
- *Motivation.* Do the employees have the confidence to do the task? Do they want to do the task? Are they committed to performing the task? Will they perform the task without encouragement and support?

Employee capability may be measured on a continuum from low to outstanding. As a manager, you assess each employee's capability level and motivation.

- *Low.* The employees can't do the task without detailed directions and close supervision. Employees in this category are either unable or unwilling to do the task.
- *Moderate.* The employees have moderate ability and need specific direction and support to get the task done properly. The employees may be highly motivated but still need direction.
- *High.* The employees have high ability but may lack the confidence to do the job. What they need most is support and encouragement to motivate them to get the task done.
- *Outstanding.* The employees are capable of doing the task without direction or support.

Most people perform a variety of tasks on the job. It is important to realize that employee capability may vary depending on the specific task. For example, a bank teller may handle routine transactions with great ease but falter when opening new or special accounts. Employees tend to start working with low capability, needing close direction. As their ability to do the job increases, their managers can begin to be supportive and probably cease close supervision. As a manager, you must gradually develop your employees from low to outstanding levels over time.

3. **Four Management Styles.** The four situational management styles are autocratic, consultative, participative, and empowering.

- An *autocratic style* is highly directive and less concerned with building relationships. The autocratic style is appropriate when interacting with low-capability employees. When interacting with such employees, give very detailed instructions describing exactly what the task is and when, where, and how to perform it. Closely oversee performance and give some support. The majority of time with the employees is spent giving directions. Make decisions without input from the employees.
- A *consultative style* involves highly directive and highly supportive behavior and is appropriate when interacting with moderately capable employees. Give specific instructions and oversee performance at all major stages of a task. At the same time, support the employees by explaining why the task should be performed as requested and answering their questions. Work on relationships as you explain the benefits of completing the task your way. Give fairly equal amounts of time to directing and supporting employees. When making decisions, you may consult employees, but retain the final say. Once you make the decision, which can incorporate employees' ideas, direct and oversee employees' performance.
- A *participative style* is characterized by less directive but still highly supportive behavior and is appropriate when interacting with employees with high capability. When interacting with such employees, spend a small amount of time giving general directions and a great deal of time giving encouragement. Spend limited time overseeing performance, letting employees do the task their way while focusing on the end result. Support the employees by encouraging them and building up their self-confidence. If a task needs to be done, don't tell them how to do it; ask them how they will accomplish it. Make decisions together or allow employees to make decisions subject to your limitations and approval.
- An *empowering style* requires providing very little direction or support for employees and is appropriate when interacting with outstanding employees. You should let them know what needs to be done and answer their questions, but it is not necessary to oversee their performance. Such employees are highly motivated and need little, if any, support. Allow them to make their own decisions, subject to your approval. Other terms for empowerment are *laissez-faire* and *hands off*. A manager who uses this style lets employees alone to do their own thing.

### Apply Management Styles

Return to the portion of the exercise in which you assessed your preferred management style. Identify the employee capability level for each item; indicate the capability level by placing a number from 1 to 4 on the line marked “C” before each item (1 indicates low capability; 2, moderate capability; 3, high capability; and 4, outstanding capability). Next, indicate the management style represented in each answer choice by placing the letter A (autocratic), C (consultative), P (participative), or E (empowering) on the line marked “S” following each answer choice. Will your preferred management style result in the optimum performance of the task?

Let’s see how you did by looking back at the first situation.

C \_\_\_\_ 1. Your rookie crew members seem to be developing well. Their need for direction and close supervision is diminishing. What do you do?

Stop directing and overseeing performance unless there is a problem. S \_\_\_\_

Spend time getting to know them personally, but make sure they maintain performance levels. S \_\_\_\_

Make sure things keep going well; continue to direct and oversee closely. S \_\_\_\_

Begin to discuss new tasks of interest to them. S \_\_\_\_

- As a rookie crew, the employees’ capability started at a low level, but they have now developed to the moderate level. If you put the number 2 on the C line, you were correct.
- Alternative a is E, the empowering style, involving low direction and support. Alternative b is C, the consultative style, involving both high direction

and high support. Alternative c is A, the autocratic style, involving high direction but low support. Alternative d is P, the participative style, involving low direction and high support (in discussing employee interests).

- If you selected b as the management style that best matches the situation, you were correct. However, in the business world, there is seldom only one way to handle a situation successfully. Therefore, in this exercise, you are given points based on how successful your behavior would be in each situation. In situation 1, b is the most successful alternative because it involves developing the employees gradually; answer b is worth 3 points. Alternative c is the next-best alternative, followed by d. It is better to keep things the way they are now than to try to rush employee development, which would probably cause problems. So c is a 2-point answer, and d gets 1 point. Alternative a is the least effective because you are going from one extreme of supervision to the other. This is a 0-point answer because the odds are great that this approach will cause problems that will diminish your management success.

The better you match your management style to employees’ capabilities, the greater are your chances of being a successful manager.

### Apply It

What did I learn from this skill-building experience? How will I use this knowledge in the future?

Your instructor may ask you to do Skill Builder 1–4 in class in a group. If so, the instructor will provide you with any necessary information or additional instructions.