

Fundamentals of Management

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General Introduction

It once seemed as if there might one day be a McDonald's restaurant on every corner. But although there are certainly a large number of the venerable hamburger restaurants around today, Starbucks Corporation has, at least for the time being, replaced McDonald's as the highest profile and fastest growing food and beverage company in the United States. Starbucks was started in Seattle in 1971 by three coffee aficionados. Their primary business at the time was buying premium coffee beans, roasting them, and then selling the coffee by the pound. The business performed modestly well and soon grew to nine stores, all in the Seattle area. The three partners sold Starbucks to a former employee, Howard Schultz, in 1987. Schultz promptly reoriented the business away from bulk coffee mail-order sales and emphasized retail coffee sales through the firm's coffee bars. Today, Starbucks is not only the largest coffee importer and roaster of specialty beans in the United States but also the country's largest specialty coffee bean retailer.

What is the key to the extraordinary growth and success of the Starbucks chain? One important ingredient is its well conceived and implemented strategy. Starbucks is on a phenomenal growth pace, opening a new coffee shop somewhere almost every day. But this growth is planned and coordinated at each step of the way through careful site selection. And through its astute promotional campaigns and commitment to quality, the firm has elevated the coffee-drinking taste of millions of Americans and fueled a significant increase in demand.

Starbucks has also created an organization that promotes growth and success. Managers at each store have considerable autonomy over how they run things, as long as the firm's basic principles are followed. Starbucks also uses a state-of-the-art communication network to keep in contact with its employees.

Another ingredient to Starbucks success is its relationship with its employees. The firm hires relatively young people to work in its restaurants and starts them at hourly wages that are somewhat higher than most entry-level food-services jobs. The company also offers health insurance to all of its employees, including part-timers, and also has a lucrative stock-option plan for everyone in the firm.

Yet another key to the success of Starbucks is its near fanatical emphasis on quality control. For example, milk must be heated to a narrow range of 150 to 170 °F, and every espresso shot must be pulled within twenty-three seconds or else discarded. And no coffee is allowed to sit on a hot plate for more than twenty minutes. Schultz also refuses to franchise his Starbucks stores, fearing a loss of control and a potential deterioration of quality.

Its phenomenal growth rate notwithstanding, Starbucks is also continually on the alert for new business opportunities. One area of growth is into international markets. In 1996, for example, the firm opened its first two coffee shops in Japan and another in Singapore; by late 1998 there were fifty-four stores in Asia. Starbucks entered the European market in 1998 by purchasing the Seattle Coffee Co., a small chain in England. Using this operation as a base, Starbucks plans to open new stores throughout Europe, with a goal of having five hundred continental sites by the year 2003.

Another way that Starbucks can grow is through brand extension with other companies. For instance, the firm has collaborated with Dreyer's to distribute five flavors of Starbucks coffee ice cream to grocery freezers across the country. Starbucks has also collaborated with Capitol Records on two Starbucks jazz CDs that are sold in Starbucks stores. And Redhook Brewery uses Starbucks coffee extract in its double black stout beer. All things

considered, then, Starbucks future looks so bright that its employees may need to wear the sunshades the firm might soon begin to sell!

An Introduction to Management

Management is a set of functions directed at the efficient and effective utilization of resources in the pursuit of organizational goals. By efficient, we mean using resources wisely and in a cost-effective way. By effective, we mean making the right decisions and successfully implementing them. In general, successful organizations are both efficient and effective.

Today's managers face a variety of interesting and challenging situations. The average executive works sixty hours a week; has enormous demands placed on his or her time; and faces increased complexities thanks to globalization, domestic competition, government regulation, and shareholder pressure. Rapid change, unexpected disruptions, and both minor and major crises further complicate the task. The manager's job is unpredictable and fraught with challenges, but it is also filled with opportunities to make a difference.

Kinds of Managers

Many different kinds of managers are at work in organizations today. Figure 1.1 illustrates how managers within an organization can be differentiated by level and by area.

Levels of Management

One way to differentiate among managers is by their level in the organization. Top managers make up the relatively small group of executives who manage the overall organization. Titles found in this group include president, vice president, and chief executive officer (CEO). Top managers create the organization's goals, overall strategy, and operating policies. They also officially represent the organization to the external environment by meeting with government officials, executives of other organizations, and so forth.

Howard Schultz at Starbucks is a top manager, as is Deidra Wager, the firm's senior vice president for retail operations. Top managers make decisions about activities such as acquiring other companies, investing in research and development, entering or abandoning various markets, and building new plants and office facilities.

Middle management is probably the largest group of managers in most organizations. Common middle-management titles include plant manager, operations manager, and division head. Middle managers are primarily responsible for implementing the policies and plans developed by top managers and for supervising and coordinating the activities of lower-level managers. Plant managers, for example, handle inventory management, quality control, equipment failures, and minor union problems. They also coordinate the work of supervisors within the plant. Jason Hernandez, a regional manager at Starbucks responsible for the firm's operations in three eastern states, is a middle manager.

First-line managers supervise and coordinate the activities of operating employees. Common titles for first-line managers are supervisor, coordinator, and office manager. Positions such as these are often the first ones held by employees who enter management

from the ranks of operating personnel. Wayne Maxwell and Jenny Wagner, managers of Starbucks coffee shops in Texas, are first-line managers. They oversee the day-to-day operations of their respective stores, hire operating employees to staff them, and handle other routine administrative duties required by the parent corporation. In contrast to top and middle managers, first-line managers typically spend a large proportion of their time supervising the work of subordinates.

Areas of Management

Regardless of their level, managers may work in various areas within an organization.

Marketing managers work in areas related to the marketing function-getting consumers and clients to buy the organization's products or services (be they Ford automobiles, *Newsweek* magazines, Associated Press news reports, flights on Southwest Airlines, or cups of latte at Starbucks). These areas include new-product development, promotion, and distribution.

Financial managers deal primarily with an organization's financial resources. They are responsible for activities such as accounting, cash management, and investments.

Operations managers are concerned with creating and managing the systems that create an organization's products and services. Typical responsibilities of operations managers include production control, inventory control, quality control, plant layout, and site selection.

Human resource managers are responsible for hiring and developing employees. They are typically involved in human resource planning, recruiting and selecting employees, training and development, designing compensation and benefit systems, formulating performance appraisal systems, and discharging low-performing and problem employees.

General managers are not associated with any particular management specialty. Probably the best example of an administrative management position is that of a hospital or clinic administrator. Administrative managers tend to be generalists; they have some basic familiarity with all functional areas of management rather than specialized training in any one area.

Basic Management Functions

Regardless of level or area, management involves the four basic functions of planning and decision making, organizing, leading, and controlling. This book is organized around these basic functions.

Planning and Decision Making

In its simplest form, planning means setting an organization's goals and deciding how best to achieve them. Decision making, a part of the planning process, involves selecting a course of action from a set of alternatives. Planning and decision making help maintain managerial effectiveness by serving as guides for future activities. Part 11 of this book is devoted to planning and decision making

Organizing

Once a manager has set goals and developed a workable plan, the next management function is to organize people and the other resources necessary to carry out the plan. Specifically, organizing involves determining how activities and resources are to be grouped. Although some people equate this function with the creation of an organization chart, we will see in Part III of this book that it is actually much more.

Leading

The third basic managerial function is leading. Some people consider leading to be both the most important and the most challenging of all managerial activities. Leading is the set of processes used to get people to work together to advance the interests of the organization. For example, Howard Schultz's leadership skills have clearly played an important role in the success of Starbucks. We cover the leading function in detail in Part IV.

Controlling

The final phase of the management process is controlling, or monitoring the organization's progress toward its goals. As the organization moves toward its goals, managers must monitor progress to ensure that the organization is performing so as to arrive at its "destination" at the appointed time. Part V of this book is devoted to the controlling function.

Fundamental Management Skills

To carry out these management functions properly, managers rely on a number of specific skills. The most important management skills are technical interpersonal, conceptual, diagnostic, communication, decision-making, and time-management skills.

Technical Skills

Technical skills are the skills necessary to accomplish or understand the specific kind of work being done in an organization. Technical skills are especially important for first-line managers. These managers spend much of their time training subordinates and answering questions about work-related problems. First-line managers must know how to perform the tasks assigned to those they supervise if they are to be effective managers.

Interpersonal Skills

Managers spend considerable time interacting with people both inside and outside the organization. For obvious reasons, then, the manager also needs interpersonal skills—the ability to communicate with, understand, and motivate individuals and groups. As a manager climbs the organizational ladder, she must be able to get along with subordinates, peers, and those at higher levels of the organization. Because of the multitude of roles managers must fulfill, a manager must also be able to work with suppliers, customers, investors, and others outside of the organization.

Conceptual Skills

Conceptual skills depend on the manager's ability to think in the abstract. Managers need the mental capacity to understand the overall workings of the organization and its environment, to grasp how all the parts of the organization fit together, and to view the organization in a holistic manner. This skill enables them to think strategically, to see the big picture and to make broad-based decisions that serve the overall organization.

Diagnostic Skills

Successful managers also possess diagnostic skills, or skills that enable them to visualize the most appropriate response to a situation. A physician diagnoses a patient's illness by analyzing symptoms and determining their probable cause. Similarly, a manager can diagnose and analyze a problem in the organization by studying its symptoms and then developing a solution.

Communication Skills

Communication skills refer to the manager's abilities to both effectively convey ideas and information to others and effectively receive ideas and information from others. These skills enable a manager to transmit ideas to subordinates so that they know what is expected, to coordinate work with peers and colleagues so that they work well together properly, and to keep higher-level managers informed about what is going on. In addition, communication skills help the manager listen to what others say and to understand the real meaning behind e-mails, letters, reports, and other written communication.

Decision-Making Skills

Effective managers also have good decision-making skills. Decision-making skills refer to the manager's ability to correctly recognize and define problems and opportunities and to then select an appropriate course of action to solve problems and capitalize on opportunities. No manager makes the right decision all the time. However, effective managers make good decisions most of the time. And when they do make a bad decision, they usually recognize their mistake quickly and then make good decisions to recover with as little cost or damage to their organization as possible.

Time-Management Skills

Finally, effective managers usually have good time-management skills. Time-management skills refer to the manager's ability to prioritize work, to work efficiently, and to delegate appropriately. As already noted, managers face many different pressures and challenges. It is easy for a manager to get bogged down doing work that can easily be postponed or delegated to others. When this happens, unfortunately, more pressing and higher-priority work may get neglected.

The Science and the Art of Management

Given the complexity inherent in the manager's job, a reasonable question relates to whether management is a science or an art. In fact, effective management is a blend of both science and art. And successful executives recognize the importance of combining both the science and the art of management as they practice their craft.

The Science of Management

Many management problems and issues can be approached in ways that are rational, logical, objective, and systematic. Managers can gather data, facts, and objective information. They can use quantitative models and decision-making techniques to arrive at "correct" decisions. And they need to take such a scientific approach to solving problems whenever possible, especially when they are dealing with relatively routine and straightforward issues. When Starbucks considers entering a new market, its managers look closely at a wide variety of objective details as they formulate their plans. Technical, diagnostic, and decision-making skills are especially important when practicing the science of management.

The Art of Management

Even though managers may try to be scientific as much as possible, they must often make decisions and solve problems on the basis of intuition, experience, instinct, and personal insights. Relying heavily on conceptual, communication, interpersonal, and time-management skills, for example, a manager may have to decide between multiple courses of action that look equally attractive. And even "objective facts" may prove to be wrong. When Starbucks was planning its first store in New York, market research clearly showed that New Yorkers preferred drip coffee to more exotic espressostyle coffees. After first installing more drip coffee makers and fewer espresso makers than in their other stores, managers had to backtrack when the New Yorkers lined up clamoring for espresso. Starbucks now introduces a standard menu and layout in all its stores, regardless of presumed market differences, and makes necessary adjustments later. Thus, managers must blend an element of intuition and personal insight with hard data and objective facts.

The Evolution of Management

Most managers today recognize the importance of history. Knowing the origins of their organization and the kinds of practices that have led to successor failure-can be an indispensable tool to managing the contemporary organization. Thus, in the next section we trace the history of management thought. Then we move forward to the present day by introducing contemporary management issues and challenges

The Importance of Theory and History

Some people question the value of history and theory. Their arguments are usually based on the assumptions that history has no relevance to contemporary society and that theory is abstract and of no practical use. In reality, however, both theory and history are important to all managers today.

A theory is simply a conceptual framework for organizing knowledge and providing a blueprint for action. Although some theories seem abstract and irrelevant, others appear very simple and practical. Management theories, used to build organizations and guide them toward their goals, are grounded in reality' In addition, most managers develop and refine their own theories of how they should run their organizations and manage the behavior of their employees.

An awareness and understanding of important historical developments are also important to contemporary managers." Understanding the historical context of management provides a sense of heritage and can help managers avoid the mistakes of others. Most courses in U.S. history devote time to business and economic developments in this country, including the Industrial Revolution, the early labor movement, and the Great Depression, and to such captains of U.S. industry as Cornelius Vanderbilt (railroads), John D. Rockefeller (oil), and Andrew Carnegie (steel). The contributions of these and other industrialists left a profound imprint on contemporary culture. Shell Oil, Levi Strauss, Ford, Lloyd's of London, Disney, Honda, and Unilever all maintain significant archives about their past and frequently evoke images from that past in their orientation and training programs, advertising campaigns, and other public relations activities.

The Historical of Context of Management

The practice of management can be traced back thousands of years. The Egyptians used the management functions of planning, organizing, and controlling when they constructed the great pyramids. Alexander the Great employed a staff organization to coordinate activities during his military campaigns. The Roman Empire developed a well-defined organizational structure that greatly facilitated communication and control.

In spite of this history, however, management per se was not given serious attention until the nineteenth century. Two of its first true pioneers were Robert Owen (1771-1858) and Charles Babbage (1792-1871). Owen, a British industrialist and reformer, was one of the first managers to recognize the importance of an organization's human resources and the welfare of workers. Charles Babbage, an English mathematician, focused his attention on efficiencies of production. He placed great faith in division of labor and advocated the application of mathematics to problems such as the efficient use of facilities and materials.

The Classical Management Perspective

At the dawn of the twentieth century, the preliminary ideas and writings of these and other managers and theorists converged with the emergence and evolution of large-scale businesses and management practices to create interest and focus attention on how businesses should be operated. The first important ideas to emerge are now called the classical management perspective. This perspective actually includes two different viewpoints: scientific management and administrative management.

Scientific Management

Productivity emerged as a serious business problem during the first few years of this century. Business was expanding and capital was readily available, but labor was in short supply. Hence, managers began to search for ways to use existing labor more efficiently. In response to this need, experts began to focus on ways to improve the performance of individual workers. Their work led to the development of scientific management. Some of the earliest advocates of scientific management included Frederick W Taylor (1856-1915), Frank Gilbreth (1868-1924), and Lillian Gilbreth (1878-1972).¹³

One of Taylor's first jobs was as a foreman at the Midvale Steel Company in Philadelphia. It was there that he observed what he called soldiering—employees deliberately working at a pace slower than their capabilities. Taylor studied and timed each element of the steelworkers' jobs. He determined what each worker should be producing, and then he designed the most efficient way of doing each part of the overall task. Next, he implemented a piecework pay system. Rather than paying all employees the same wage, he began increasing the pay of each worker who met and exceeded the target level of output set for his or her job.

After Taylor left Midvale, he worked as a consultant for several companies, including Simonds Rolling Machine Company and Bethlehem Steel. At Simonds he studied and redesigned jobs, introduced rest periods to reduce fatigue, and implemented a piecework pay system. The results were higher quality and quantity of output and improved morale. At Bethlehem Steel, Taylor studied efficient ways of loading and unloading rail cars and applied his conclusions with equally impressive results. During these experiences, he formulated the basic ideas that he called scientific management. Figure 1.3 illustrates the

basic steps Taylor suggested. He believed that managers who followed his guidelines would improve the efficiency of their workers.

Taylor's work had a major impact on U.S. industry. By applying his principles, many organizations achieved major gains in efficiency. Taylor was not without his detractors, however. Labor argued that scientific management was just a device to get more work from each employee and to reduce the total number of workers needed by a firm. There was a congressional investigation into Taylor's ideas, and evidence suggests that he falsified some of his findings. Nevertheless, Taylor's work left a lasting imprint on business.

Frank and Lillian Gilbreth, contemporaries of Taylor, were a husband-and-wife team of industrial engineers. One of Frank Gilbreth's most interesting contributions was to the craft of bricklaying. After studying bricklayers at work, he developed several procedures for doing the job more efficiently. For example, he specified standard materials and techniques, including the positioning of the bricklayer, the bricks, and the mortar at different levels. The results of these changes were a reduction from eighteen separate physical movements to five and an increase in output of about 200 percent. Lillian Gilbreth made equally important contributions to several areas of work, helped shape the field of industrial psychology, and made substantive contributions to the field of personnel management. Working individually and together, the Gilbreths developed numerous techniques and strategies for eliminating inefficiency. They applied many of their ideas to their family; their experiences raising twelve children are documented in the book and movie *Cheaper by the Dozen*.

Administrative Management

Whereas scientific management deals with the jobs of individual employees, administrative management focuses on managing the total organization. The primary contributors to administrative management were Henri Fayol (1841-1925), Lyndall Urwick (1891-1983), and Max Weber (1864-1920).

Henri Fayol was administrative management's most articulate spokesperson. A French industrialist, Fayol was unknown to U.S. managers and scholars until his most important work, *General and Industrial Management*, was translated into English in 1930. Drawing on his own managerial experience, he attempted to systematize the practice of management to provide guidance and direction to other managers. Fayol also was the first to identify the specific managerial functions of planning, organizing, leading, and controlling. He believed that these functions accurately reflect the core of the management process. Most contemporary management books (including this one) still use this framework, and practicing managers agree that these functions are a critical part of a manager's job.

After a career as a British army officer, Lyndall Urwick became a noted management theorist and consultant. He integrated scientific management with the work of Fayol and other administrative management theorists. He also advanced modern thinking about the functions of planning, organizing, and controlling. Like Fayol, Urwick developed a list of guidelines for improving managerial effectiveness. Urwick is noted not so much for his own contributions as for his synthesis and integration of the work of others.

Although Max Weber lived and worked at the same time as Fayol and Taylor, his contributions were not recognized until some years had passed. Weber was a German sociologist, and his most important work was not translated into English until 1947.¹⁸ Weber's work on bureaucracy laid the foundation for contemporary organization theory, discussed in detail in Chapter 6. The concept of bureaucracy, as we discuss later, is

based on a rational set of guidelines for structuring organizations in the most efficient manner.

Assessment of the Classical Perspective

The classical perspective served to focus serious attention on the importance of effective management and helped pave the way for later theories and approaches. Many of the concepts developed during this era, such as job specialization, time and motion studies, and scientific methods are still in use. On the other hand, these early theorists often took an overly simplistic view of management and failed to understand the human element of organizations.

The Behavioral Management Perspective

Early advocates of the classical management perspective essentially viewed organizations and jobs from a mechanistic point of view—that is, they essentially sought to conceptualize organizations as machines and workers as cogs within those machines. Even though many early writers recognized the role of individuals, these management pioneers tended to focus on how managers could control and standardize the behavior of their employees. In contrast, the behavioral management perspective placed much more emphasis on individual attitudes and behaviors and on group processes and recognized the importance of behavioral processes in the workplace.

The behavioral management perspective was stimulated by a number of writers and theoretical movements. One of those movements was industrial psychology, the practice of applying psychological concepts to industrial settings. Hugo Munsterberg (1863-1916), a noted German psychologist, is recognized as the father of industrial psychology. He suggested that psychologists could make valuable contributions to managers in the areas of employee selection and motivation. Industrial psychology is still a major course of study at many colleges and universities.

Another early advocate of the behavioral approach to management was Mary Parker Follett. Follett worked during the scientific management era, but quickly came to recognize the human element in the workplace. Indeed, her work clearly anticipated the behavioral management perspective, and she appreciated the need to understand the role of human behavior in organizations. Her specific interests were in adult education and vocational guidance. Follett believed that organizations should become more democratic in accommodating employees and managers.

The Hawthorne Studies

Although Munsterberg and Follett made major contributions to the development of the behavioral approach to management, its primary catalyst was a series of studies conducted near Chicago at Western Electric's Hawthorne plant between 1927 and 1932. The research, originally sponsored by General Electric, was conducted by Elton Mayo and his associates. The first study involved manipulating illumination for one group of workers and comparing their subsequent productivity with the productivity of another group whose illumination was not changed. Surprisingly, when illumination was increased for the experimental group, productivity went up in both groups. Productivity continued to increase in both groups, even when the lighting for the experimental group was decreased. Not until the lighting was reduced to the level of moonlight did productivity begin to decline (and General Electric withdrew its sponsorship).

Another experiment established a piecework incentive pay plan for a group of nine men assembling terminal banks for telephone exchanges. Scientific management would have

predicted that each man would try to maximize his pay by producing as many units as possible. Mayo and his associates, however, found that the group itself informally established an acceptable level of output for its members. Workers who overproduced were branded "rate busters," and underproducers were labeled "chiselers." To be accepted by the group, workers produced at the accepted level. As they approached this acceptable level of output, workers slacked off to avoid overproducing.

Other studies, including an interview program involving several thousand workers, led Mayo and his associates to conclude that human behavior was much more important in the workplace than researchers had previously believed. In the lighting experiment, for example, the results were attributed to the fact that both groups received special attention and sympathetic supervision for perhaps the first time. The incentive pay plans did not work in determining output because wage incentives were less important to the individual workers than was social acceptance. In short, individual and social processes played a major role in shaping worker attitudes and behavior.

Human Relations

The human relations movement, which grew from the Hawthorne studies and was a popular approach to management for many years, proposed that workers respond primarily to the social context of the workplace, including social conditioning, group norms, and interpersonal dynamics. A basic assumption of the human relations movement was that the manager's concern for workers would lead to their increased satisfaction, which would in turn result in improved performance. Two writers who helped advance the human relations movement were Abraham Maslow and Douglas McGregor. In 1943, Maslow advanced a theory suggesting that people are motivated by a hierarchy of needs, including monetary incentives and social acceptance. ²¹ Maslow's hierarchy, perhaps the best-known human relations theory, is described in detail in Chapter 10. Meanwhile, Douglas McGregor's Theory X and Theory Y model best represents the essence of the human relations movement (see Table 1.1).²² According to McGregor, Theory X and Theory Y reflect two extreme belief sets that managers have about their workers. Theory X is a relatively negative view of workers and is consistent with the views of scientific management. Theory Y is more positive and represents the assumptions that human relations advocates make. In McGregor's view, Theory Y was a more appropriate philosophy for managers to adhere to. Both Maslow and McGregor notably influenced the thinking of many practicing managers.

Theory X Assumptions

1. People do not like work and try to avoid it.
2. People do not like work, so managers have to control, direct, coerce, and threaten employees to get them to work toward organizational goals.
3. People prefer to be directed, to avoid responsibility, and to want security; they have little ambition.

Theory Y Assumptions

1. People do not naturally dislike work; work is a natural part of their lives.
2. People are internally motivated to reach objectives to which they are committed.
3. People are committed to goals to the degree that they receive personal rewards when they reach their objectives.
4. People will both seek and accept responsibility under favorable conditions.
5. People have the capacity to be innovative in solving organizational problems.
6. People are bright, but under most organizational conditions their potentials are underutilized.

Contemporary Behavioral Science in Management

Munsterberg, Mayo, Maslow, McGregor, and others have made valuable contributions to management. Contemporary theorists, however, have noted that many assertions of the human relationists were simplistic and inadequate descriptions of work behavior. Current behavioral perspectives on management, known as organizational behavior, acknowledge that human behavior in organizations is much more complex than the human relationists realized. The field of organizational behavior draws from a broad, interdisciplinary base of psychology, sociology, anthropology, economics, and medicine. Organizational behavior takes a holistic view of behavior and addresses individual, group, and organization processes. These processes are major elements in contemporary management theory. Important topics in this field include job satisfaction, stress, motivation, leadership, group dynamics, organizational politics, interpersonal conflict, and the structure and design of organizations. A contingency orientation also characterizes the field (discussed more fully later in this chapter). Our discussions of organizing (Chapters 6 through 8) and leading (Chapters 9 through 13) are heavily influenced by organizational behavior.

Assessment of the Behavioral Perspective

The primary contributions of the behavioral perspective relate to ways in which this approach has changed managerial thinking. Managers are now more likely to recognize the importance of behavioral processes and to view employees as valuable resources instead of mere tools. On the other hand, organizational behavior is still imprecise in its ability to predict behavior and is not always accepted or understood by practicing managers. Hence, the contributions of the behavioral school have yet to be fully realized.

The Quantitative Management Perspective

The third major school of management thought began to emerge during World War II. During the war government officials and scientists in England and the United States worked to help the military deploy its resources more efficiently and effectively. These groups took some of the mathematical approaches to management that Taylor and Gantt had developed decades earlier and applied them to logistical problems during the war. These officials and scientists learned that problems regarding troop, equipment, and submarine deployment, for example, could all be solved through mathematical analysis. After the war, companies such as Du Pont and General Electric began to use the same techniques for deploying employees, choosing plant locations, and planning warehouses. Basically, then, this perspective is concerned with applying quantitative techniques to management. More specifically, the quantitative management perspective focuses on decision making, economic effectiveness, mathematical models, and the use of computers. There are two branches of the quantitative approach: management science and operations management.

Management Science Unfortunately, the term management science appears to be related to scientific management, the approach developed by Taylor and others early in this century. But the two have little in common and should not be confused. Management science focuses specifically on the development of mathematical models. A mathematical model is a simplified representation of a system, process, or relationship.

At its most basic level, management science focuses on models, equations, and similar representations of reality. For example, managers at Detroit Edison use mathematical models to determine how best to route repair crews during blackouts. The Bank of New England uses models to figure out how many tellers need to be on duty at each location at

various times throughout the day. In recent years, paralleling the advent of the personal computer, management science techniques have become increasingly sophisticated. For example, automobile manufacturers Daimler-Benz and Chrysler use realistic computer simulations to study collision damage to cars. These simulations give them precise information and avoid the costs of "crashing" so many test cars.

Operations Management Operations management is somewhat less mathematical and statistically sophisticated than management science and can be applied more directly to managerial situations. Indeed, we can think of operations management as a form of applied management science. Operations management techniques are generally concerned with helping the organization produce its products or services more efficiently and can be applied to a wide range of problems.

For example, Rubbermaid and The Home Depot use operations management techniques to manage their inventories. (Inventory management is concerned with specific inventory problems such as balancing carrying costs and ordering costs and determining the optimal order quantity.) Linear programming (which involves computing simultaneous solutions to a set of linear equations) helps United Air Lines plan its flight schedules, Consolidated Freightways develop its shipping routes, and General Instrument Corporation plan which instruments to produce at various times. Other operations management techniques include queuing theory, breakeven analysis, and simulation. All these techniques and procedures apply directly to operations, but they are also helpful in such areas as finance, marketing, and human resource management.

Assessment of the Quantitative Perspective

Like the other management perspectives, the quantitative management perspective has made important contributions and has certain limitations. It has provided managers with an abundance of decision-making tools and techniques and has increased their understanding of overall organizational processes. It has been particularly useful in the areas of planning and controlling. On the other hand, mathematical models cannot fully account for individual behaviors and attitudes. Some people believe that the time needed to develop competence in quantitative techniques retards the development of other managerial skills. Finally, mathematical models typically require a set of assumptions that may not be realistic.

Contemporary Management Theory

Recognizing that the classical, behavioral, and quantitative approaches to management are not necessarily contradictory or mutually exclusive is important. Even though each perspective makes specific assumptions and predictions, each can also complement the others. Indeed, a complete understanding of management requires an appreciation of all three perspectives. In addition, contemporary management theory based on systems and contingency perspectives builds from these earlier perspectives in a variety of ways.

The Systems Perspective

The systems perspective is one important contemporary management theory. A system is an interrelated set of elements functioning as a whole. As shown in Figure 1.4, by viewing an organization as a system, we can identify four basic elements: inputs, transformation processes, outputs, and feedback. First, inputs are the material, human, financial, and information resources the organization gets from its environment. Next, through technological and managerial processes, inputs are transformed into outputs. Outputs include products, services, or both (tangible and intangible); profits, losses, or both (even notfor-profit organizations must operate within their budgets); employee behaviors; and information. Finally, the environment reacts to these outputs and provides feedback to the system.

Thinking of organizations as systems provides us with a variety of important viewpoints on organizations such as the concepts of open systems, subsystems, synergy, and entropy. Open systems are systems that interact with their environment, whereas closed systems do not interact with their environment. Although organizations are open systems, some make the mistake of ignoring their environment and behaving as though their environment is not important.

The systems perspective also stresses the importance of subsystems-systems within a broader system. For example, the marketing, production, and finance functions within Mattel are systems in their own right but are also subsystems within the overall organization. Because they are interdependent, a change in one subsystem can affect other subsystems as well. If the production department at Mattel lowers the quality of the toys being made (by buying lower-quality materials, for example), the effects are felt in finance (improved cash flow in the short run owing to lower costs) and marketing (decreased sales in the long run because of customer dissatisfaction). Managers must therefore remember that although organizational subsystems can be managed with some degree of autonomy, their interdependence should not be overlooked.

Synergy suggests that organizational units (or subsystems) may often be more successful working together than working alone. The Walt Disney Company, for example, benefits greatly from synergy. The company's movies, theme parks, television programs, and merchandise licensing programs all benefit one another. Children who enjoy a Disney movie like *Mulan* want to go to Disney World and see the Mulan show or parade and to buy stuffed animals of the film's characters. Music from the film generates additional revenues for the firm, as do computer games and other licensing arrangements for lunch boxes, clothing, and so forth. Synergy is an important concept for managers because it emphasizes the importance of working together in a cooperative and coordinated fashion.

Finally, entropy is a normal process that leads to system decline. When an organization does not monitor feedback from its environment and make appropriate adjustments, it may fail. For example, Studebaker, W T Grant, and Penn Central Railroad went bankrupt because each company failed to revitalize itself and keep pace with changes in its environment. A primary objective of management, from a systems perspective, is to continually re-energize the organization to avoid entropy.

The Contingency Perspective

Another recent noteworthy addition to management thinking is the contingency perspective. The classical, behavioral, and quantitative approaches are considered universal perspectives because they tried to identify the "one best way" to manage organizations. The contingency perspective, in contrast, suggests that universal theories cannot be applied to organizations because each organization is unique. Instead, the contingency perspective suggests that appropriate managerial behavior in a given situation depends on, or is contingent on, unique elements in that situation. Stated differently, effective managerial behavior in one situation cannot always be generalized to other situations. Recall, for example, that Frederick Taylor assumed that all workers would generate the highest possible level of output to maximize their own personal economic gain. We can imagine some people being motivated primarily by money, but we can just as easily imagine other people being motivated by the desire for leisure time, status, social acceptance, or any combination of these (as Mayo found at the Hawthorne plant).

Contemporary Management Issues a Challenges

Managers today face an imposing set of challenges as they guide and direct the fortunes of their companies. Coverage of each topic, introduced next, is thoroughly integrated throughout this book.

Downsizing

One major management challenge that is all too common today is *downsizing*, which occurs when an organization purposely becomes smaller by reducing the size of the workforce or by shedding entire divisions or businesses. From around the mid-1980s through today, it has become commonplace for firms to announce the elimination of thousands of jobs. For example, in recent years General Motors, IBM, and AT&T have undergone major downsizing efforts involving thousands of employees. Even some Japanese firms-long thought to be immune to this challenge-have had to downsize as a result of problems in the Japanese economy. Organizations going through such downsizing have to be concerned about managing the effects of these cutbacks, not only for those who are being let go, but also for those who are surviving-albeit surviving with a reduced level of job security.

Diversity and the New Work Force

A second important challenge today is the *management of diversity*. Diversity refers to differences among people. Although diversity may be reflected along numerous dimensions, most managers tend to focus on age, gender, ethnicity, and physical abilities/disabilities. The internationalization of businesses has also increased diversity in many organizations, carrying with it additional challenges as well as new opportunities. Motivating employees from different age categories, from senior citizens to Generation X-ers, is a related issue.

Information Technology

New technology, especially as it relates to information, also poses an increasingly important management challenge. The Internet and World Wide Web, local area networks and intranets, and the increased use of e-mail and voicemail systems are among the most recent technological changes in this area. Among the key issues associated with information technology are employee privacy, decision-making quality, and optimizing a

firm's investments in new forms of technology as they continue to emerge. A related issue confronting managers has to do with the increased capabilities this technology provides for people to work at places other than their office.

New Ways of Managing

Another important management challenge today is the complex array of new ways of managing. As noted earlier, theorists once advocated "one best way" of managing. These approaches generally relied on rigidly structured hierarchies with power controlled at the top and rules, policies, and procedures governing most activities. Now, however, many managers are seeking greater flexibility and the ability to respond more quickly to the environment. Thus, organizations today are often characterized by few levels of management, broad, wide spans of management, and fewer rules and regulations. The increased use of work teams also goes hand-in-hand with this new approach to managing.

Globalization

Globalization is yet another significant contemporary challenge for managers. Managing in a global economy poses many different challenges and opportunities. For example, at a macro level, property ownership arrangements vary widely. So does the availability of natural resources and components of the infrastructure, as well as the role of government in business. Another important consideration is how behavioral processes vary widely across cultural and national boundaries. For example, values, symbols, and beliefs differ sharply among cultures. Different work norms and the role work plays in a person's life can influence patterns of both work-related behavior and attitudes toward work. They also affect the nature of supervisory relationships, decision-making styles and processes, and organizational configurations.

Ethics and Social Responsibility

Another management challenge that has taken on renewed importance is ethics and social responsibility. Scandals in organizations ranging from Drexel Burnham Lambert Inc. (stock market fraud) to Beech-Nut (advertising baby apple juice as being 100 percent pure when it was really chemically extended) to the Japanese firm Recruit (bribery of government officials) have made headlines around the world. From the social responsibility angle, increasing attention has been focused on pollution and business's obligation to help clean up our environment, business contributions to social causes, and so forth.

Managing for Quality

Quality also poses an important management challenge today. Quality is an important issue for several reasons. First, more and more organizations are using quality as a basis for competition. Second, enhancing quality lowers costs. Whistler Corporation recently found that it was using 100 of its 250 employees to repair defective radar detectors that were built incorrectly the first time. Quality is also important because of its relationship to productivity

Service Economy

Finally, the shift toward a service economy also continues to be important. Traditionally, most businesses were manufacturers—they used tangible resources like raw materials and machinery to create tangible products like automobiles and steel. In recent years, however, the service sector of the economy has become much more important. Indeed, services now account for well over half of the gross domestic product in the United States and play a similarly important role in many other industrialized nations as well.

Service technology involves the use of both tangible resources (such as machinery) and intangible resources (such as intellectual property) to create intangible services (such as a hair cut, insurance protection, or transportation between two cities). While there are obviously many similarities between managing in a manufacturing and a service organization, there are also many fundamental differences.

Summary of Key Points

Management is a set of functions directed at achieving organizational goals in an efficient and effective manner. A manager is someone whose primary responsibility is to carry out the management process within an organization. Managers can be differentiated by level and by area. By level, we can identify top, middle, and first-line managers. Kinds of managers by area include marketing, financial, operations, human resource, administrative, and specialized managers.

The basic activities that comprise the management process are planning and decision making, organizing, leading, and controlling. These activities are not performed on a systematic and predictable schedule. Effective managers also tend to have technical, interpersonal, conceptual, diagnostic, communication, decision-making, and time-management skills. The effective practice of management requires a synthesis of science and art, that is, a blend of rational objectivity and intuitive insight.

Theories are important as organizers of knowledge and as road maps for action. Understanding the historical context and precursors of management and organizations provides a sense of heritage and can also help managers avoid repeating the mistakes of others. Evidence suggests that interest in management dates back thousands of years, but a scientific approach to management has emerged only in the last hundred years.

The classical management perspective had two major branches: scientific management and administrative management. Scientific management was concerned with improving efficiency and work methods for individual workers. Administrative management was more concerned with how organizations themselves should be structured and arranged for efficient operations. Both branches paid little attention to the role of the worker.

The behavioral management perspective, characterized by a concern for individual and group behavior, emerged primarily as a result of the Hawthorne studies. The human relations movement recognized the importance and potential of behavioral processes in organizations but made many overly simplistic assumptions about those processes. Organizational behavior, a more realistic outgrowth of the behavioral perspective, is of interest to many contemporary managers.

The quantitative management perspective and its two components, management science and operations management, attempt to apply quantitative techniques to decision making and problem solving. These areas are also of considerable importance to contemporary managers. The contributions of quantitative management have been facilitated by the tremendous increase in the use of personal computers and integrated information networks.

Two relatively recent additions to management theory, the systems and contingency perspectives, appear to have great potential both as approaches to management and as frameworks for integrating the other perspectives. Challenges facing managers today include downsizing, diversity and the new workforce, information technology, new ways of

managing, globalization, ethics and social responsibility, the importance of quality, and the continued shift toward a service economy.

Discussion Questions

Questions for review

1. What are the four basic functions that comprise the management process? How are they related to one another?
2. Identify different kinds of managers by both level and area in the organization.
3. Identify the different important skills that help managers succeed. Give an example of each.
4. Briefly summarize the classical and behavioral management perspectives and identify the most important contributors to each.
5. Describe the contingency perspective and outline its usefulness to the study and practice of management.

Questions for Analysis

1. The text notes that management is both a science and an art. Is one of these aspects more important than the other? Under what circumstances might one ingredient be more important than the other?
2. Recall a recent group project or task in which you have participated. Explain how the four basic management functions were performed.
3. Some people argue that CEOs in the United States are paid too much. Find out the pay for a CEO and discuss whether you think he or she is overpaid.
4. Explain how a manager can use tools and techniques from each major management perspective in a complementary fashion.
5. Which of the contemporary management challenges do you think will have the greatest impact on you and your career? Which will have the least?

Technical Skills

Exercise Overview

Technical skills refer to the manager's abilities to accomplish or understand work done in an organization. More and more managers today are realizing that having the technical ability to use the Internet is an important part of communication, decision making, and other facets of their work. This exercise introduces you to the Internet and provides some practice in using it.

Exercise Background

The so-called information highway, or the Internet, refers to an interconnected network of information and information-based resources using computers and computer systems. Whereas electronic mail was perhaps the first widespread application of the Internet, increasingly popular applications are based on home pages and search engines.

A *home page* is a file (or set of files) created by an individual, business, or other entity. It contains whatever information its creator chooses to include. For example, a company might create a home page for itself that includes its logo, its address and telephone number, information about its products and services, and so forth. An individual seeking employment might create a home page that includes a resume and a statement of career interests. Home pages are indexed by key words chosen by their creators.

A *search engine* is a system through which an Internet user can search for home pages according to their indexed key words. For example, suppose an individual is interested in knowing more about art collecting. Key words that might logically be linked to home pages related to this interest include art, artists, galleries, and framing. A search engine will take these key words and provide a listing of all home pages that are indexed to them. The user can then browse each page to see what information they contain. Popular search engines include Yahoo!, Lycos, and Webcrawler.

Exercise Task

1. Visit your computer center and learn how to get access to the Internet.
2. Use a search engine to conduct a search for three or four terms related to
3. Now select a more specific management topic and search for two or three topics (if you cannot think of any terms, scan the margin notes in this book).
4. Finally, select three or four companies and search for their home pages.

Diagnostic Skills

Exercise overview

Diagnostic skills enable a manager to visualize the most appropriate response to a situation. This exercise encourages you to apply your diagnostic skills to a real business problem and to assess the possible consequences of various courses of action.

Exercise Background

For some time now college textbook publishers have been struggling with a significant problem. The subject matter that constitutes a particular field, such as management, chemistry, or history, continues to increase in size, scope, and complexity. Thus, authors feel compelled to add more and more information to new editions of their textbooks. Publishers have also sought to increase the visual sophistication of their texts by adding more color and photographs. At the same time, some instructors don't have time to cover the material in longer textbooks. Moreover, longer and more attractive textbooks cost more money to produce, resulting in higher selling prices to students.

Publishers have considered a variety of options to confront this situation. One option is to work with authors to produce briefer and more economical books (such as this one). Another option is to cut back on the complimentary supplements that publishers provide to instructors (such as videos and color transparencies) as a way of lowering the overall cost of producing a book. Another option is to eliminate traditional publishing altogether and provide educational resources via CD-ROM, the Internet, or other new media.

Confounding the situation, of course, is cost. Profit margins in the industry are such that managers feel the need to be cautious and conservative. That is, they cannot do everything, and must not risk alienating their users by taking too radical a step. Remember, too, that publishers must consider the concerns of three different sets of customers: the instructors who make adoption decisions, the bookstores that buy educational materials for resale (at a retail markup), and students who buy the books for classroom use and then often resell them back to the bookstore.

Exercise Task

With this background in mind, respond to the following:

1. Discuss the pros and cons of each option currently being considered by textbook publishers.
2. Identify the likely consequences of each option.
3. Can you think of other alternatives that publishers in the industry should consider?
4. What specific recommendations would you make to an executive in a publishing company regarding this set of issues?

Communication & Inter-Personal Skills

Exercise Overview

Communication skills refer to the manager's abilities to both effectively convey ideas and information to others and to effectively receive ideas and information from others. Interpersonal skills refer to the ability to communicate with, understand, and motivate individuals and groups. This exercise applies these skills from a contingency perspective in selecting modes of communication to convey various kinds of news.

Exercise Background

You are the regional branch manager for a large insurance company. For the last week you have been so tied up in meetings that you have had little opportunity to communicate with any of your subordinates. You have now caught up on things, however, and have a lot of information to convey. Specifically, here are the things that people need to know and/or that you need to do:

1. Three people need to be told that they are getting a pay raise of 10 percent.
2. One person needs to be told that she has been placed on probation and will lose her job if her excessive absenteeism problem isn't corrected.
3. One person needs to be congratulated for receiving his master's degree.
4. Everyone needs to be informed about the schedule for the next cycle of performance reviews.
5. Two people need to be informed that their requests for transfers have been approved, whereas a third was denied. In addition, one other person is being transferred even though she did not submit a transfer request. You know that she will be unhappy.

You can convey this information via telephone calls during regular office hours, a cell phone call as you're driving home this evening, a formal written letter, a handwritten memo, a face-to-face meeting, or e-mail.

Exercise Task

With this background in mind, respond to the following:

1. Choose a communication mode for each message you need to convey.
2. What factors went into your decision about each situation?
3. What would be the least appropriate communication mode for each message?
4. What would be the likely consequences for each inappropriate choice?

Mark Spenser owns and manages Sunset Landscape Services (SLS), a nursery, landscape, and lawn care business located in Central City, Texas. Mark moved to Central City in 1970 to attend the state university there. After receiving his degree in horticulture, Mark decided to remain in Central City and start his own business. He spent three years as assistant manager at a small nursery located in a neighboring town and then launched Sunset Landscape Services in 1978.

Mark's timing could not have been better. Beginning in the late 1970s, Central City enjoyed a dramatic increase in population and economic growth, fueled primarily by unprecedented expansion and growth in the university. During the next ten years, Central City's population grew from less than 70,000 to more than 120,000. Surrounding communities grew as well, and several major new businesses moved into the area.

Mark anticipated the real-estate boom through an analysis of state demographics and population trends and conversations with local leaders who were for the first time actively courting new businesses. He realized that only two small local nurseries were in operation, and predicted that an increase in housing construction would fuel demand for both initial

landscaping services by building contractors and follow-up nursery sales as homeowners began to establish their lawns and flower beds.

Like most new businesses, SLS struggled a bit at first. Mark did a good job of planning how his business would be run and setting up an efficient organization. He also did an excellent job of hiring employees and of getting them to work hard. He had a more difficult time, however, keeping his costs in line with his income and ordering new plants at the most efficient times. Finally, he took a couple of business courses at the university and learned how to manage various parts of his business better. Today, SLS is a thriving business that is well respected throughout the community.

Discussion Questions

1. What kind of manager is Mark Spenser?
2. Can you identify examples of management functions and management skills in this case?
3. What emerging contemporary management challenges might be most relevant for Mark Spenser and SLS? Why?

Self-Awareness

Introduction

Self-awareness is an important skill for effective management. This assessment is designed to help you evaluate your level of self-awareness.

Instructions

Please respond to the following statements by writing a number from the following rating scale in the column. Your answers should reflect your attitudes and behavior as they are now, not as you would *like* them to be. Be honest. This instrument is designed to help you discover how self-aware you are so that you can tailor your learning to your specific needs.

Rating Scale

6 Strongly agree	3 Slightly disagree
5 Agree	2 Disagree
4 Slightly agree	1 Strongly disagree

1. I seek information about my strengths and weaknesses from others as a basis for self-improvement.
2. When I receive negative feedback about myself from others, I do not get angry or defensive.
3. In order to improve, I am willing to be self-disclosing to others (that is, to share my beliefs and feelings).
4. I am very much aware of my personal style of gathering information and making decisions about it.
5. I am very much aware of my own interpersonal needs when it comes to forming relationships with other people.
6. I have a good sense of how I cope with situations that are ambiguous and uncertain.
7. I have a well-developed set of personal standards and principles that guide my behavior.
8. I feel very much in charge of what happens to me, good and bad.
9. I seldom, if ever, feel angry, depressed, or anxious without knowing why.
10. I am conscious of the areas in which conflict and friction most frequently arise in my interactions with others.
11. I have a close relationship with at least one other person in which I can share personal information and personal feelings.

For interpretation see appendix

Source: D. Whetten/K. Cameron, *Developing Management Skills*, 2nd ed., pages 38-39. © 1991 Addison-Wesley Educational Publishers, Inc. Reprinted by permission of Addison Wesley Longman.

Johari Window

Purpose

This exercise has two purposes: to encourage you to analyze yourself more accurately and to start you working on small group cohesiveness. This exercise encourages you to share data about yourself and then to assimilate and process feedback. Small groups are typically more trusting and work better together, as you will be able to see after this exercise has been completed. The Johari Window is a particularly good model for understanding the perceptual process in interpersonal relationships.

This skill builder focuses on the *human resources model* and will help you develop your *mentor role*. One of the skills of a mentor is self-awareness.

Introduction

Each individual has four sets of personality characteristics. One set, which includes such characteristics as working hard, is well known to the individual and to others. A second set is unknown to the individual but obvious to others. For example, in a working situation a peer might observe that your jumping in to get the group moving off dead center is appropriate. At other times you jump in when the group is not really finished, and you seem to interrupt. A third set is known to the individual but not others. These are situations that you have elected not to share, perhaps because of a lack of trust. Finally, there is a fourth set, which is not known to the individual or to others, such as why you are uncomfortable at office parties.

Instructions

Look at the Johari Window below. In quadrant 1 list three things that you know about yourself and that you think others know. List three things in quadrant 3 that others do not know about you. Finally, in quadrant 2 list three things that you did not know about yourself last semester that you learned from others.

