

Case study 1

PACIFIC TELECOM CORPORATION

PACIFIC TELECOM corp. is one of the biggest international telecom companies. Pacific telecom just opens one representative office in Vietnam and has an intention to make a joint venture with one Vietnamese Telecom Company to produce cell phone products in Vietnam.

A very nice bronze panel with a notice: "Employees only do their work best if the employer supervises them with the highest frequency" was put in the table of Mr. Paul Allen, Chief Representative in Vietnam. This quote is Allen's philosophy that is accumulated for his long working experience. Allen believed totally that it is the best way to manage people especially in developing countries such as Vietnam.

Allen usually said that if he did not express what he needs to his staff, the staff would never do in the way that he wants. He complained that local employees do not do everything in the way that foreigners do. Even, he said that he cannot imagine what local employees do?

Paul Allen thinks that it is necessary to pay attention to all fragmented tasks that he can imagine. Of course, if every detail of work is completed, the whole project would be finished. Therefore, Allen spends full of his daily time for examining every detail of work. In the afternoon, Allen spends time for listening and controlling specific works and how they are carried out and achieved. At a result, he has no more time to do other works.

After several months, Allen has developed a very clear internal control system. This system provides good service for accounting and financial system. However the main financial difficulty the company is facing is that the company did not achieve the expected revenue. Allen still frequently spent his time to control the equipment purchasing, daily expenses and he forgot to take care or oversee other works/activities. Allen assigned more and more tasks for Vietnamese employees. This created a high pressure in terms of time for his employees, while he did not agree to recruit more employees. Employees had to work more but their efforts had not been recognized by him.

Paul Allen regularly works with a Vietnamese leader of the company's future partner. The Vietnamese partner is the person who has a big influence on Allen. This person tried his best to help Allen to understand that Vietnam is now continuously changing and work is not always completed easily. It is necessary to adapt with Vietnamese working style. However, Paul Allen thinks that it is not right. Everything must be changed.

The partner also convinced Allen that human relationship is considered as a very important factor in Vietnamese culture. Allen understood this issue but he said that work is the first priority. Firstly works have to be well done then relationships will come. In his point of view, it is necessary to pay attention as much as possible on every detail of works, carefully examine the work; thereby the successes will be achieved.

Understanding the Manager's Job

chapter 1

FIRST THINGS FIRST

Marissa Mayer: Google's Top Designer

"I'm the gatekeeper. I have to say no to a lot of people."

-MELISSA MAYER, VICE PRESIDENT, GOOGLE

At the ripe old age of thirty, Marissa Mayer is one of the top twenty managers at Google and its vice president of "Search Products and User Experience." Mayer rose to the top through a combination of intelligence, ambition, and talent. She was a high school valedictorian, debate leader, and pompom squad captain. She earned a Stanford bachelor's and a master's in artificial intelligence, and she patented several of her ideas. Her first task at Google was user interface design, so she read many psychology books to understand perception. While working full time at Google, Mayer teaches programming to Stanford undergraduates and has won several teaching awards.

Mayer has a strong vision for the website's appearance and function. The simplicity of Google's site is deceptive. Every Google search ranks 8 billion Web pages after solving an equation with over 500 million variables. But Google also offers images, interactive maps, foreign-language translation, and more. It is Mayer's job to make sure that users can quickly and easily find what they want, while at the same time providing enough features. Mayer says, "Google has the functionality of a really complicated Swiss Army knife, but the home page is our

CHAPTER OUTLINE

I. An introduction to management

- Kinds of managers
- Basic management functions
- Fundamental management skills
- The science and the art of management

II. The evolution of management

- The importance of history and theory
- The historical context of management
- The classical management perspective
- The behavioral management perspective
- The quantitative management perspective

III. Contemporary management perspectives

- The systems perspective
- The contingency perspective
- Contemporary management challenges and opportunities



The talents of executives like Marissa Ann Mayer have helped Google become one of the best known firms in the world.

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

- Define management, describe the kinds of managers found in organizations, identify and explain the four basic management functions, describe the fundamental management skills, and comment on management as science and as art.
- Justify the importance of history and theory to managers and explain the evolution of management thought through the classical, behavioral, and quantitative perspectives.
- Identify and discuss key contemporary management perspectives represented by the systems and contingency perspectives and identify the major challenges and opportunities faced by managers today.

way of approaching [the knife] closed. It's simple, it's elegant, you can slip it in your pocket, but it's got the great doodad when you need it."

She is the one who gives the thumbs-up or thumbs-down to any new design idea. Mayer's stringent rule is that any new service must receive millions of page views each day, or it doesn't get added to the home page. She wants the home to remain uncluttered so that Google's site looks different from Yahoo!'s and Microsoft's. The two competitors each have approximately 60 services, 140 links, and numerous advertisements. By comparison, Google's site offers 6 services, 17 links (up from 11 in 2001), and no ads. "[Our site] gives you what you want, when you want it, rather than everything you could ever want, even when you don't," says Mayer. She does not let worry get in the way of innovation, saying, "Customers remember your average over time. That philosophy frees you from fear."

Mayer focuses on the 87 percent of people who rate ease of use as their top priority. To maintain simplicity, lots of good ideas simply don't make the cut. "I'm the gatekeeper," Mayer states. "I have to say no to a lot of people." She is concerned that, once more features are added, they will be impossible to remove. At the same time, she is sensitive to the demands of both engineers and users for more elements. Google now offers a customized website that allows additional complexity. (Try it out by clicking on the "Personalized Home" button on the upper right portion of the Google main home page, at www.google.com.)

Although Mayer may be uncompromising in her approach to design, she maintains good relationships with her staff. Two or three times a week, she holds informal "office hours" at Google, a technique she learned from her college professors. "I keep my ears open," she says. "I work at building a reputation for being receptive." Monthly brainstorming sessions for 100 engineers are another one of Mayer's tools for eliciting creativity.

During her tenure at Google, Mayer has overseen expansion of the site into 100 languages and helped to add 100 specialized features. Her colleagues must be doing something right too. The company has grown from a dozen employees in 1998 to 5,000 in 2006. Today, Google controls 60 percent of the search market, up from 45 percent at the end of 2004. (Yahoo! controls 30 percent and MSN just 6 percent.) After a year in which revenues are expected to top \$3.5 billion, Google stock is hot. Google went public in August 2004, selling shares for about \$100. Eighteen months later, the shares traded for \$450. With managers like Mayer leading the firm, Google seems poised to continue this success into the future.

This book is about managers like Melissa Mayer and the work she does. In Chapter 1, we examine the general nature of management, its dimensions, and its challenges. We explain the concepts of management and managers, discuss the management process, and summarize the origins of contemporary management thought. We conclude by introducing critical challenges and issues that managers are facing now and will continue to encounter in the future.

CHAPTER CLOSING CASE

HOME DEPOT'S FAILED MANAGER

Home Depot is second only to Wal-Mart in U.S. retail sales. Yet, like its rival, that very success has made it difficult for the company to continue to grow and innovate. So from 2000 to 2006, former CEO Bob Nardelli made tremendous changes in the organization. He hoped to reduce costs, increase profit margins, and raise stock price. When Nardelli accomplished his financial goals but share price failed to rise, he was abruptly forced to resign. Insiders and outside observers were shocked that a successful corporate leader could fall so far, so fast.

One concern was Nardelli's management approach, characterized as "command-and-control." This centralized structure gave high-level managers a great deal of authority to make decisions for lower-level managers and workers. Nardelli also emphasized militaristic discipline and obedience, increased the formal management hierarchy, and required others to implement stringent plans to a high standard. Command-and-control was widely popular throughout the 1950s and 60s but fell out of favor by the 1970s. It ignored or even contradicted many of today's management trends, including teamwork and collaboration, experimentation, employee empowerment, and reducing the formal hierarchy.

Nardelli adopted command-and-control to help the firm recover from problems with its former decentralized structure that gave store managers tremendous autonomy. Home Depot founders Bernie Marcus and Arthur Blank wanted to encourage innovation and initiative, but

instead, the company "grew so fast the wheels were starting to come off," says Edward Lawler, a business professor at USC.

Nardelli learned this approach at General Electric (GE), where he worked for 29 years and rose to be a senior vice president. GE's managers are known for the success of their rigorous financial discipline and ruthless style. Yet Nardelli's approach came at a cost. Midlevel and store managers resented taking direction from above. "This retail organization never really embraced [Nardelli's] leadership style," said Matthew Fassler, an analyst who studies Home Depot. Nardelli eliminated underperforming managers, replacing 98 percent of top managers during his tenure as CEO. Fifty-six percent of the new managers were recruited from outside and were unfamiliar with the company's systems and processes, leading to waste.

Another concern was the decline in customer service, changing a store that was world class a decade ago into a lackluster shopping experience. Nardelli's cost-cutting measures decreased the number of customer-service employees in the stores, frustrating customers. Shoppers often had a hard time finding a knowledgeable salesperson at the store. Customer satisfaction ratings slipped lower than rival Lowe's and sales slipped over 5 percent in the third quarter of 2006. In addition, loss of autonomy and ability to experiment led to lower worker morale. Many of Home Depot's long-time employees quit in frustration.

One former manager complained that Nardelli was more concerned about how he measured good customer service than he was about inspiring it. The manager says, "The mechanics are there. The soul isn't." Critics claimed Nardelli turned a flexible, entrepreneurial employer into "a factory." While founders Marcus and Blank had a friendly, approachable, entrepreneurial style, Nardelli was seen as arrogant and numbers-obsessed. Kenneth Langone, the third co-founder of Home Depot, says Nardelli was "maniacal about goals, objectivity, accomplishments." In fact, when Nardelli was accused of being more interested in finances than in people, he would reply, "Facts are friendly."

A third concern is the lack of increase in Home Depot's share price. The total market value of Home Depot shares outstanding dropped 40 percent over the last six years. Total return to shareholders was down 13 percent for 2005. Yet sales have increased, costs have dropped, and profit margins improved. The low share price may be due to lack of investor confidence in the company's—and Nardelli's—performance. While Nardelli achieved his financial objectives, he was perceived as deficient in long-term strategy and vision for the firm.

For example, under Nardelli's leadership, Home Depot spent billions of dollars to repurchase some of its own stock. This action raises stock price by reducing the number of shares outstanding. Yet shareholders would rather see the firm invest capital in projects

that support long-term growth and innovation. Stock repurchase is a signal that company executives cannot think of a better use for the stockholders' money. Nardelli also failed to assure stockholders about the company's ability to compete effectively against Lowe's, its closest challenger.

Nardelli leaves with an eye-popping \$210 million in separation compensation, although he did not raise share price. Or did he? On the day his resignation was announced, the value of Home Depot stock rose 3 percent.

CASE QUESTIONS

1. Give examples from the case of times when Bob Nardelli was planning, organizing, leading, and controlling.
2. What types of managerial roles did Nardelli fulfill? What managerial skills did he use?
3. In your opinion, did Nardelli tend to place more emphasis on the science of management or the art of management? What were the advantages and disadvantages of his approach?

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YOU MAKE THE CALL

Marissa Mayer: Google's Top Designer

1. Do you think Google employees enjoy working for Mayer? Describe some of the benefits and some of the challenges of working for her.
2. What do you think are Marissa Mayer's principal strengths as a manager? What are her weaknesses?
3. Consider your assessment of Mayer's strengths and weaknesses as a manager. If you were her superior, what kinds of managerial positions would you recommend she attempt? What types of positions would *not* be suitable for her?
4. Would you like to work for Mayer or would you rather have her work for you? Explain.

Planning and Strategic Management

The Video Game Wars

"We think gamers will be spending most of their time...playing with others and with characters that they care about."

-HOWARD MARKS, CEO, VIDEO GAME MAKER ACCLAIM

Video games often portray war-fighting action, but there are also many different kinds of war. One example today is the strategic war for dominance in the video game industry. As the industry matures, the number of competitors gets smaller because larger firms absorb smaller ones. Those remaining are more powerful, yet competition is more intense. Electronic Arts and Sony are the largest players in this industry and each has adopted a different strategy for success.

Electronic Arts (EA) is the number one video game producer, making games for just about every game console, handheld game, PC, PDA, and mobile phone. Until this year, the company's strategy has been to develop games around popular movies or sports, such as Lord of the Rings and Madden NFL. EA's strategy



minimizes the huge risk of creating a video game. It takes dozens of staff, millions of dollars, and 12 to 18 months to produce one new game. Sales revenues are unpredictable and some expensive games have fizzled.

EA, under pressure from entrepreneurial rivals, must increase innovation, shifting to more internal development. However, developers are rotated freely among projects, helping out wherever they are needed. This increases productivity but hurts teamwork. In contrast, the teams at many small studios work on one game from start to finish. Small companies created many of gaming's biggest successes, including *Grand Theft Auto* and *Halo*. EA is switching to dedicated teams that can more readily improve just one segment of programming, for example, how weapons fire or how characters show emotions.

Sony is the number two video game producer and makes games solely for its PlayStation platforms. Video game hardware, not the games themselves, has always been their priority. Sony's approach is not focused on blockbusters. Instead, the company tries to manage the risky video game production process by investing less, which has led to lower expenses but also to fewer of the cutting-edge effects and graphics that video game fans love. Some of their top-selling games include *The Da Vinci Code*, *Field Commander*, and *Untold Legends*.

While both EA's new strategy and Sony's strategy could lead to success, EA's seems to be more in tune with industry changes. One important development is the growing popularity of massive multiplayer online games, known as MMOs. These games network thousands of players into an online community, where members interact through a role-playing scenario. One of the most widely known MMOs is *World of Warcraft*. This game allows individual play, group play, and individual or group play with online members. Writing MMO games is more difficult than writing games for individuals or small groups.

EA's new emphasis on innovative concepts and increased use of teams should make it easier for them to develop MMOs, while Sony's emphasis on value will not help it do so.

Which strategy is superior? It may be neither, because new strategies are evolving. Small studio Acclaim is developing high-quality games that it gives away for free. Product endorsement fees for items highlighted within the game cover the cost. Acclaim hopes that users will understand that the ads pay for the game, much as TV advertising pays for broadcasts. Acclaim also sells virtual

items, for real money. The users can resell the items when they are finished using them in the game. Acclaim's games are primarily MMOs. "We think gamers will be spending most of their time . . . playing with others and with characters that they care about," says Acclaim CEO Howard Marks. Instead of relying on medieval Dungeons and Dragons settings, the company offers games for all ages and with a wide variety of settings. Finally, Acclaim's games are available as online downloads. The games work on any platform that enables downloaded games. Thus far, only the Microsoft Xbox does so, but Acclaim hopes other game console makers will follow suit.

In a rapidly changing and complex environment, with competitors who have very different resources and weaknesses, using a technology that is still evolving, there are a number of possible strategic responses. Only time will tell which company adopted the correct approach.'

YOU MAKE THE CALL

1. If you can run Electronic Arts, what changes, if any, would you make it the firm's strategy?
2. If you ran Sony's video game business, what changes, if any, would you make in the firm's strategy?
3. If you ran a smaller video game start-up like Acclaim, how might you go about developing a strategy to more effectively compete with EA and Sony?
4. If you play video games now, what aspects of the strategies used by EA, Sony, and Acclaim tend to cause you to play more or fewer of each company's games?
5. If you do not currently play video games, what strategies, if any, might EA, Sony, and Acclaim adopt to increase your interest in playing?

CHAPTER CLOSING CASE

FEMA'S DISASTROUS RESPONSE TO HURRICANE KATRINA

A \$150 billion estimated cost of recovery, 2.5 million persons displaced from their homes, 1,100 deaths, thousands hospitalized, and, as of January 2006, 3,600 individuals still missing. U.S. annual GDP may drop 1 percent, reflecting the \$130 billion in annual contributions made by the region. Over 100,000 jobs lost in two months in Louisiana alone.

A quarter of a million of homes destroyed. An estimated 372,000 elementary and secondary students without schools and eleven universities temporarily closed.

The force of a Category 5 hurricane is one of the most destructive natural events. Hurricane Katrina, which hit the Gulf Coast on August 29, 2005, was the costliest natural disaster in American history and led to vast human suffering. Yet human errors were responsible for much of the economic, physical, and emotional damage, as many individuals, organizations, and governmental bodies failed to respond appropriately. Blame has been placed on everyone from the citizens to President Bush, but none has received more blame

than the Federal Emergency Management Agency, or FEMA.

One factor in the fiasco is FEMA chief Michael Brown's lack of leadership. His emails of August 29 discuss rolling up his shirtsleeves to impress television viewers and whining to his deputy director, "Can I quit now? Can I go home?" An employee emailed him on August 31, saying New Orleans was "past critical"

and mentioning deaths and water shortages. Brown wrote back only: "Thanks for the update. Anything

specific I need to do or tweak?" (Amid controversy and shock, Brown resigned on September 12.)

Yet lack of planning was, surprisingly, not one of the causes of FEMA's disastrously inadequate response. The agency was well aware of the possibility of a Katrina-like disaster. In July 2004, FEMA staged "Hurricane Pam," a disaster simulation focused on New Orleans. The exercise hypothesized mass evacuations and levee destruction. In 2005, Brown's superior, Director of Homeland Security Michael Chertoff, introduced a National

Preparedness Plan. The plan included scenario-based planning for 15 disaster scenarios, including a flu pandemic, major earthquake, and terrorist attack—and a major hurricane.

Although the possible extent of the damage was known, as was the responsibility for various actions, there was a lack of clear communication and a failure to coordinate the actions of different organizations and governments. Although Governor Blanco asked FEMA for aid and New Orleans ordered evacuation, FEMA failed to provide the necessary support. The U.S. Army was prepared to drop food and water via helicopter as early as August 30 but was never asked to do so. Yet city and state officials claim their organizations were overwhelmed and unable to request the help. One *Business Week* editor sums up the situation, saying, "There is no clear strategy for dealing with extraordinary disaster scenarios that can easily overwhelm local officials. And the lack of such unambiguous procedures can lead to chaos." One Louisiana state

official commented, "If you do not know what your needs are, you can't request to FEMA what you need."

What can be done to help authorities respond more effectively? One scholar attributes the problems to a failure of imagination. Dr. Lee Clarke, a Rutgers University professor, claims planners neglected

to consider worst-case scenarios. "The usual or recommended way of looking at risk ... is probabilistic thinking," says Clarke. "Probability says it is highly unlikely that a

nuclear power plant will melt down. Possibilism wonders what happens if a nuclear power plant has a particularly bad day.... [It] is worst case thinking." Clarke's theory would call for emergency responders to plan for worst-case, as well as most-likely case, scenarios.

Another approach would focus on grass-roots planning efforts. During Katrina, for example, many groups and individuals took heroic actions to help victims. The U.S. Coast Guard, helped by hundreds of privately owned watercraft, rescued 22,000 stranded individuals, more than the USCG

rescued in the previous half century. Businesses donated millions and families opened their homes to victims. In this approach, planning for future Katrina could be improved by building on local knowledge and resources. The process should include those who are not included in the current system, such as the disabled, the elderly, and individuals without transportation.

Anderson Cooper, a CNN correspondent, reflected that the lesson learned in Katrina is, "we are not as ready as we can be." Whatever it takes, we need to improve our planning processes and be ready, because there will surely be a next time. For, as Stanford professor Scott Sagan says, "Things that have never happened before happen all the time."

CASE QUESTIONS

1. In your opinion, were the problems experienced by agencies coping with Hurricane Katrina occurring at the strategic, tactical, or operational level? Explain.

2. Should PUMA handle planning for hurricanes and other natural disasters with a single-use plan or a standing plan? What would be the advantages of each approach?

3. How would worst-case planning have helped emergency responders react more effectively to Hurricane Katrina?

CASE STUDY 5

Mr. Chien

Mr. Chien is new manager of the Communication and Information Department at Hanoi Head quarter. He is 29 years old and received his Master degree from the Asian International University.

He is evaluated as a proactive person who always completes his tasks very quickly. He also graduated from the MBA program with an excellent degree. It is the reason he was promoted to the management level. He has been working for the company for 7 years and has some close friends there.

There are 10 information and software experts in his department. Their salary is work-based and bonus is paid according to the completion of the department's projects for designing applied software. Other benefits including training, retreats are on the individual basis.

Mr. Chien had the intention to be the leader of his department and took over this job very quickly. Now that he has reached the management position, he wants to organization the work on his own way. He pays much attention to every detail of experts' work. Other staff is also well taken care of. Mr. Chien considers that Communication and Information Department is "his own department" and that he should be responsible for all matters in the department. His company now has around 20 projects supplying software for the locality, each of which consists of a variety of problems and details. The board of management decided that all information related to those projects should be approved by department managers. Therefore, Mr. Chien usually informs his staff about uncompleted tasks, problems of software, etc. Most of the information transferred is bad news.

Sometimes, he complains that his friends are doing things on their own ways, not his way. He is sad to force them to do their work on his way but he thought that he'd rather dissatisfy his friends than doing things in the right track. Basing on his knowledge on management, he knows that leadership is not an argument supported by the majority. He knows that some of his staff are not doing their job well but he doesn't know how to solve this problem yet. After he was promoted, projects' problems have been arising. The completion time of the projects is delayed. Mr. Chien knows that he should be tougher to his staff.

Mr. Chien still wants to maintain friendship, working and entertaining with his friends. The amity with his colleagues has been loosened. However, in his opinion, to become a good manager, he should even sacrifice friendship. He always says that work is more important than human relationship.

Case study 6

DELEGATION

Mr. Hoa is Head of Recruitment Division, HR. Department of MEKONG Corp.

His responsibility is to recruit and train staff of the company. At present, he has to recruit 5 staff for a product development project with the qualification of university degree, good experience in planning, English Proficiency at C level.

There is 11 staff in Mr. Hoa's division. In Mr. Hoa's opinion, all of them are qualified and active in their work. However, recently he has been busy with the training program for junior managers to standardize the expertise within the company. This is one important part in the Human resource development strategy to 2010. Mr. Hoa thought that he cannot complete the task of recruiting 5 planning staff if he didn't delegate the task to another staff in his division. He strongly trusted his staffs capability in the sense that they could complete their job with little supervision. The question is to whom he should delegate the task?

Mr. Hoa started this job by firstly evaluating each of his staff in some criteria such as working experience, individual behavior, and capability in current job. His purpose was to find one staff to complete the task, causing the least trouble (if any). Finally, he chose Ms. Tam, the oldest and most senior staff in his division.

Ms. Tam had not yet to take over such kind of job. Mr. Hoa thought that Ms. Tam

would need very little support from him. Anyhow, Ms. Tam would feel to struggle with new challenge and face with difficulty in maintaining her dynamic to her junior colleagues.

Mr. Hoa decided to prepare a short description of the assigned task, in which he specified necessary steps to do the task. 2 months was given to Ms. Tam to complete the task. Mr. Hoa spent 20 minutes to explain the task to Ms. Tam. Ms. Tam agreed to take over the task and promised to report to Mr. Hoa when she found 5 qualified staff. Mr. Hoa apologized for the short introduction and came back to do his job in a hurry.