management

ninth edition

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Chapter

1

Introduction to Management and Organizations

PEARSON
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LEARNING OUTLINE

Follow this Learning Outline as you read and study this chapter.

Who Are Managers?

- Explain how managers differ from non-managerial employees.

- Describe how to classify managers in organizations.

What Is Management?

- Define management.

- Explain why efficiency and effectiveness are important to management.

L E A R N I N G   O U T L I N E (cont'd)

Follow this Learning Outline as you read and study this chapter.

What Do Managers Do?

- **Describe the four functions of management.**

- **Explain Mintzberg's managerial roles.**

- **Describe Katz's three essential managerial skills and how the importance of these skills changes depending on managerial level.**

- **Discuss the changes that are impacting managers' jobs.**

- **Explain why customer service and innovation are important to the manager's job.**

L E A R N I N G   O U T L I N E (cont'd)

Follow this Learning Outline as you read and study this chapter.

What Is An Organization?

- Describe the characteristics of an organization.

- Explain how the concept of an organization is changing.

Why Study Management?

- Explain the universality of management concept.

- Discuss why an understanding of management is important.

- Describe the rewards and challenges of being a manager.

Who Are Managers?

- Manager

    □ Someone who coordinates and oversees the work of other people so that organizational goals can be accomplished.

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Management

Definitions of Management

"**Management is an art of getting things done through people**". **- Mary Parker Fallett**

"**Management is a process of planning, organizing, staffing, directing and controlling to accomplish organizational objectives through the coordinated use of human and material skills**". – **Prof. Moore**

"**Management is the process of designing and maintaining an environment in which individuals working together in groups, accomplish their aims efficiently and effectively**". **- Koontz**

Exhibit 1–1   Managerial Levels

Top Managers

Middle Managers

First-Line Managers

Nonmanagerial Employees
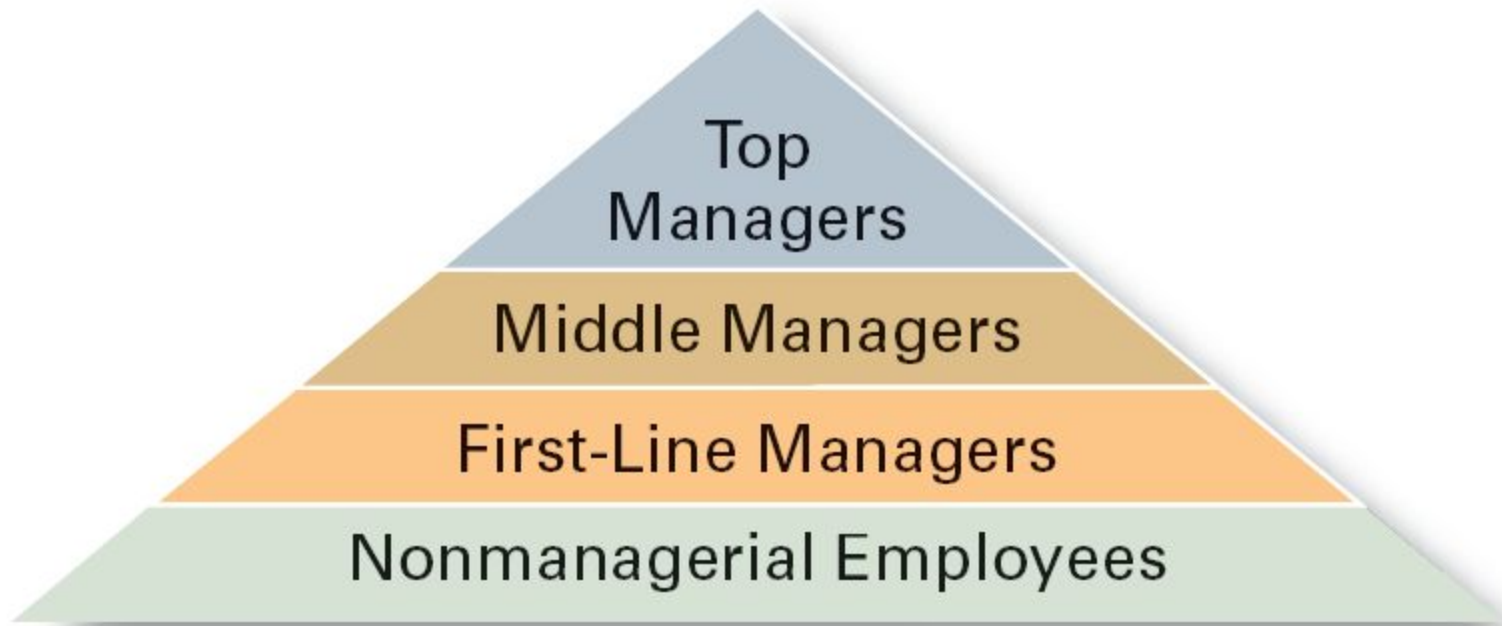
Classifying Managers

- First-line Managers

  □ Individuals who manage the work of non-managerial employees.

- Middle Managers

  □ Individuals who manage the work of first-line managers.

- Top Managers

  □ Individuals who are responsible for making organization-wide decisions and establishing plans and goals that affect the entire organization.

What Is Management?
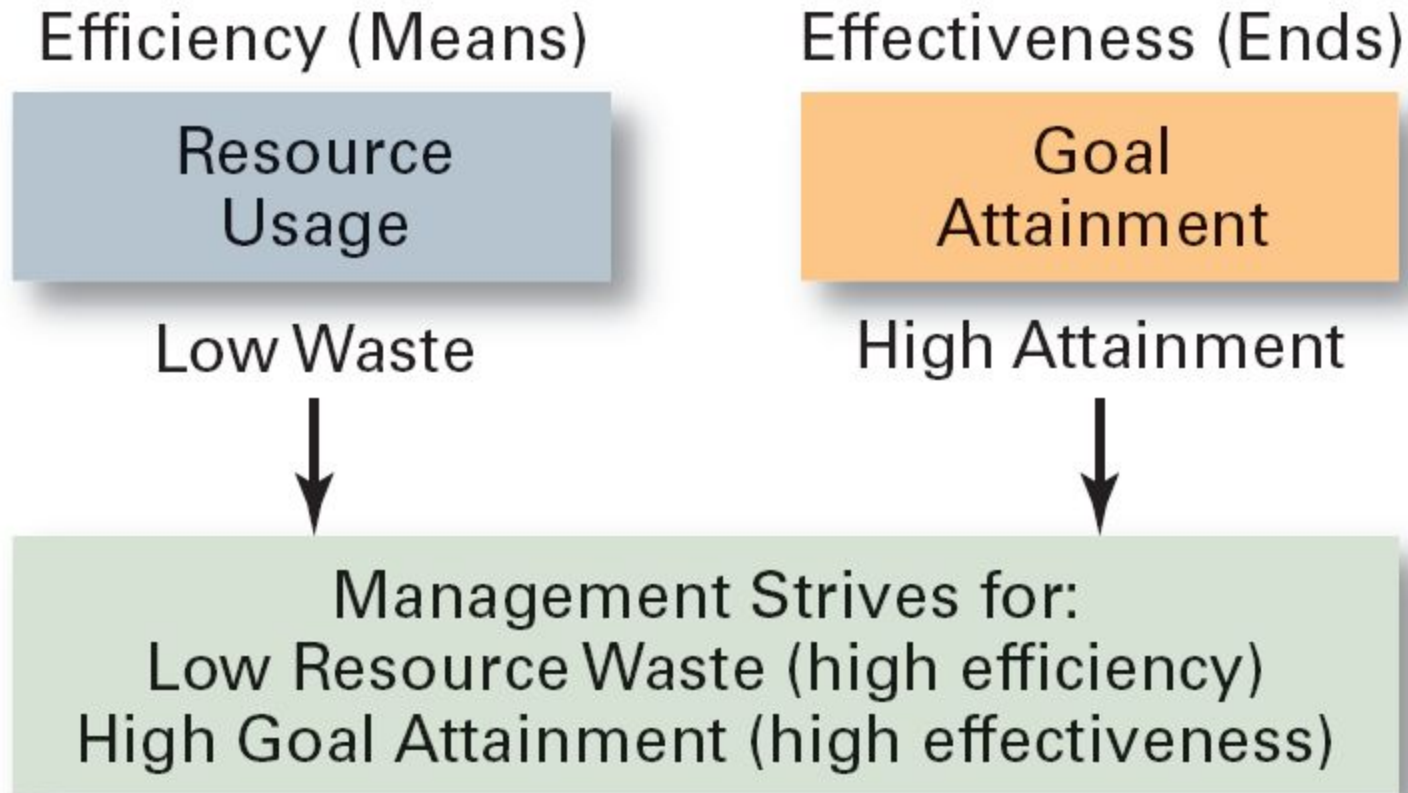
- Managerial Concerns
  - Efficiency
    - ❖ "Doing things right"
      - Getting the most output for the least inputs
  - Effectiveness
    - ❖ "Doing the right things"
      - Attaining organizational goals

Exhibit 1–2 Effectiveness and Efficiency in Management

Efficiency (Means)

Resource Usage

Low Waste

Effectiveness (Ends)

Goal Attainment

High Attainment

Management Strives for:
Low Resource Waste (high efficiency)
High Goal Attainment (high effectiveness)

Some Key Concepts

Managerial performance is the measure of how efficient and effective a manager is; i.e., how well he or she <u>determines and achieves appropriate objectives</u>.

Organizational performance is the measure of how efficient and effective an organization is; i.e., how well it <u>achieves appropriate objectives</u>.

Efficiency (resource usages) is the ability to minimize the use of resources in achieving organizational objectives - "<u>doing the things right</u>".

Effectiveness (goal attainment) is the ability to determine appropriate objectives - "<u>doing the right thing</u>".

What Do Managers Do?(Management Functions)

- Functional Approach
  - Planning
    - ❖ Defining goals, establishing strategies to achieve goals, developing plans to integrate and coordinate activities.
  - Organizing
    - ❖ Arranging and structuring work to accomplish organizational goals.
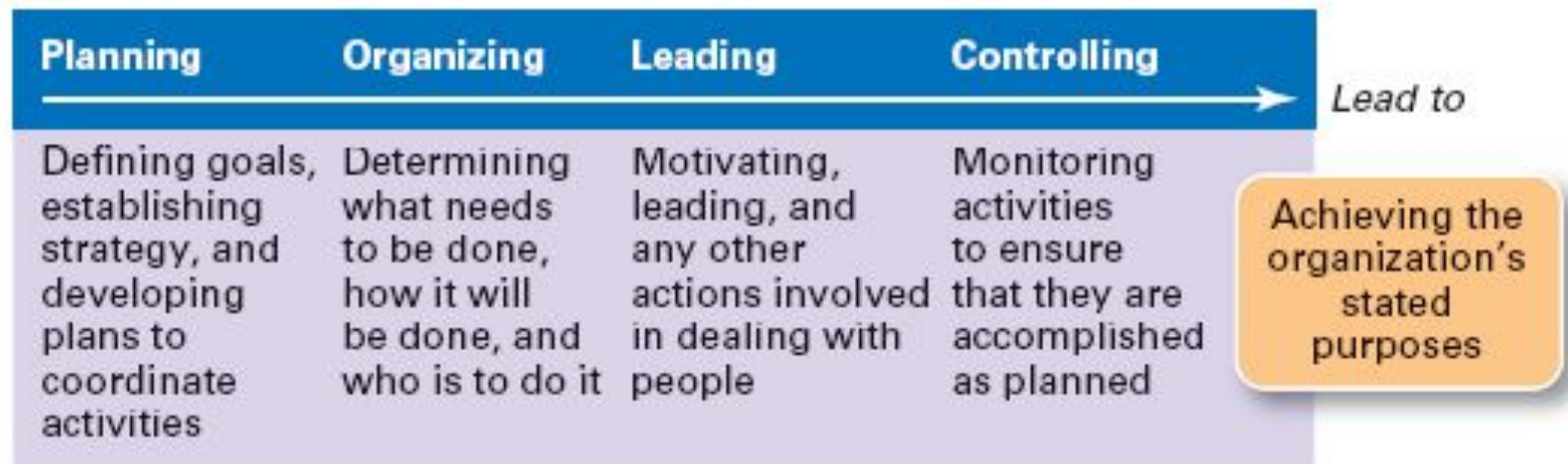 - Leading
    - ❖ Working with and through people to accomplish goals.
  - Controlling
    - ❖ Monitoring, comparing, and correcting work.

Exhibit 1–3   Management Functions

Planning	Organizing	Leading	Controlling	
				→ *Lead to*
Defining goals, establishing strategy, and developing plans to coordinate activities	Determining what needs to be done, how it will be done, and who is to do it	Motivating, leading, and any other actions involved in dealing with people	Monitoring activities to ensure that they are accomplished as planned	Achieving the organization's stated purposes

What Do Managers Do? (cont'd)

<u>Henry Mintzberg's Management Roles Approach</u>

◻ Interpersonal roles

- ❖ Figurehead, leader, liaison

◻ Informational roles

- ❖ Monitor, disseminator, spokesperson

◻ Decisional roles

- ❖ Entrepreneur, Disturbance handler, resource allocator, negotiator
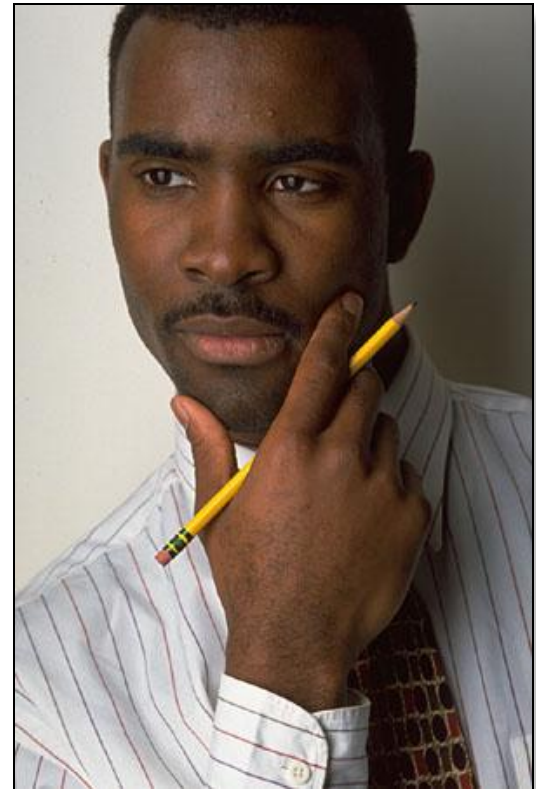
What Managers Actually Do (Mintzberg)

- Interaction
  - ☐ with others
  - ☐ with the organization
  - ☐ with the external context of the organization
- Reflection
  - ☐ thoughtful thinking
- Action
  - ☐ practical doing

What Do Managers Do? (cont'd)

- Skills Approach
  - Technical skills
    - ❖ Knowledge and proficiency in a specific field
  - Human skills
    - ❖ The ability to work well with other people
  - Conceptual skills
    - ❖ The ability to think and conceptualize about abstract and complex situations concerning the organization

The Management Process

It is a dynamic process by which management creates, operates and directs purposive organization through systematic, coordinated and co-operated human efforts.

As a process, management consists of three aspects:

- Management is a social process – Human factor & Relationships

- Management is an integrating process – Human, Physical & Financial

- Management is a continuous process – Problem solving

Exhibit 1–5   Skills Needed at Different Management Levels

Top Managers

Middle Managers

Lower-level Managers

Conceptual Skills

Human Skills

Technical Skills
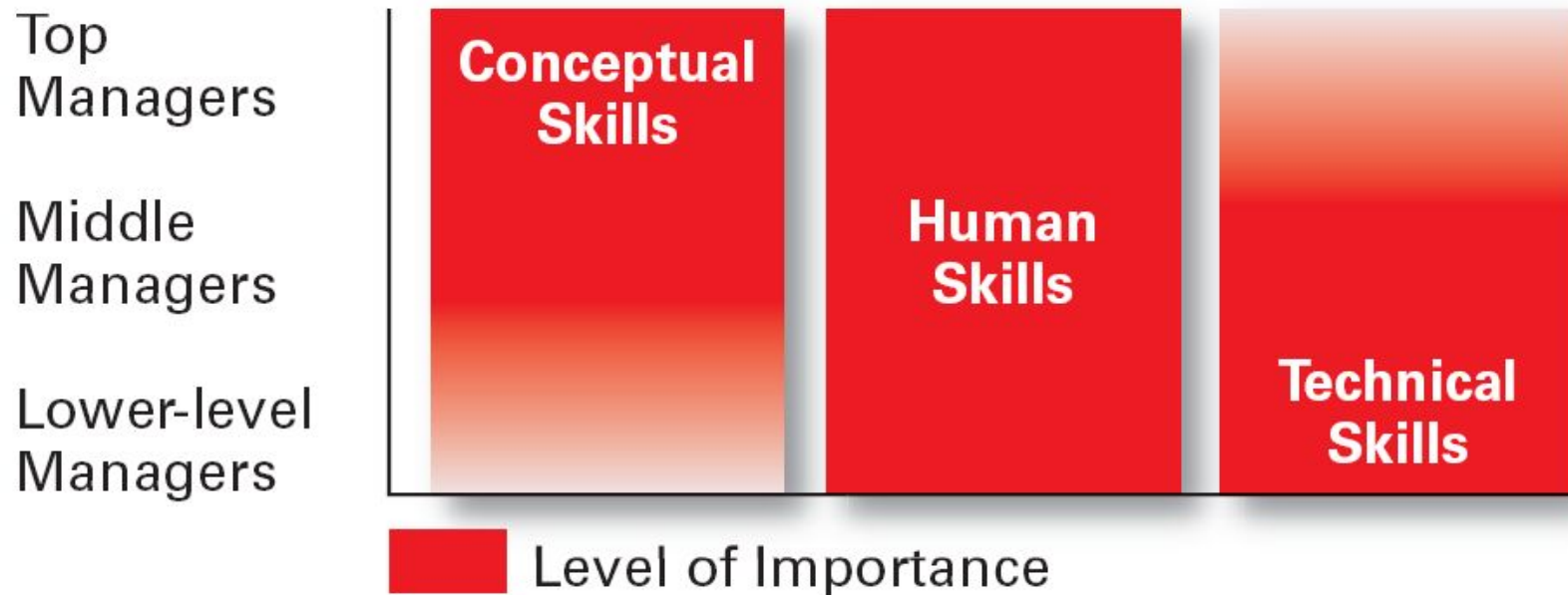
Level of Importance

Exhibit 1–6   Conceptual Skills

- Using information to solve business problems

- Identifying of opportunities for innovation

- Recognizing problem areas and implementing solutions

- Selecting critical information from masses of data

- Understanding of business uses of technology

- Understanding of organization's business model

Exhibit 1–6   Communication Skills

- Ability to transform ideas into words and actions

- Credibility among colleagues, peers, and subordinates

- Listening and asking questions

- Presentation skills; spoken format

- Presentation skills; written and/or graphic formats

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Exhibit 1–6   Effectiveness Skills

- Contributing to corporate mission/departmental objectives

- Customer focus

- Multitasking: working at multiple tasks in parallel

- Negotiating skills

- Project management

- Reviewing operations and implementing improvements

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Exhibit 1–6   Effectiveness Skills (cont'd)

- Setting and maintaining performance standards internally and externally

- Setting priorities for attention and activity

- Time management

Exhibit 1–6   Interpersonal Skills (cont'd)

- Coaching and mentoring skills

- Diversity skills: working with diverse people and cultures

- Networking within the organization

- Networking outside the organization

- Working in teams; cooperation and commitment

Exhibit 1–7   Management Skills and Management Function Matrix

Skill	Planning	Organizing	Leading	Controlling
Acquiring power		✓	✓	
Active listening			✓	✓
Budgeting	✓			✓
Choosing an effective leadership style			✓	
Coaching			✓	
Creating effective teams		✓	✓	
Delegating (empowerment)		✓	✓	
Designing motivating jobs		✓	✓	
Developing trust			✓	
Disciplining			✓	✓
Interviewing		✓	✓	
Managing conflict			✓	✓
Managing resistance to change		✓	✓	✓
Mentoring			✓	
Negotiating			✓	
Providing feedback			✓	✓
Reading an organization's culture		✓	✓	
Running productive meetings	✓	✓	✓	✓
Scanning the environment	✓			✓
Setting goals	✓			✓
Solving problems creatively	✓	✓	✓	✓
Valuing diversity	✓	✓	✓	✓

How The Manager's Job Is Changing

- The Increasing Importance of Customers
  - Customers: the reason that organizations exist
    - Managing customer relationships is the responsibility of all managers and employees.
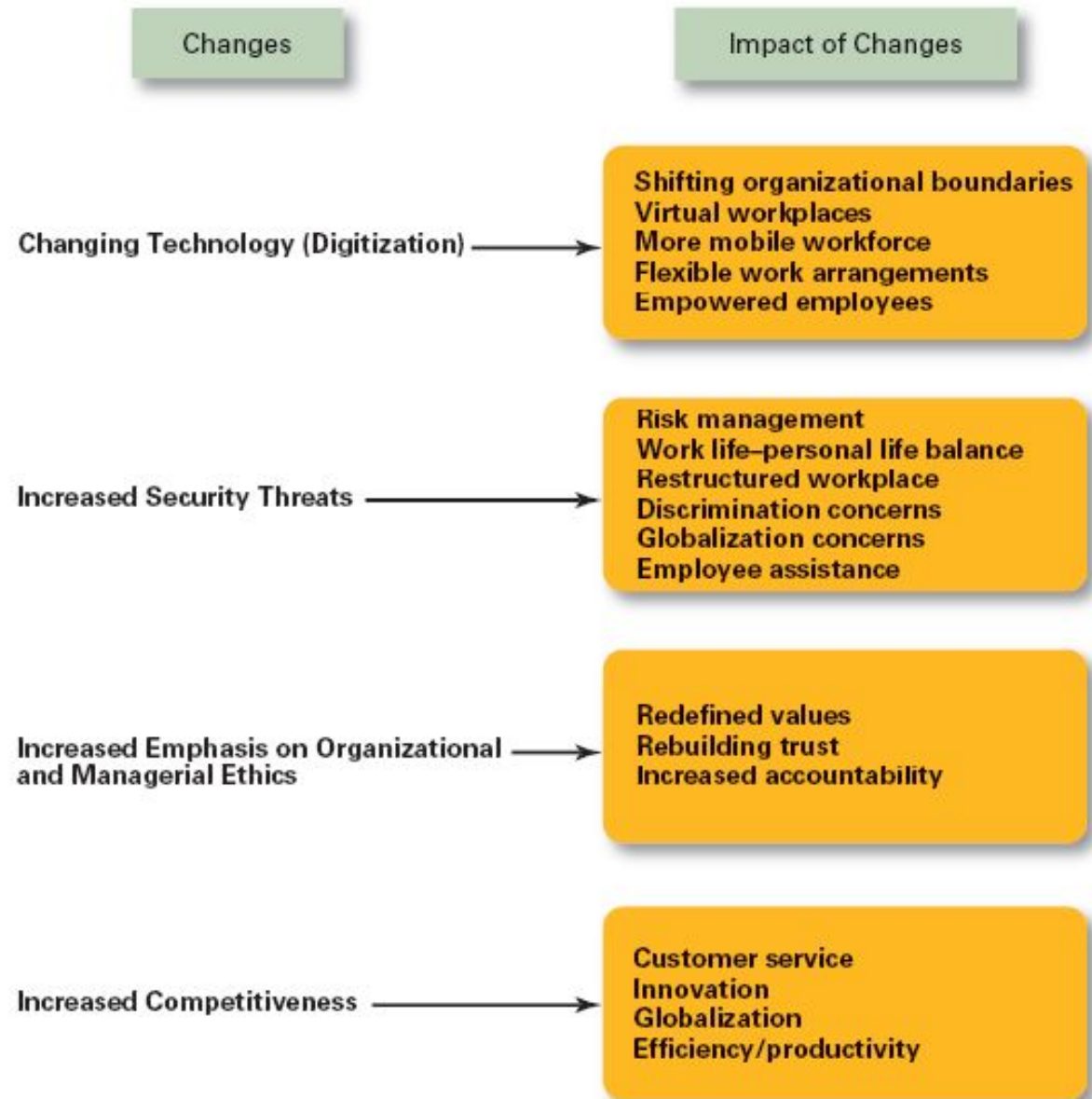   - Consistent high quality customer service is essential for survival.

- Innovation
  - Doing things differently, exploring new territory, and taking risks
    - Managers should encourage employees to be aware of and act on opportunities for innovation.

**Exhibit 1–8
Changes Impacting
the Manager's Job**

Changes		Impact of Changes
Changing Technology (Digitization) →		Shifting organizational boundaries Virtual workplaces More mobile workforce Flexible work arrangements Empowered employees
Increased Security Threats →		Risk management Work life–personal life balance Restructured workplace Discrimination concerns Globalization concerns Employee assistance
Increased Emphasis on Organizational and Managerial Ethics →		Redefined values Rebuilding trust Increased accountability
Increased Competitiveness →		Customer service Innovation Globalization Efficiency/productivity

What Is An Organization?

- An Organization Defined

   ☐ A deliberate arrangement of people to accomplish some specific purpose (that individuals independently could not accomplish alone).

- Common Characteristics of Organizations

   ☐ Have a distinct purpose (goal)

   ☐ Composed of people

   ☐ Have a deliberate structure

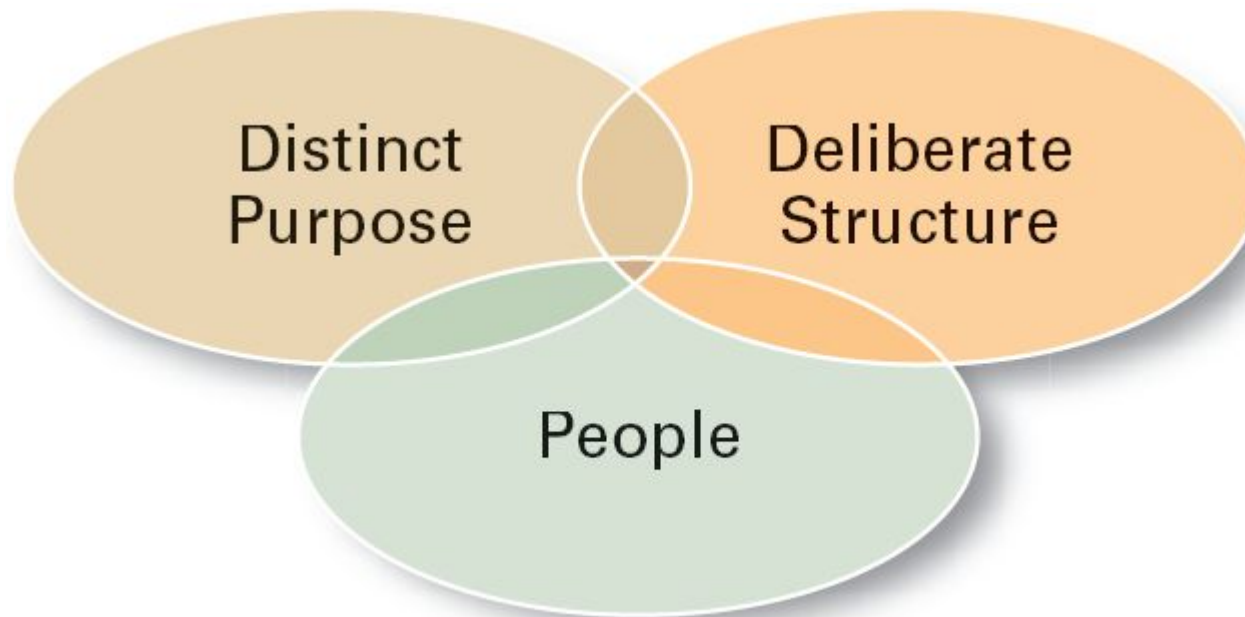**Exhibit 1–9   Characteristics of Organizations**

Exhibit 1–10 The Changing Organization

Traditional Organization	Contemporary Organization
• Stable	• Dynamic
• Inflexible	• Flexible
• Job-focused	• Skills-focused
• Work is defined by job positions	• Work is defined in terms of tasks to be done
• Individual-oriented	• Team-oriented
• Permanent jobs	• Temporary jobs
• Command-oriented	• Involvement-oriented
• Managers always make decisions	• Employees participate in decision making
• Rule-oriented	• Customer-oriented
• Relatively homogeneous workforce	• Diverse workforce
• Workdays defined as 9 to 5	• Workdays have no time boundaries
• Hierarchical relationships	• Lateral and networked relationships
• Work at organizational facility during specific hours	• Work anywhere, anytime

Why Study Management?

- The Value of Studying Management

  □ The universality of management

    ❖ Good management is needed in all organizations.

  □ The reality of work

    ❖ Employees either manage or are managed.

  □ Rewards and challenges of being a manager

    ❖ Management offers challenging, exciting and creative opportunities for meaningful and fulfilling work.

    ❖ Successful managers receive significant monetary rewards for their efforts.

Exhibit 1–11 Universal Need for Management

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Exhibit 1–12 Rewards and Challenges of Being A Manager

Rewards	Challenges
• Create a work environment in which organizational members can work to the best of their ability	• Do hard work
• Have opportunities to think creatively and use imagination	• May have duties that are more clerical than managerial
• Help others find meaning and fulfillment in work	• Have to deal with a variety of personalities
• Support, coach, and nurture others	• Often have to make do with limited resources
• Work with a variety of people	• Motivate workers in chaotic and uncertain situations
• Receive recognition and status in organization and community	• Successfully blend knowledge, skills, ambitions, and experiences of a diverse work group
• Play a role in influencing organizational outcomes	• Success depends on others' work performance
• Receive appropriate compensation in form of salaries, bonuses, and stock options	
• Good managers are needed by organizations	
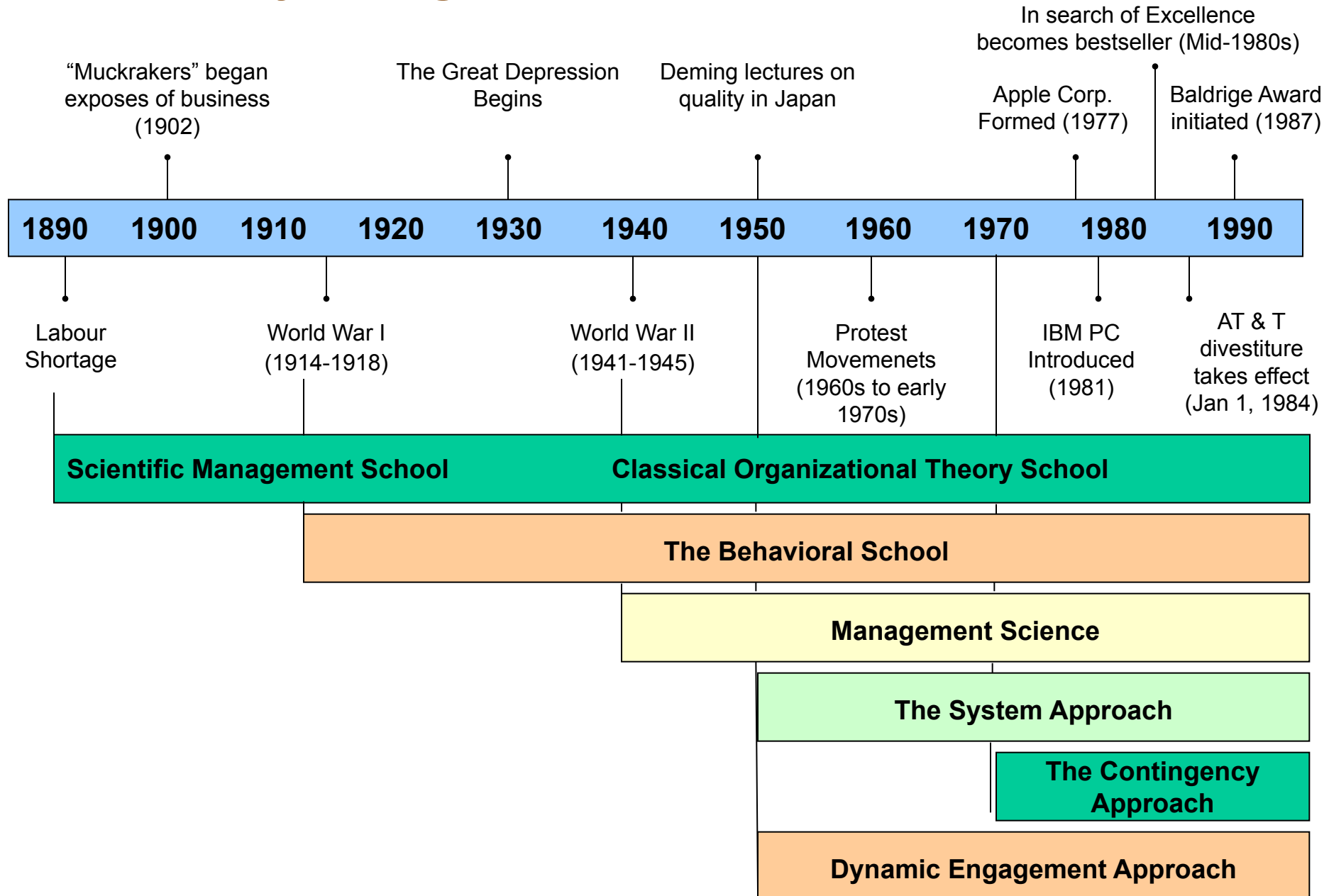
The Scientific Management School

- Scientific Management theory arose in part from the need to increase productivity.

- The only way to expand productivity was to raise the efficiency of workers.

  Frederick W. Taylor (1856-1915) rested his philosophy on four basic principles:

- The development of a true science of management, so that the best method for performing each task could be determined.

- The scientific selection of workers, so that each worker would be given responsibility for the task for which he or she was best suited – Functional foremanship.

- The scientific education and development of the worker.

- Intimate, friendly cooperation between management and labor.

The Scientific Management School

- Taylor based his management system on production-line time studies.

- Using time study as his base, he broke each job down into components and designed the quickest and best methods of performing each component. In this way he established how much workers should be able to do with the equipments and materials at hand.

- He also encouraged employers to pay more productive workers at a higher rate than others using a 'scientifically correct rate' that would benefit both company and worker.

- Thus, workers were urged to surpass their previous performance standards to earn more pay. Taylor called his plan the **differential rate system**.

The Classical Organization Theory School

- **<u>Henri Fayol (1841-1925) is generally hailed as the founder of the classical management school.</u>**

- Taylor was basically concerned with organizational functions; however, Fayol was interested in the total organization and focused on management which he felt had been the most neglected of business operations.

  Fayol listed 14 principles of management most frequently to be applied:

- Division of Labor

- Authority

- Discipline

The Classical Organization Theory School

- Unity of Command
- Unity of Direction
- Subordination of the individual interest to the common good
- Remuneration
- Centralization
- The Hierarchy
- Order
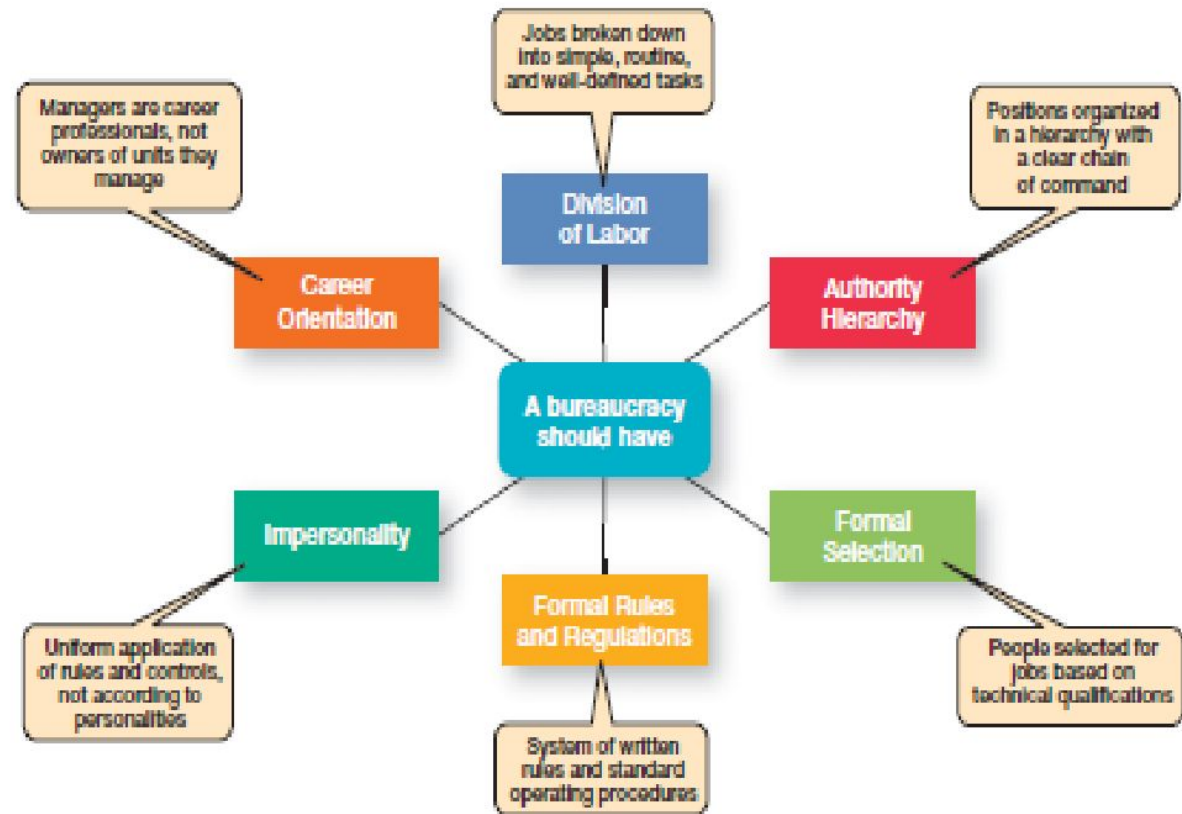- Equity
- Stability of the Staff
- Initiative
- Esprit de corps

Principles of management

1. **Division of Work.** Specialization increases output by making employees more efficient.
2. **Authority.** Managers must be able to give orders, and authority gives them this right.
3. **Discipline.** Employees must obey and respect the rules that govern the organization.
4. **Unity of command.** Every employee should receive orders from only one superior.
5. **Unity of direction.** The organization should have a single plan of action to guide managers and workers.
6. **Subordination of individual interests to the general interest.** The interests of any one employee or group of employees should not take precedence over the interests of the organization as a whole.
7. **Remuneration.** Workers must be paid a fair wage for their services.
8. **Centralization.** This term refers to the degree to which subordinates are involved in decision making.
9. **Scalar chain.** The line of authority from top management to the lowest ranks is the scalar chain.
10. **Order.** People and materials should be in the right place at the right time.
11. **Equity.** Managers should be kind and fair to their subordinates.
12. **Stability of tenure of personnel.** Management should provide orderly personnel planning and ensure that replacements are available to fill vacancies.
13. **Initiative.** Employees who are allowed to originate and carry out plans will exert high levels of effort.
14. **Esprit de corps.** Promoting team spirit will build harmony and unity within the organization.

EXHIBIT MH-3

Fayol's 14 Principles of Management

Characteristics of Weber's Bureaucracy

EXHIBIT MH-4
Characteristics of Weber's Bureaucracy

Jobs broken down into simple, routine, and well-defined tasks

Managers are career professionals, not owners of units they manage

Positions organized in a hierarchy with a clear chain of command

Division of Labor

Career Orientation

Authority Hierarchy

A bureaucracy should have

Impersonality

Formal Selection

Uniform application of rules and controls, not according to personalities

Formal Rules and Regulations

People selected for jobs based on technical qualifications

System of written rules and standard operating procedures

The Behavioral School / Approach / OB

- The behavioral school emerged partly because the classical approach <u>did not achieve sufficient production efficiency and workplace harmony</u>.

- To managers' frustration, people did not always follow predicted or expected patterns of behavior.

- Thus there was increased interest in helping managers deal more effectively with the 'people side' of their organizations.

Relations Theory – The Human Relations Movement

- Human relations are frequently used as a general term to describe the ways in which managers interact with their employees.

- When "**employee management**" stimulates more and better work, the organization has effective human relations; when morale and efficiency deteriorate, its human relations are said to be ineffective.

- The human relations movement arose from early attempts to <u>systematically discover the social and psychological factors</u> that would create effective human relations.

The Hawthorne Experiments

The human relations movement grew out of a famous series of studies conducted at the Western Electric Company from 1924 to 1933. These eventually became known as the "Hawthorne Studies" because many of them were performed at Western Electricity Hawthorne plant by Elton Mayo near Chicago. They were:

- Illumination Experiments

- Relay Assembly Test Room

- Interviewing Program

- Bank Wiring Test Room

The Quantitative Approach

1. **Intense focus on the customer.** The customer includes outsiders who buy the organization's products or services and internal customers who interact with and serve others in the organization.

2. **Concern for continual improvement.** Quality management is a commitment to never being satisfied. "Very good" is not good enough. Quality can always be improved.

3. **Process focused.** Quality management focuses on work processes as the quality of goods and services is continually improved.

4. **Improvement in the quality of everything the organization does.** This relates to the final product, how the organization handles deliveries, how rapidly it responds to complaints, how politely the phones are answered, and the like.

5. **Accurate measurement.** Quality management uses statistical techniques to measure every critical variable in the organization's operations. These are compared against standards to identify problems, trace them to their roots, and eliminate their causes.

6. **Empowerment of employees.** Quality management involves the people on the line in the improvement process. Teams are widely used in quality management programs as empowerment vehicles for finding and solving problems.

The Management Science School

- At the beginning of World War II, Great Britain desperately needed to solve a number of new, complex problems in warfare. With their survival at stake, the British formed the first operational research (OR) teams.

- By pooling the expertise of mathematicians, physicists, and other scientists in OR teams, the British were able to achieve significant technological and tactical breakthroughs and so as the Americans.

- The teams used early computers to perform the thousands of calculations involved in mathematical modeling.

- When the war was over, the applicability of operations research to problems in industry gradually became apparent. New industrial technologies were being put into use and transportation & communication were becoming more complicated.

- These developments brought with them a host of problems that could not be solved easily by conventional means. Increasingly, OR specialists were called on to help managers come up with answers to these new problems.

The Management Science School

- Over the years, OR procedures were formalized into what is now more generally called the management science school.

- The management science approach to solving a problem begins when a mixed team of specialists from relevant disciplines is called in to analyze the problem and propose a course of action to management.

- The team constructs a mathematical model that shows, in symbolic terms, all relevant factors bearing on the problem and how they are interrelated.

- By changing the value of the variables in the model (such as increasing the cost of raw materials) and analyzing the different equations of the model with a computer, the team can determine the effects of each change.

- Eventually the management science team presents management with an objective basis for making a decision.

The Systems Approach

- The systems approach to management views the organization as a unified, purposeful system composed of interrelated parts.

- This approach gives managers a way of looking at the organization as a whole and as a part of the larger, external environment.

- Systems theory tells us that the activity of any segment of an organization affects, in varying degrees, the activity of every other segment.

- Production managers in a manufacturer's plant, for example prefer long uninterrupted production runs of standardized products in order to maintain maximum efficiency and low costs.

- Marketing managers, on the other hand, who want to offer customers quick delivery of a wide range of products, would like a flexible manufacturing schedule that can fill special orders on short notice.

- Systems oriented production managers make scheduling decisions only after they have identified the impact of these decisions on other departments and on the entire organization.

The Systems Approach

- The point of the systems approach is that managers cannot function wholly within the confines of the traditional organization chart. They have to communicate not only with other employees and departments, but frequently with representatives of other organizations as well.
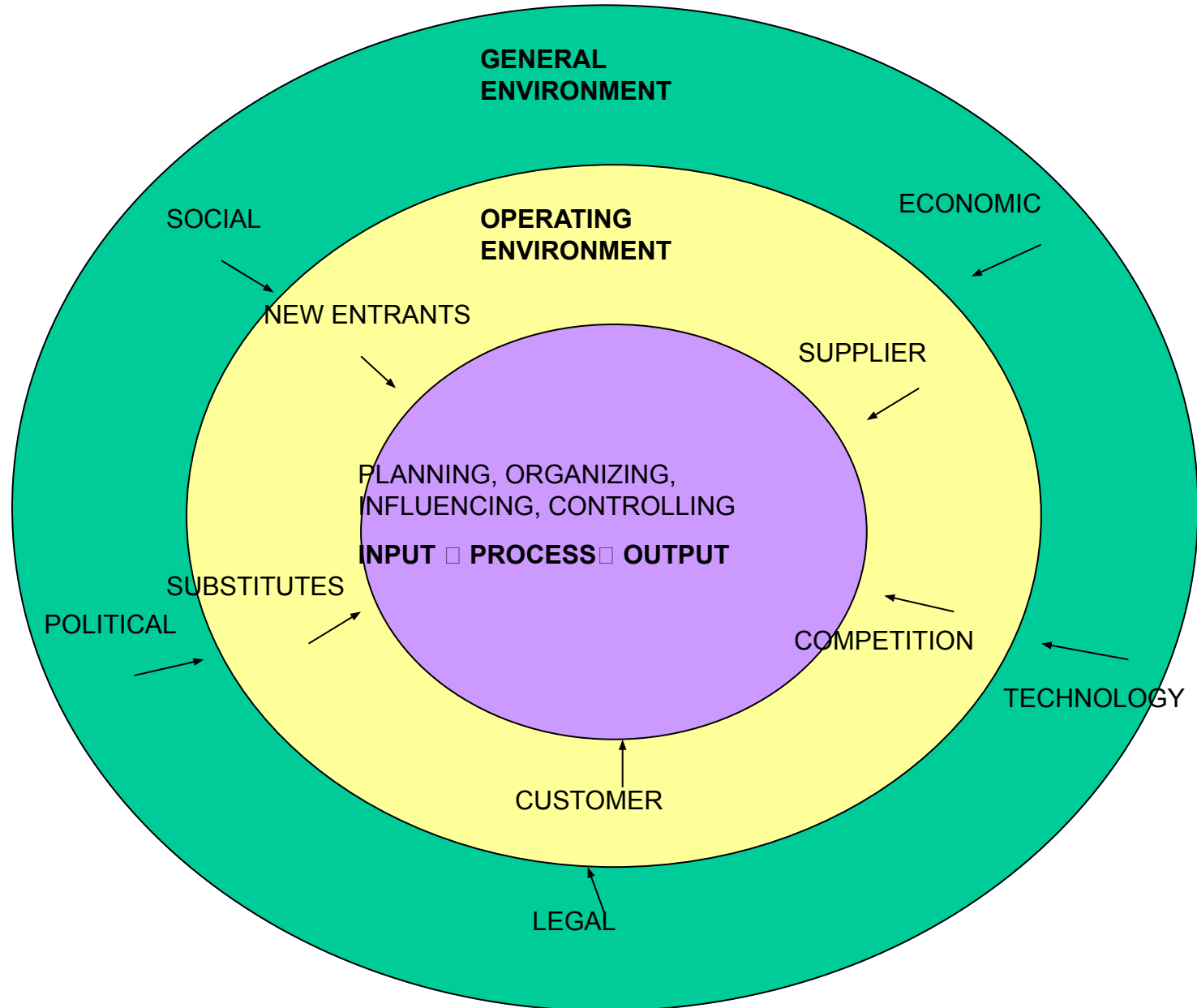
  Some Key Concepts

- **Subsystems:** The parts that make up the whole of a system are called subsystems. And each system in turn may be a subsystem of a still larger whole. Thus a department is a subsystem of a plant, which may be a subsystem of a company, which may be a subsystem of an industry.

- **Synergy:** Synergy means that the whole is greater than the sum of its parts. In organizational terms, synergy means that as separate departments within an organization cooperate and interact, they become more productive than if each were to act in isolation. For example, in a small firm, it is more efficient for each department to deal with one Finance department than for each department to have a separate finance department of its own.

- **Open and Closed Systems:** A system is considered an open system if it interacts with its environment; it is considered a closed system if it does not. All organizations interact with their environment, but the extent to which they do so varies. An automobile is a perfect example for an open system.

The Systems Approach

- **System Boundary:** Each system has a boundary that separates it from its environment. In a closed system, the system boundary is rigid; in an open system, the boundary is more flexible. The system boundaries of many organizations have become increasingly flexible in recent years. For example, managers at oil companies wishing to engage in offshore drilling now consider public concern for the environment.

- **Flow:** A system has flows of information, materials and energy (including human energy). These enter the system from the environment as inputs (raw materials for example), undergo transformation processes within the system (operations that alter them) and exit the system as outputs (goods and services).

- **Feedback:** Feedback is the key to system controls. As operations of the system proceed, information is fed back to the appropriate people, and perhaps to a computer, so that the work can be assessed and, if necessary corrected.

    Systems theory calls attention to the dynamic and interrelated nature of organizations and the management task. With a systems perspective, general managers can more easily maintain a balance between the needs of the various parts of the enterprises and the needs and goals of the whole firm.

The Systems Approach

GENERAL ENVIRONMENT

OPERATING ENVIRONMENT

SOCIAL

ECONOMIC

NEW ENTRANTS

SUPPLIER

PLANNING, ORGANIZING, INFLUENCING, CONTROLLING

INPUT ⮞ PROCESS ⮞ OUTPUT

SUBSTITUTES

POLITICAL

COMPETITION

TECHNOLOGY

CUSTOMER

LEGAL

The Contingency Approach

- The contingency approach (sometimes called the situational approach) was developed by managers, consultants, and researchers who tried to apply the concepts of the major schools to real life situations.

- When methods were highly effective in one situation, failed to work in other situations. Results differ because situations differ, a technique that works in one case will not necessarily work in all cases.

- According to the contingency approach, the manager's task is to identify which techniques will, in particular situation, under particular circumstances and at a particular time, best contribute to the attainment of management goals.

The Contingency Approach

- Where workers need to be encouraged to increase productivity, for example, the classical theorist may prescribe a new work simplification scheme.

- The behavioral scientist may instead seek to create a psychologically mutating climate and recommend some approach like job enrichment.

- If the workers are unskilled and training opportunities and resources are limited, work simplification would be the best solution. However, with skilled workers driven by pride in their abilities, a job-enrichment program might be more effective.

- The contingency approach represents an important turn in modern management theory, because it portrays each set of organizational relationships in its unique circumstances.

Organizational and Natural Environments

- External groups with particular agendas are often organized and powerful and many organizations depend on them for support.

- Technological, political, economic and social trends can have major effects on whether or not organizations are successful.

- Today's managers must pay attention to the natural environment if we are to preserve the world for future generations.

- It is difficult to separate 'organizational' and 'natural' environments because they are ultimately connected.

- To understand organizational environments we must borrow some concepts from systems theory.

- One of the basic assumptions of systems theory is that organizations are either self sufficient or self contained.

Organizational and Natural Environments

- They exchange resources with and are dependent upon the external environment, defined as all elements outside an organization that are relevant to its operations. (Some of these elements connect the organizations to the physical world).

- Organizations take inputs (raw materials, money, labor and energy) from the external environment, transform them into products or services and then send them back as outputs to the external environment.

- The external environments have both direct action and indirect action elements.

- Direct action elements also called stakeholders include shareholders, unions, suppliers and many others who directly influence an organization.

- Indirect action elements such as the technology, economy, and politics of a society, affect the climate in which an organization operates and have the potential to become direct action elements.

Ethics & Social Responsibility

- Ethics and Social Responsibility are concepts that are fundamentally about the quality of our relationships over time.

- Many organizational decisions involve knotty problems where organizational interests affect the interests of others.

- Companies and managers that ignore moral concerns are saying to those affected, "we don't want to invest in making this relationship better".

- Even tough unethical behavior may sometimes pay today; those who ignore ethical issues are heading for trouble over the long run.

- So companies are using their past experiences and values and the concerns of the present in setting new moral visions for the future.

Ethics & Social Responsibility

Examples

- San Francisco bakery instituted a practice of hiring ex-convicts to fulfill the responsibility of business which has to play a large role in changing our society. Business people especially those in smaller companies know how to get things done.

- In response to the homeless situation, one of Ben & Jerry's answers was to open a store in Harlem and employ homeless people to serve ice cream.

- For every UPC code mailed in by consumers, Scott Paper donates five cents to Ronald McDonald Houses.

- Paul Newman earmarks all of the profits from Newman's Own food products for various charities such as the Hole in the Wall Gang, a camp for children with terminal cancer.

- The Campbell Soup Company has sponsored a long running program; "Labels for Educations", that involves supplying equipment for schools based on the number of Campbell and Swanson labels sent in by consumers during the school year.

Ethics & Social Responsibility

Examples

- Burger King, along with IBM, operates a similar program. Through Burgers and Bytes, computers are donated to schools according to the number of cash register receipts generated. Burger king also operates Burger King Academy to provide education and social services for dropouts and truants.

- Colgate-Palmolive kicked off its Partners in Education program, which doubled as a marketing endeavor and a philanthropic measure. In return for retailers putting up their display, the company gave the retailers Map Playground Kits, which included materials for students to paint their own maps. The stores then dispersed the kits to local grade schools.

- Reebok ended up launching a new product in 1991 – the Black Top line of outdoor basketball shoes. Part of the profits from the shoes are used to renovate basketball courts, such as a court in South Dade County, Florida, devastated by Hurricane Andrew and renovated in 1993.

Some Key Concepts

- **Corporate social responsibility** focuses on what an organization does that affects the society in which it exists.

- **Corporate social responsiveness** is a theory of social responsibility that focuses on how companies respond to issues, rather than trying to determine their ultimate social responsibility.

- **Corporate social performance** is a single theory of corporate social action encompassing social principles, processes and policies.

- **Ethics** is the study of people's rights and duties, the moral rules that people apply in making decisions, and the nature of the relationships among people.

  In business, most ethical questions fall into one or more of four categories: societal, stakeholder, internal policy, or personal (the individual).

Terms to Know

- manager
- first-line managers
- middle managers
- top managers
- management
- efficiency
- effectiveness
- planning
- organizing
- leading
- controlling

management roles

interpersonal roles

informational roles

decisional roles

technical skills

human skills

conceptual skills

organization

universality of management