Modern Management

Concepts and Skills

FIFTEENTH EDITION

Samuel C. Certo • S. Trevis Certo

92% **93%** **93%** **94%**

eText | Dynamic Study Modules | Personal inventory assessment | Study Plan

% of students who found learning tool helpful
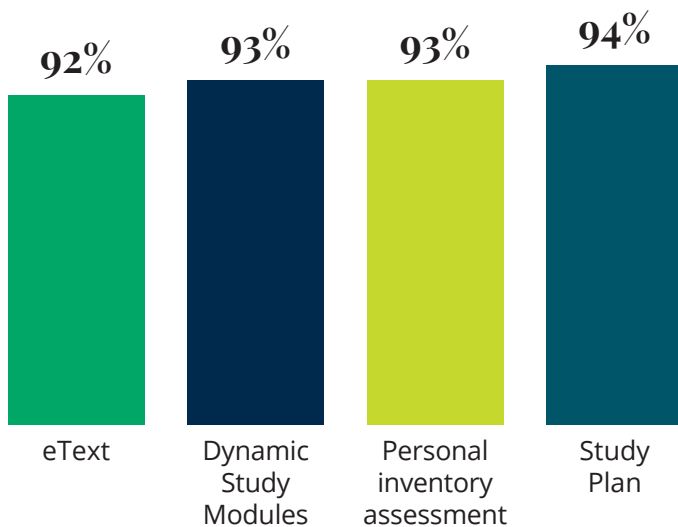
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86%

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The **MyLab Gradebook** offers an easy way for students and instructors to view course performance. Item Analysis allows instructors to quickly see trends by analyzing details like the number of students who answered correctly/incorrectly, time on task, and median time spend on a question by question basis. And because it's correlated with the AACSB Standards, instructors can track students' progress toward outcomes that the organiza-tion has deemed important in preparing students to be **leaders.**

"I was able to find myself actually learning at home rather than memorizing things for a class."

— Katherine Vicente, Student at County College of Morris

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EDITION **15**

Global Edition

Modern Management

CONCEPTS AND SKILLS

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Rollins College

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About the Authors

Dr. Samuel C. Certo is presently Emeritus Dean and Steinmetz Professor of Management at the Roy E. Crummer Graduate School of Business at Rollins College. Over his career, Dr. Certo has received many prestigious awards, including the Award for Innovative Teaching from the Southern Business Association, the Instructional Innovation Award granted by the Decision Sciences Institute, and the Charles A. Welsh Memorial Award for outstanding teaching. He has also received the Bornstein and Cornell Awards for teaching and global recognition of his scholarship.

Dr. Certo has also authored or co-authored several highly regarded textbooks, including *Modern Management: Concepts and Skills, Strategic Management: Concepts and Applications,* and *Supervision: Concepts and Applications.* His textbooks have been translated into several languages for distribution throughout the world.

His newest popular-market book, *Chasing Wisdom: Finding Everyday Leadership in Business and Life,* recommends combining business and biblical principles to build successful organizations. His podcast program emphasizing the chasing wisdom concept is available on iTunes. The number of its listeners is growing, and it now has listeners in over 200 countries.

A past chairperson of the Management Education and Development Division of the Academy of Management, he has had the honor of being presented with the group's Excellence in Leadership Award. Dr. Certo has also served as president of the Association for Business Simulation and Experiential Learning, an associate editor for *Simulation and Games,* and as a review board member of the *Academy of Management Review.* His consulting experience has been extensive and includes notable participation on boards of directors in both public and private companies.

S. Trevis Certo is the Jerry B. and Mary Anne Chapman Professor of Business in the Department of Management and Entrepreneurship in the W. P. Carey School of Business at Arizona State University. His research focuses on corporate governance, top management teams, initial public offerings (IPOs), and research methodology. Trevis's research has appeared in *Academy of Management Journal, Academy of Management Review, Strategic Management Journal, Journal of Management, Journal of Business Venturing, Entrepreneurship Theory and Practice, Journal of Management Studies, Business Ethics Quarterly, Journal of Business Ethics, California Management Review,* and *Business Horizons.* Trevis also serves on the editorial boards of *Academy of Management Journal* and *Strategic Management Journal.* Trevis has taught undergraduate, MBA, EMBA, and PhD courses in strategic management, research methodology, and international business at Arizona State University, Texas A&M University, Indiana University, Tulane University, and Wuhan University (China).

Letter from the Authors

Dear Colleague,

Thank you for taking the time to review our book. If you are reading this right now, you likely agree with our (perhaps biased) opinion that Management is one of the most important courses that students will take in their academic careers. Regardless of their majors, management will likely be in your students' futures. Whether your students graduate to become salesforce members, financial analysts, or supply chain specialists, they will undoubtedly work for managers. This book will help students understand how managers work. Moreover, the concepts in this text will help students prepare for their own future management positions.

It is hard to believe that this management textbook, now in its fifteenth edition, is over 35 years old. While a little younger than companies such as Apple and Microsoft, it is amazing to think that our book is older than companies like Alphabet (Google), Costco, Amazon, Lockheed Martin, and Netflix. Like these leading companies, our book has advanced over the years, relying on one constant theme: innovation. We created a product that resonated with the academic community, and we continuously innovated over the decades that followed. Specifically, over the years we have continued to integrate leading-edge research on individuals, teams, and organizations with pedagogical techniques designed to enhance students' performance, their ability to obtain employment, and ultimately their careers.

The unique approach of our book is that each chapter in our comprehensive text helps students develop a specific management skill. The content specifically focuses on how students can be more strategic and more creative, work as team members, become successful leaders, and more. We designed our chapters to build these skills (and others) to fulfill the objective of this book: To help students both obtain employment and flourish in the workplace.

The work on the pages that follow is largely the result of our interactions with the many instructors around the globe who use our book. Thank you! If we can help, please do not hesitate to email us!

Sincerely,

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Preface

Build students' management confidence by helping students not only learn management concepts but also develop a target skill in each chapter.

Applying Management Concepts

Each chapter opens with a **Challenge Case** that presents a company facing a particular challenge relevant to the topic of the chapter.

CHALLENGE CASE

Diverse Employees Contribute to GE Lighting's Bright Future

Despite the common assumption that manufacturing jobs are disappearing, manufacturing companies face a hiring challenge. As experienced workers retire and technology advances, businesses need bright, hard-working employees who are comfortable with technology. GE Lighting is tapping the potential of the "millennial generation," workers born between 1982 and 2000. According to general manager Ron Wilson, the share of millennials among his manufacturing engineers and managers has doubled. The company is smoothing the way by preparing these employees to succeed. Its two-year leadership training program gives operations employees challenging assignments and brings them into contact with senior management. At the level of factory floor workers, the company partners with local com-

Tony Dejak/AP Images

CHALLENGE CASE SUMMARY

This chapter emphasizes what management is and what managers do. As a manager, James Quincey is engaged in processes that help Coca-Cola reach organizational goals. Quincey, as CEO of a major corporation, must focus on how the company can deliver top quality at a competitive price and develop new products that will keep the company abreast of the latest consumer trends. He cannot possibly develop, make, and sell all the products; rather, he leads the efforts within his group, keeping them aligned with the company's goals.

Quincey engages in planning, organizing, influencing, and controlling the work of the people at Coca-Cola. He uses human resources, as well as money, raw materials, and machinery (capital equipment). These efforts succeed when his group is both effective (successful in achieving goals) and efficient (minimizes the use of resources).

Quincey has risen in the ranks at Coca-Cola because he has demonstrated that he has management skill—the ability to carry out the process of reaching organizational goals by working with and through people and other organizational resources. According to the classic understanding, management skill is the combination of three different kinds of skills: technical, human, and conceptual skills. In this understanding of management, technical skills were especially important for Quincey when he first took on lower-management jobs. As he rose through Coca-Cola's hierarchy, Quincey depended less on the use of technical skills and more on the use of conceptual

and building cooperation, are important at all levels of management.

More recently, management skills have been viewed in terms of the activities carried out by managers. Quincey and other managers typically perform task-related, people-related, and change-related activities. Task-related activities require skills in short-term planning, clarifying objectives, and monitoring performance. People-related activities require skills in encouraging employees, providing recognition for accomplishments, developing skills in others, consulting others when making decisions, and empowering employees to solve problems. Change-related activities require skills in monitoring the organization's environment, proposing new ideas, encouraging innovation, and taking necessary risks.

The Challenge Case described how John Quincey has progressed through his career in management and the challenges of being a top manager. A career is a sequence of work-related positions over the course of a person's life. Also, in his progression to the top position at Coke, he has embodied the six management employability skills. He has demonstrated his expertise in communication, critical thinking, creativity, collaboration, knowledge application, and ethics and social responsibility. We have not yet seen the end of Quincey's career, but his path so far illustrates how a hardworking, goal-oriented person can develop skills by successfully taking on challenging positions that offer opportunities to learn more about a company's products, customers, and

At the end of each chapter is the **Challenge Case Summary**, where students read about how the company manager(s) used the concepts presented in the chapter to address the challenge.

Tips for Managing Around the Globe, Steps for Success, and **Practical Challenge** callouts highlight practical applications of management concepts.

TIPS FOR MANAGING AROUND THE GLOBE

Making the Most of International Experience

People assume that international experience will open up opportunities for managers. Certainly, if employees and customers live in different countries, familiarity with those cultures should be a big plus. For example, Andrew Gamertsfelder credited his marketing internships in Brazil with helping him land a job working for Stryker Orthopaedics in Brazil after he graduated from the University of Pittsburgh. And when the staffing firm Robert Half surveyed chief financial officers in the United States, almost 70 percent said international [...] cent said international [...] for accounting and fina[...]

However, researchers at the IE Business School in Spain conducted a study that raises questions about the value of international experience. Reviewing the careers of chief executive officers at large corporations, the researchers found that the longer the managers had worked overseas, the longer they took to reach the top jobs. Apparently, executives should balance overseas experience against staying in contact with decision makers at headquarters. To do this, exec[...]

STEPS FOR SUCCESS

Developing Human Skills

At SAS America, Thomas Lynch's management career had stalled. Lynch, who specializes in sales support, had an excellent record of helping customers solve problems, but he was not getting key assignments or promotions. He brought the issue to his superiors, who pointed to his human skills: Although he was a great problem solver and well liked, he came across as lacking ambition. With coaching and practice, Lynch learned to pick opportunities to offer his expertise.

As Lyn[...] important.

looking for the ability to set priorities, a positive attitude, and the ability to function well as part of a team. Here are some ways to build human skills:[27]

- Ask colleagues what you do well and what behaviors they would like to see improve.
- Learn to control your emotions. Notice what triggers a reaction, and practice ways to be calm in those situations.
- Get expert advice—seek help from a career coach,

PRACTICAL CHALLENGE: ATTAINING GOALS

Lawrence Jones Motivates Employees at UKFast

To understand how some managers influence goal attainment, consider UKFast's CEO and founder Lawrence Jones. UKFast a business-to-business hosting company, was founded in 1999, and since then Jones has used his creative leadership and passion to inspire others and attain the organization's goals—to create a global presence and build on its estimated worth of $315 million. He feels that motivation is one of the biggest assets a business can use to increase productivity and compete globally.

Jones likes a hands-on approach. He takes an active role in guiding his senior management and focuses on ensuring that UKFast and its customers

grow side-by-side. Managers are trained to keep employees geared for more by looking at three factors—competition, environment, and development. Jones encourages his employees to look to competition as a driver and a goal-setter. According to reports,[16] Jones has instilled a healthy appetite for competition in an informal way by initiating annual internal competitions among the company's technical engineers and by announcing the top 10 customer services delivered every week. The winners are treated to a big reward. While goals are attained, Jones feels the best part is that most of the employees enjoy the challenge itself.

Each chapter references assignable exercises in MyLab Management like **Watch It! Videos** about real companies to provide even more opportunities for students to apply the concepts they are learning to real-world situations.

somewhat effective despite being inefficient if demand for the finished goods is so high that the manager can get an extremely high price per unit sold and thus absorb inefficiency costs. Thus, a manager can be effective without being efficient, and vice versa. To maximize organizational success, however, both effectiveness and efficiency are essential.

MyLab Management Watch It

If your instructor has assigned this activity, go to www.pearson.com/mylab/management to complete the video exercise.

As an example of achieving efficiency and effectiveness, consider Telstra Corporation, Australia's largest telecommunication company. Like its counterparts the world over, Telstra faces the challenges of a changing industry in which mobile phones are fast becoming more popular than the landline business on which Telstra built its fortunes. To survive, Telstra is scrambling to create a nimble management team and prune the bureaucracy that slows down decision making and internal operations. In a recent reorganization of his executive team, Telstra CEO David Thodey created four groups—customer sales and support, product and marketing innovation, operations, and corporate support—all focused on effectiveness: getting more competitive while also attracting and retaining customers.[19]

Personal Inventory Assessments, assignable in MyLab Management, are recommended by the authors in every chapter. These assessments provide immediate results to develop professionalism and awareness of oneself and others, giving students the skills necessary for their future career.

Developing Management Skills

Target Skill and **Skill and Your Career** at the opening of each chapter focus on managerial skills that employers most value in job candidates. Students can develop these skills by completing specially designed, innovative learning activities, which appear both in the text and through MyLab Management.

TARGET SKILL

Management Skill: the ability to work with people and other organizational resources to accomplish organizational goals

MyLab Management Assessing Your Management Skill
If your instructor has assigned this activity, go to www.pearson.com/mylab/management to complete the exercise related to the Challenge Case.

Assessing Your Management Skills is an assignment in MyLab Management with an average of 15 questions that asks the students to indicate how they would advise senior management to respond to situations in the Case Challenge and Case Challenge Summary. Students receive instant feedback on their responses. Results flow to the gradebook.

Management Skills Exercises

MyLab Management
Discussion Questions
Go to www.pearson.com/mylab/management to complete the problems marked with this icon ⭐.

Management Skills Exercises provide additional discussion questions to dig into the Challenge Case and a second, short case to help students better understand how concepts apply to companies and their challenges.

⭐ Cases

Coke's New CEO Battles a Changing Market

"Coke's New CEO Battles a Changing Market" and its related Challenge Case Summary were written to help you understand the management concepts contained in this chapter. Answer the following discussion questions about the introductory case to explore how fundamental management concepts can be applied to a company such as Coca-Cola.

Three **Experiential Exercises** are featured at the end of each chapter. The first type helps students use active learning, frequently in groups, to develop knowledge and skills specific to chapter content. The second, **You and Your Career**, is an exercise that asks students to reflect on chapter content to help them better understand how to manage their careers. The third type, **Building Your Management Skills Portfolio** activities, use real company examples and data points to help students demonstrate the management knowledge and skill acquired in that chapter.

Experiential Exercises

Managing Diversity

Directions. Read the following scenario and then perform the listed activities. Your instructor may wish you to perform the activities as an individual or within groups. Follow all of your instructor's directions carefully.

This chapter looks at the different challenges managers face in managing a diverse workforce. A much-neglected and oft-overlooked group are the baby boomers. In many societies, the over-55 generation represents a large percentage of the population. The increase in their numbers has come at a time when some countries have seen a fall in the number of young people entering the job market.

Identify five traits of this group of potential workers. These individuals are approaching or have reached the last decade or so of their working lives. Provide suggestions as to how a manager might supervise them. Try to be precise in your suggestions so that you could help someone be a more effective manager.

You and Your Career

Diversity in the workplace is important. It ensures that fresh ideas and ways of looking at problems and opportunities abound. However, a few firms may not value diversity as much, preferring a much more homogeneous staff. Assume you interviewed for a job for an open position at a company that you were very interested in. A week after the interview, however, you receive an e-mail letting you know that you were not selected. Coincidentally, you discover from a friend of yours who works at the company that it didn't hire you because of your race, gender, age (etc.; choose the most fitting for your circumstances).

Also assume that you filed a lawsuit and won. The judge has ruled that the company must hire you and was assessed a small fine. Would you accept the position now with the company? Why or why not?

Building Your Management Skills Portfolio

Your Management Skills Portfolio is a collection of activities specially designed to demonstrate your management knowledge and skill. Be sure to save your work. Taking your printed portfolio to an employment interview could be helpful in obtaining a job.

The portfolio activity for this chapter is Assessing Diversity at TECO Energy. Read the following about TECO Energy and answer the questions that follow.

TECO Energy is an energy company headquartered in Tampa, Florida. TECO Energy's five business units include (1) Tampa Electric, a regulated electric utility serving more than 635,000 customers in West Central Florida; (2) Peoples Gas System, Florida's largest natural gas distribution utility; (3) TECO Coal, a producer of conventional coal and synthetic fuel; (4) TECO Transport, a river and ocean waterborne transportation provider; and (5) TECO Guatemala, owner of two power plants in Guatemala. (You can learn more about the company by visiting www.tecoenergy .com.) Over the years, TECO management has focused on

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creating a diverse workforce. Management recently reported the results of a diversity study aimed at monitoring its diversity efforts by ascertaining the present characteristics of its workforce. Part of the results of that study appears in Exhibits 1, 2, and 3.

Exhibit 1   **Gender of Workforce**

Company	Female	Male
TECO Energy (corporate)	62%	38%
Tampa Electric	25%	75%
Peoples Gas	28%	72%
TECO Transport	10%	90%
TECO Coal	4%	96%
TECO Guatemala (corporate)	29%	71%
TECO Guatemala	12%	88%
Total number of employees	970	4,122

Exhibit 2   **Race/Ethnicity of Workforce**

Company	Black	White	Hispanic	Other
TECO Energy (corporate)	6%	84%	10%	0%
Tampa Electric	14%	73%	11%	2%
Peoples Gas	14%	70%	15%	1%
TECO Transport	12%	85%	2%	1%
TECO Coal	0%	100%	0%	0%
TECO Guatemala (corporate)	0%	43%	43%	14%
TECO Guatemala*				
Total number of employees	522	3,993	399	178

* U.S. ethnicity codes not applicable to TECO Guatemala.

Exhibit 3   **Leadership by Gender and Race**

Company	Female	Male	Black	White	Hispanic	Other
TECO Energy (corporate)	56%	44%	4%	87%	9%	0%
Tampa Electric	30%	70%	9%	77%	11%	3%
Peoples Gas	28%	72%	6%	80%	14%	0%
TECO Transport	20%	80%	6%	91%	2%	1%
TECO Coal	9%	91%	0%	100%	0%	0%
TECO Guatemala (corporate)	29%	71%	0%	43%	43%	14%
TECO Guatemala*	11%	89%	N/A	N/A	N/A	N/A
Total number of employees	28%	72%	7%	79%	10%	4%

* U.S. ethnicity codes not applicable to TECO Guatemala.

Questions

4-10 List five major points that Exhibits 1, 2, and 3 tell management about TECO's workforce.

a. _____

b. _____

c. _____

d. _____

e. _____

4-11 How does management at TECO determine whether the present level of workforce diversity is appropriate for the company?

_____

_____

4-12 Assume that TECO management performs a similar study in five years. Name three new dimensions of diversity that you would like the study to explore. Explain why you would like each dimension studied.

Dimension 1: _____

Why study this dimension?

_____

_____

_____

Dimension 2: _____

Why study this dimension?

_____

_____

_____

Dimension 3: _____

Why study this dimension?

_____

_____

_____

MyLab Management
Writing Assignments

If your instructor has assigned this activity, go to www.pearson.com/mylab/management for the following assisted-graded writing assignments:

Assisted-Grading Questions

4-13 Pinpoint five ways that discrimination might negatively affect an organization.

4-14 List five ways that you would promote diversity in an organization. How would you control your efforts to make sure they were successful?

What's New to This Edition

NEW! Management Skill and Your Career

Helps students understand the relationship between each chapter's Target Skill and future employability.

UPDATED! Reorganized Table of Contents

Reflects the changing importance placed on Entrepreneurship and Creativity and Innovation due to research on what companies are seeking in applicants.

- **Management and Entrepreneurship** chapter (formally Appendix 2) is now Chapter 2.
- **Creativity and Innovation** chapter (formally Appendix 3) is now Chapter 6.

NEW! Employability & Employability Skills

Consistent with our traditional pragmatic focus on concepts and skills, a new theme has been added on what it means to be employable and developing related skills.

NEW! Chapter-Opening Challenge Cases & Chapter-Ending Challenge Case Summaries

Half of the Challenge Cases and Challenge Case Summaries are new to this edition, including new cases on Netflix, Walt Disney Company, and Domino's Pizza.

NEW! Chapter-Ending Cases

Half of the Chapter-Ending Cases are new to this edition, including a new case on Fox News and CNN.

NEW! Experiential Exercises

Half of the chapter-ending experiential exercises are new to this edition. Exercises focus on topics like conducting feasibility studies, managing Generation Z, and understanding cultures in other countries.

NEW! Chapter Highlights: Tips for Managing Around the Globe, Steps for Success, and Practical Challenge.

Half of the highlights are new to this edition. New features focus on topics like P&G's Integrity Statement, interviewing recruits at Home Depot, and China's efforts to implement sustainable agricultural practices.

NEW AND UPDATED! Research Updates

Each chapter topic was thoroughly reviewed for timeliness of cited research, with endnotes being modified as necessary. Topics now include, for example, employability, self-managed teams, organization development, and workplace bullying.

Chapter-by-Chapter Changes

Introduction to Modern Management

Chapter 1: Introducing Modern Management: Concepts and Skills

- Updated with new Highlight: Management Skill and Your Career
- New chapter coverage on employability skills and highlights about top-paid executives
- New Challenge Case discusses Coca-Cola's new CEO, James Quincey

- New end-of-chapter case features Doze Mattresses and the challenges of managing a start-up business
- New Experiential Exercise related to conceptual skills
- New You and Your Career activity delves into managing older generations of workers

Chapter 2: Management and Entrepreneurship: Handling Start-Ups and New Ventures

- New Chapter Placement: Moved to front of book to emphasize entrepreneurship early in course
- New Highlight: Entrepreneurship Skill and Your Career
- New Challenge Case, Professor Becomes Restaurateur, focuses on start-ups
- New Experiential Exercise focuses on conducting a feasibility study
- New You and Your Career looks at hiring decisions
- New Building Your Management Skills Portfolio activity discusses the entrepreneurship process

Modern Management Challenges

Chapter 3: Society, Ethics, and Sustainability

- New Highlight: Social Responsibility Skill and Your Career
- New chapter coverage on tracking sustainability goals
- New Challenge Case addresses how IKEA builds on its commitment to the environment
- New Tips for Managing Around the Globe focuses on China's efforts to implement more sustainable agricultural practices
- New Steps for Success is about P&G's integrity statement
- New Practical Challenge emphasizes sustainability at Mars
- New end-of-chapter case on whistle-blowing at Wells Fargo

Chapter 4: Management and Diversity

- New Highlight: Diversity Skill and Your Career
- New chapter coverage on EEOC and related case settlements
- New Tips for Managing Around the Globe that looks at Deloitte UK
- New Steps for Success discusses Generation Z
- New Practical Challenge examines Pinterest's hiring goals for a more diverse workforce
- New Challenge Case discusses how diverse employees contribute to GE Lighting's bright future
- New end-of-chapter case on Fox News and CNN's racial discrimination lawsuits
- New Experiential Exercise explores difficulty of managing Generation Z
- New You and Your Career emphasizes discrimination

Chapter 5: Managing in the Global Arena

- New Highlight: Global Management Skill and Your Career
- New chapter coverage of foreign investment in the United States, U.S. investment abroad, nonverbal gestures and different cultures, and the United Kingdom exiting the European Union
- New Challenge Case discusses the phenomenal growth of KFC in China
- New Experiential Exercise considers understanding other cultures
- New You and Your Career examines moving a firm to Brazil.
- New Building Your Management Skills Portfolio addresses challenges of working abroad

Chapter 6: Creativity and Innovation

- New Chapter Placement: Moved to front of book to emphasize this topic earlier in course
- New Highlight: Creativity and Innovation Skill and Your Career
- New Challenge Case: Olde Peninsula Brings Brewpub Innovation to Kalamazoo
- New end-of-chapter case focuses on autonomous vehicles
- New Experiential Exercise uses student experiences in their principles of management course to gain insight about how creativity and innovation can have an impact on the effectiveness of training environments
- New You and Your Career emphasizes creative ways to enhance résumés

Planning

Chapter 7: Plans and Planning Tools

- New Highlight: Planning Skill and Your Career
- New example illustrates how Mitsubishi Electric constructed a new training facility
- New Steps for Success feature reviews tips for creating a budget
- New end-of-chapter case showcases how Gillette is battling Dollar Shave Club

Chapter 8: Making Decisions

- New Highlight: Decision-Making Skill and Your Career
- New Practical Challenge features Ford deciding to cancel building a Mexican auto factory
- New Building Your Management Skills Portfolio examines the decision making in solving a restaurant problem

Chapter 9: Strategic Planning: Strategies, Tactics, and Competitive Dynamics

- New Highlight: Strategic Planning Skill and Your Career
- New Tips for Managing Around the Globe explores Ryanair's cost leadership strategy
- New Experiential Exercise focuses on applying Porter's model to Burger King
- New Building Your Management Skills Portfolio activity examines strategic issues at Newell Brands

Organizing

Chapter 10: Fundamentals of Organizing

- New Highlight: Organizing Skill and Your Career
- New Tips for Managing Around the Globe shows how a French law bans work e-mail after hours
- New You and Your Career explores working in a flat versus tall organization structure
- New Building Your Management Skills Portfolio examines coordination and span of management

Chapter 11: Responsibility, Authority, and Delegation

- New Highlight: Responsibility and Delegation Skill and Your Career
- New Challenge Case examines Hy-Vee Supermarkets and manager autonomy
- New Steps for Success provides tips for delegating tasks
- New end-of-chapter case reviews Warby Parker permitting employees to choose their own projects
- New Experiential Exercise discusses centralization versus decentralization at Dairy Queen
- New You and Your Career emphasizes job descriptions
- New Building Your Management Skills Portfolio illustrates delegation at Etsy

Chapter 12: Human Resource Management

- New Highlight: Human Resource Management Skill and Your Career
- New Challenge Case discusses Netflix revamping its human resource function
- New Steps for Success gives tips for being an effective interviewer
- New Practical Challenge illustrates how Home Depot conducts interviews
- New end-of-chapter case looks at Disney using social media to recruit employees
- New Building Your Management Skills Portfolio illustrates conducting a human resource audit at Gold Star Chili

Chapter 13: Changing Organizations: Stress, Conflict, and Virtuality

- New Highlight: Organizational Change Skill and Your Career
- New chapter coverage of IBM and Yahoo! moving from virtual work arrangements back to traditional office settings
- New Experiential Exercise discusses change agents in a campus organization
- New You and Your Career focuses on stress reduction

- New Building Your Management Skills Portfolio emphasizes helping employees through a major change at work

Influencing

Chapter 14: Influencing and Communication

- New Highlight: Communication Skill and Your Career
- New Practical Challenge: Google's Emotional Intelligence Course
- New Tips for Managing Around the Globe: Cross-Cultural Communication
- New Steps for Success: Crafting an Elevator Speech
- New end-of-chapter case: Houston Zoo Improves Internal Communication
- New You and Your Career discusses the use of mobile devices across different generations
- New Building Your Management Skills Portfolio examines Radisson Hotels

Chapter 15: Leadership

- New Highlight: Leadership Skill and Your Career
- New Challenge Case: Bain & Company's CEO, Bob Bechek, Leads the Team
- New Tips for Managing Around the Globe: Adapting Your Leadership Style in Other Cultures
- New Steps for Success: Tips for Establishing a Coaching Program
- New Practical Challenge: How Mary Barra, GM's CEO, Meets the Leadership Challenge
- New Experiential Exercise explores leaders consulting with employees when making decisions
- New Building Your Management Skills Portfolio discusses Don Blankenship, former president of the Upper Big Branch Mine, losing 29 miners in an industrial accident

Chapter 16: Motivation

- New Highlight: Motivation Skill and Your Career
- New Challenge Case focuses on how Disney motivates employees
- New Practical Challenge: How The Home Depot Recognizes Employees
- New Tips for Managing Around the Globe: Motivating Employees from Other Cultures
- New Steps for Success: Tips for Disciplining Employees Effectively

Chapter 17: Groups and Teams

- New Highlight: Team Skill and Your Career
- New chapter coverage on collaboration and effective work teams
- New Practical Challenge: How Momchil Kyurkchiev Builds Teams at Leanplum
- New You and Your Career exercise focusing on cross-functional teams

Chapter 18: Building Organization Culture

- New Highlight: Organization Culture Skill and Your Career
- New Tips for Managing Around the Globe: P&G's Worldwide Business Conduct Manual
- New Steps for Success: Tips on Writing a Values Statement
- New Practical Challenge: Southwest Airlines Celebrates Its Organization Culture
- New You and Your Career feature focusing on an ideal organization culture

Controlling

Chapter 19: Controlling, Information, and Technology

- New Highlight: Controlling Skill and Your Career
- New Challenge Case highlighting how Domino's uses technology
- New end-of-chapter case emphasizes how Metail helps buyers try on clothes with virtual models
- New Experiential Exercise illustrates controlling instructional programs in organizations by having students reflect on personal experiences in their principles of management courses

- New You and Your Career emphasizes the role of information and technology in career building

Chapter 20: Production and Control

- New Highlight: Production Skill and Your Career
- New Challenge Case on Tesla increasing production while improving quality
- New end-of-chapter case examines new layout strategy at Cheddar's restaurant
- New Experiential Exercise illustrates calculating a break-even point
- New You and Your Career explores production versus service environments
- New Building Management Skills Portfolio focuses on material controls in a manufacturing setting

Appendix 1

Managing: History and Current Thinking

- New Highlight: Comprehensive Management Skill and Your Career
- New Challenge Case focuses on Alan Mulally emphasizing innovation at Ford Motor Company
- New Practical Challenge highlight discusses how Bank of America redesigned work areas
- New Steps for Success highlights tips for better understanding employees
- New Tips for Managing Around the Globe describes crowdfunding at IBM
- New end-of-appendix case focuses on managing UPS in an Internet economy

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Introducing Modern Management: Concepts and Skills

1

TARGET SKILL

Management Skill: the ability to work with people and other organizational resources to accomplish organizational goals

MANAGEMENT SKILL AND YOUR CAREER

Management skill will be of great value to you in enhancing your career. For example, this skill can help you to focus systematically on engaging organizational resources to meet profit goals. Profit making will contribute to organizational success, build your image as a competent manager, make you valuable to your organization, and support promotions as you build your career.

OBJECTIVES

To help build my *management skill*, when studying this chapter, I will attempt to acquire:

1-1 An understanding of a manager's task

1-2 Knowledge about the management process and organizational resources

1-3 An understanding of management skill as the key to management success

1-4 Insights concerning what management careers are and how they evolve

---

MyLab Management Chapter Warm Up

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CHALLENGE CASE

Coke's New CEO Battles a Changing Market

This chapter focuses on a number of introductory management topics, but one key concept is that of management employability skills (communication, critical thinking, creativity, collaboration, knowledge application, and ethics and social responsibility). The new CEO of Coca-Cola is a great example of all six of these management employability skills. Coca-Cola is a brand that has been around for over 130 years. The iconic logo script, contoured shape of the bottle, and bubbly taste have made Coke one of the most recognizable brands in the world. The beverage giant has enjoyed a worldwide popularity envied by most consumer companies. However, the last 10 years have been tough on Coke and on the carbonated beverage industry in general. Bottled water has supplanted soda as the most commonly purchased drink in the United States, and cities have begun taxing carbonated beverages heavily in hopes of raising funds and curbing obesity and diabetes.

In this current turbulent climate, James Quincey took the reins as CEO of the soda giant in 2017. Beginning his career with Coke in 1996, he oversaw operations in Latin America and Europe and worked his way up to chief operating officer, learning along the way the employability skill of knowledge application. Each position he filled in his career with the company taught him something new that he could utilize in subsequent positions. The former CEO, Muhtar Kent, had held the position for 8 years and groomed Quincey to take over the helm upon his departure.

Quincey has a number of challenges ahead of him requiring critical thinking skills. Currently the firm's soda sales account for 70 percent of global revenue.[1] And though that number is impressive, it is also a daunting figure because sales of carbonated beverages are steeply declining. In addition, the company is downsizing its number of employees as it tries to enter new beverage markets. These are major trials for the 52-year-old Quincey. The critical thinking skills needed to tackle these issues showcase Quincey's ability to use purposeful, goal-directed thinking to define and solve these problems.

"We are moving quickly to structure our organization for faster growth and to ensure we can respond to the fast-changing needs of our consumers," Quincey said.[2] The restructuring has meant cutting 1,200 jobs at the corporate office on top of the nearly 100,000 jobs lost as Coke has

James Quincey, new CEO of The Coca-Cola Company, will need his broad-based knowledge to face current competitive challenges.

sold off bottling operations since 2012. This is important as the company refocuses its efforts on products such as sports drinks, tea, plant-based beverages, bottled water, and flavored water—a major departure from the tried-and-true carbonated namesake of the firm.

Quincey understands that if Coke is to continue to compete with Pepsi and Dr. Pepper Snapple, he has to create new revenue streams while significantly cutting costs. This means making tough decisions about reducing staff and taking risks with the introduction of new products. As consumers seek out healthier options, the beverages of 20 years ago are no longer the top sellers. People want less sugar and fewer calories, and they want to feel good about what they are consuming. This embodies the employability skill of ethics and social responsibility. Coke's voluntary decision to manufacture a beverage that helps contribute to the reduction of diabetes and the number of obese consumers demonstrates the company's commitment to implementing strong ethical and socially responsible choices. It will be crucial for Quincey to communicate with his team about this trend. This is a critical management employability skill that is highly desirable by organizations, and Quincey's ability to convey the information effectively to his associates will be critical for Coke's success.

Coke, under Quincey, is entering a new era where deliberate management initiatives will maintain the strong market position the company has enjoyed. However, changes to a company built on a single carbonated beverage product

are a necessity. In addition, Quincey is effectively demonstrating the six management employability skills that are discussed in this chapter. According to Quincey, "The brand Coca-Cola will always be the heart and soul of The Coca-Cola Company, but the company has outgrown its core brand. The company needs to be bigger than our core brand. We've been very clear that for us to drive sustainable, profitable growth of our brands, we also need to encourage and enable our consumers to control added sugar consumption."[3]

THE MODERN MANAGEMENT CHALLENGE

The Challenge Case illustrates a few of the ways that James Quincey will need his personal management skills at Coke. After studying chapter concepts, read the Challenge Case Summary at the end of the chapter to help you to relate chapter content to developing management skills to inspire innovation.

A Manager's Task

Managers influence all phases of modern organizations. Plant managers run manufacturing operations that produce the clothes we wear, the food we eat, and the automobiles we drive. Sales managers maintain a sales force that markets goods. Personnel managers provide organizations with a competent and productive workforce. The "jobs available" section in the classified advertisements of any major newspaper describes many different types of management activities and confirms the importance of management.

1-1   An understanding of a manager's task

Managers are also important because they serve a very special purpose in our lives. They are the catalysts for new and exciting products of all kinds that keep our economy and standard of living moving forward. One such new product of today is the Transportable Exam Station (TES), which brings the doctor to you. Other such products include Apple's new head-mounted iPhone, Microsoft's new tablet called Surface, and Chevrolet's new electric car called Volt.

In addition to understanding the significance to managers and society of managerial work and its related benefits, prospective managers need to know what the management task entails. The sections that follow introduce the basics of the management task through discussions of the roles and definitions of management, the management process as it pertains to management functions and organizational goal attainment, and the need to manage organizational resources effectively and efficiently.

Our society could neither exist as we know it today nor improve without a steady stream of managers to guide its organizations. Peter Drucker emphasized this point when he stated that effective management is probably the main resource of developed countries and the most needed resource of developing ones.[4] In short, all societies desperately need good managers.

Management is important to society as a whole as well as vital to many individuals who earn their livings as managers. Government statistics show that management positions have increased from approximately 10 to 18 percent of all jobs since 1950. Managers come from varying backgrounds and have diverse educational specialties. Many people who originally train to be accountants, teachers, financiers, or even writers eventually make their livelihoods as managers. Although in the short term, the demand for managers varies somewhat, in the long term, managerial positions can yield high salaries, status, interesting work, personal growth, and feelings of accomplishment.

The Associated Press has recently ranked total compensation paid to top managers in the United States. Based on the 2016 ranking, **Table 1.1** shows the names of the 10 most highly paid chief executives, the company they worked for, and how much they earned.

An inspection of the list of highest-paid executives in Table 1.1 reveals that the overwhelming majority of the top-paid executives are men. Based on the results of a recent survey at the *Wall Street Journal*, **Figure 1.1** illustrates a broad salary gap between men and women. Whereas women and men make up roughly the same proportion of the workforce, men hold a disproportionate number of higher-paying jobs according to the figure.

In addition, a notable study by the American Association of University Women indicated that the discrepancy between the pay of men versus the pay of women is a national phenomenon

TABLE 1.1   **The 10 Highest-Compensated CEOs, 2016**

Ranking	CEO Name	Company Name	Paid ($ millions)
1	Dara Khosrowshahi	Expedia	94.6
2	Leslie Moonves	CBS	56.4
3	Philippe Dauman	Viacom	54.1
4	Leonard Schleifer	Regeneron Pharmaceuticals	47.5
5	Robert Iger	Walt Disney	43.5
6	Sandeep Mathrani	General Growth Properties	39.2
7	Brian Roberts	Comcast	36.2
8	Marissa Mayer	Yahoo	36
9	David Cote	Honeywell International	33.8
10	Marc Benioff	Salesforce.com	33.4

Source: "Top 10 Highest-Paid CEOs," The Associated Press, May 25, 2016.

and is not isolated to a particular state or region.[5] As a general trend, however, the gap has narrowed since the 1970s due largely to women's progress in education and workforce participation and to men's wages rising at a slower rate.[6]

Concerns that certain managers are paid *too* much have been raised. For example, consider the notable criticism in recent years regarding the high salary paid to Robert R. Nardelli, former CEO of Home Depot.[7] Disapproval of the excessive compensation paid to Nardelli surfaced in the popular press as well as in statements by stockholders. An article in the *Wall Street Journal*, for example, questioned whether Nardelli was worth the amount he received.[8] Nardelli had been paid $63.5 million during a five-year period at Home Depot, while company shares lost 6 percent of their value. In the end, as with any manager, Nardelli's compensation should have been determined by how much value he added to the company. The more value he added, the more compensation he deserved. As a result of the growing criticism about Nardelli's compensation and Nardelli's resistance to modify his compensation level, he was fired.

Some evidence suggests that societal concern about management compensation goes well beyond one manager at one company.[9] A recent Senate Commerce Committee meeting, for example, focused on trying to justify lavish pay programs for managers at companies such as Tyco International and American Airlines when the companies were in financial trouble and laying off employees. Senators seemed unified in questioning the logic that justifies the average CEO salary being more than 400 times higher than a production worker's wages. This Senate Commerce Committee meeting should be an important signal that managers who do not exercise judicious self-control about their salaries may face future legislative control.

Figure 1.1

The salary gap between genders
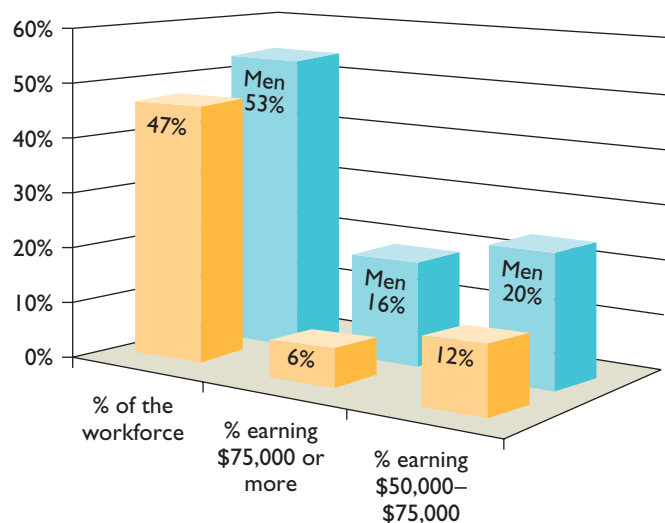
The Role of Management

Essentially, the role of managers is to guide organizations toward goal accomplishment. All organizations exist for certain purposes or goals, and managers are responsible for combining and using organizational resources to ensure that their organizations achieve their purposes. Management moves an organization toward its purposes or goals by assigning activities for organization members to perform. If the activities are designed effectively, the production of each individual worker will contribute to the attainment of organizational goals. Management strives to encourage individual activity that will lead to reaching organizational goals and to discourage individual activity that will hinder the accomplishment of those goals. Because the process of management emphasizes the achievement of goals, managers must keep organizational goals in mind at all times.[10]

This manager works with people and other resources to achieve the organization's goals.

ESB Professional/Shutterstock

Defining Management

Students of management should be aware that the term *management* can be (and often is) used in different ways. For instance, it can refer simply to the process that managers follow in order to accomplish organizational goals. It can also refer to a body of knowledge; in this context, management is a cumulative body of information that furnishes insights on how to manage. The term *management* can also refer to the individuals who guide and direct organizations or to a career devoted to the task of guiding and directing organizations. An understanding of the various uses and related definitions of the term will help you avoid miscommunication during management-related discussions.

As used most commonly in this text, **management** is the process of reaching organizational goals by working with and through people and other organizational resources. A comparison of this definition with the definitions offered by several contemporary management thinkers indicates broad agreement that management encompasses the following three main characteristics:

1. It is a process or series of continuing and related activities.
2. It involves and concentrates on reaching organizational goals.
3. It reaches these goals by working with and through people and other organizational resources.

A discussion of each of these characteristics follows.

The Management Process: Management Functions

The four basic **management functions**—activities that make up the management process—are described in the following sections.

Planning   Planning involves choosing tasks that must be performed to attain organizational goals, outlining how the tasks must be performed, and indicating when they should be performed. Planning activity focuses on attaining goals. Through their plans, managers outline exactly what organizations must do to be successful. Planning is essential to getting the "right" things done.[11] Planning is concerned with organizational success in the near future (short term) as well as in the more distant future (long term).[12]

Organizing   Organizing can be thought of as assigning the tasks developed under the planning function to various individuals or groups within the organization. Thus, organizing creates a mechanism to put plans into action. People within the organization are given work assignments that contribute to the company's goals. Tasks are organized so that the output of individuals contributes to the success of departments, which in turn contributes to the success of divisions, which ultimately contributes to the success of the organization. Organizing includes determining tasks and groupings of work.[13] Organizing should not be rigid; it should be adaptable and flexible to meet challenges as circumstances change.[14]

Figure 1.2

Classic mistakes commonly made by managers in carrying out various management functions

Planning
Not establishing objectives for all important organizational areas
Making plans that are too risky
Not exploring enough viable alternatives for reaching objectives

Organizing
Not establishing departments appropriately
Not emphasizing coordination of organization members
Establishing inappropriate spans of management

Influencing
Not taking the time to communicate properly with organization members
Establishing improper communication networks
Being a manager but not a leader

Controlling
Not monitoring progress in carrying out plans
Not establishing appropriate performance standards
Not measuring performance to see where improvements might be made

Influencing   Influencing is another of the basic functions within the management process. This function—also commonly referred to as *motivating, leading, directing,* or *actuating*—is concerned primarily with the people within organizations.[15] Influencing can be defined as guiding the activities of organization members in appropriate directions. An appropriate direction is any direction that helps the organization move toward goal attainment. The ultimate purpose of influencing is to increase productivity. Human-oriented work situations usually generate higher levels of production over the long term than do task-oriented work situations because people find the latter type less satisfying.

Controlling   Controlling is the management function through which managers:

1. Gather information that measures recent performance within the organization.
2. Compare present performance to preestablished performance standards.
3. From this comparison, determine whether the organization should be modified to meet preestablished standards.

Controlling is an ongoing process. Managers continually gather information, make their comparisons, and then try to find new ways of improving production through organizational modification.

History shows that managers commonly make mistakes when planning, organizing, influencing, and controlling. **Figure 1.2** shows a number of such mistakes managers make related to each function. Studying this text carefully should help managers avoid making such mistakes.

Management Process and Organizational Resources

1-2   Knowledge about the management process and organizational resources

Although we have discussed the four functions of management individually, planning, organizing, influencing, and controlling are integrally related and therefore cannot be separated in practice. **Figure 1.3** illustrates this interrelationship and also indicates that managers use these activities solely for reaching organizational goals. Basically, these functions are interrelated because the performance of one depends on the performance of the others. For example, organizing is based on well-thought-out plans developed during the planning process, and influencing systems must be tailored to reflect both these plans and the organizational design used to implement them. The fourth function, controlling, involves possible modifications to existing plans, organizational structure, or the motivation system used to develop a more successful effort.

To be effective, a manager must understand how the four management functions are practiced, not simply how they are defined and related. Thomas J. Peters and Robert H. Waterman, Jr., studied
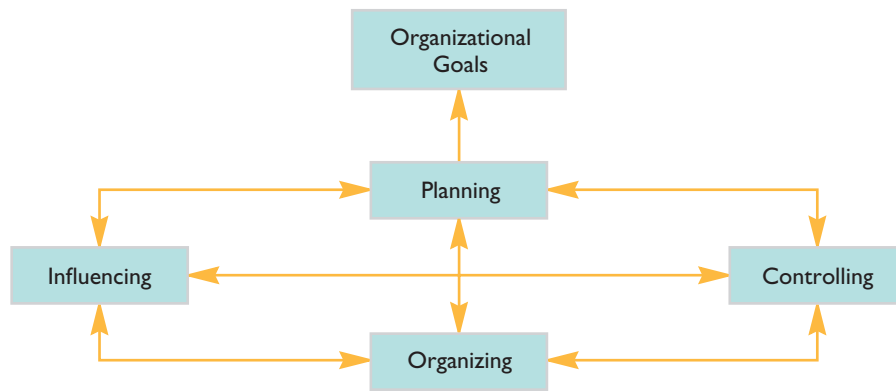
numerous organizations—including Frito-Lay and Maytag—for several years to determine what management characteristics best describe excellently run companies. In their book *In Search of Excellence,* Peters and Waterman suggest that planning, organizing, influencing, and controlling should be characterized by a bias for action; a closeness to the customer; autonomy and entrepreneurship; productivity through people; a hands-on, value-driven orientation; "sticking to the knitting"; a simple organizational form with a lean staff; and simultaneous loose–tight properties.

This brief introduction to the four management functions will be developed further in Parts 3 through 6 of this text.

Management and Organizational Resources

Management must always be aware of the status and use of **organizational resources**. These resources, composed of all assets available for activation during the production process, are of four basic types:

1. Human
2. Monetary
3. Raw materials
4. Capital

As **Figure 1.4** shows, organizational resources are combined, used, and transformed into finished products during the production process.

Human resources are the people who work for an organization. The skills they possess and their knowledge of the work system are invaluable to managers. Monetary resources are the

PRACTICAL CHALLENGE: ATTAINING GOALS

Lawrence Jones Motivates Employees at UKFast

To understand how some managers influence goal attainment, consider UKFast's CEO and founder Lawrence Jones. UKFast a business-to-business hosting company, was founded in 1999, and since then Jones has used his creative leadership and passion to inspire others and attain the organization's goals—to create a global presence and build on its estimated worth of $315 million. He feels that motivation is one of the biggest assets a business can use to increase productivity and compete globally.

Jones likes a hands-on approach. He takes an active role in guiding his senior management and focuses on ensuring that UKFast and its customers grow side-by-side. Managers are trained to keep employees geared for more by looking at three factors—competition, environment, and development. Jones encourages his employees to look to competition as a driver and a goal-setter. According to reports,[16] Jones has instilled a healthy appetite for competition in an informal way by initiating annual internal competitions among the company's technical engineers and by announcing the top 10 customer services delivered every week. The winners are treated to a big reward. While goals are attained, Jones feels the best part is that most of the employees enjoy the challenge itself.

Figure 1.4

Transformation of organizational resources into finished products through the production process

Organizational Resources People Money Raw materials Capital resources	→ Inputs →	Production Process	→ Outputs →	Finished Products Goods Services
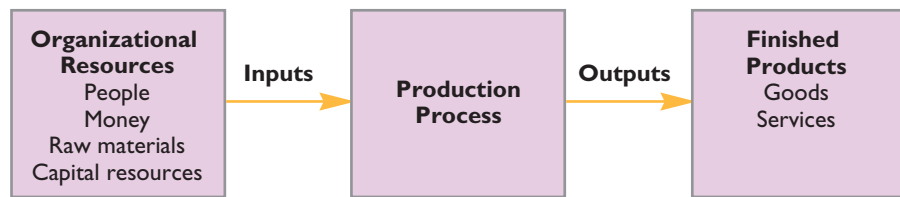
amounts of money that managers use to purchase goods and services for the organization. Raw materials are the ingredients used directly in the manufacturing of products. For example, rubber is a raw material that Goodyear would purchase with its monetary resources and use directly in manufacturing tires. Capital resources are the machines used during the manufacturing process. Modern machines, or equipment, can be a major factor in maintaining desired production levels. Worn-out or antiquated machinery can make it impossible for an organization to keep pace with competitors.

Managerial Effectiveness

As managers use their resources, they must strive to be both effective and efficient. **Managerial effectiveness** refers to management's use of organizational resources in meeting organizational goals. If organizations are using their resources to attain their goals, the managers are declared effective. In reality, however, managerial effectiveness can be measured by degrees. The closer an organization comes to achieving its goals, the more effective its managers are considered. Thus, managerial effectiveness exists on a continuum ranging from *ineffective* to *effective.*

Managerial Efficiency

Managerial efficiency is the proportion of total organizational resources that contribute to productivity during the manufacturing process.[17] The higher this proportion, the more efficient is the manager. The more resources wasted or unused during the production process, the more inefficient is the manager. In this situation, *organizational resources* refer not only to raw materials that are used in manufacturing goods or services but also to related human effort.[18] Like management effectiveness, management efficiency is best described as being on a continuum ranging from inefficient to efficient. *Inefficient* means that a small proportion of total resources contributes to productivity during the manufacturing process; *efficient* means that a large proportion of resources contributes to productivity.

As **Figure 1.5** shows, the concepts of managerial effectiveness and efficiency are obviously related. A manager could be relatively ineffective—with the consequence that the organization is making little progress toward goal attainment—primarily because of major inefficiencies or poor utilization of resources during the production process. In contrast, a manager could be

Figure 1.5

Various combinations of managerial effectiveness and managerial efficiency

RESOURCE USE	Ineffective (little progress toward organizational goals)	Effective (substantial progress toward organizational goals)
Efficient (most resources contribute to production)	Not reaching goals and not wasting resources	Reaching goals and not wasting resources
Inefficient (few resources contribute to production)	Not reaching goals and wasting resources	Reaching goals and wasting resources

GOAL ACCOMPLISHMENT

somewhat effective despite being inefficient if demand for the finished goods is so high that the manager can get an extremely high price per unit sold and thus absorb inefficiency costs. Thus, a manager can be effective without being efficient, and vice versa. To maximize organizational success, however, both effectiveness and efficiency are essential.

MyLab Management Watch It

If your instructor has assigned this activity, go to www.pearson.com/mylab/management to complete the video exercise.

As an example of achieving efficiency and effectiveness, consider Telstra Corporation, Australia's largest telecommunication company. Like its counterparts the world over, Telstra faces the challenges of a changing industry in which mobile phones are fast becoming more popular than the landline business on which Telstra built its fortunes. To survive, Telstra is scrambling to create a nimble management team and prune the bureaucracy that slows down decision making and internal operations. In a recent reorganization of his executive team, Telstra CEO David Thodey created four groups—customer sales and support, product and marketing innovation, operations, and corporate support—all focused on effectiveness: getting more competitive while also attracting and retaining customers.[19]

The Universality of Management

Management principles are universal: That is, they apply to all types of organizations (businesses, churches, sororities, athletic teams, hospitals, etc.) and organizational levels.[20] Naturally, managers' jobs vary somewhat from one type of organization to another because each organizational type requires the use of specialized knowledge, exists in unique working and political environments, and uses different technology. However, job similarities are found across organizations because the basic management activities—planning, organizing, influencing, and controlling—are common to all organizations.

The Theory of Characteristics
Henri Fayol, one of the earliest management writers, stated that all managers should possess certain characteristics, such as positive physical and mental qualities and special knowledge related to the specific operation.[21] B. C. Forbes emphasized the importance of certain, more personal qualities, inferring that enthusiasm, earnestness of purpose, confidence, and faith in their own worthiness are primary characteristics of successful managers. Forbes described Henry Ford as follows:

> A Forbes article described the characteristics of a successful business leader by describing Henry Ford. According to the article, every successful business starts with an individual like Ford who is enthusiastic, believes in the organization's purpose, is self-confident, and believes in the high value of what the organization aims to accomplish. Like any business leader, Henry Ford certainly faced many difficulties and high challenges in building the Ford Motor Company. It can be argued that only Henry Ford's enthusiastic and continued support of his company saved both him and his company from certain failure.[22]

Fayol and Forbes can describe desirable characteristics of successful managers only because of the universality concept: The basic ingredients of successful management are applicable to all organizations.

Management Skill: The Key to Management Success

Thus far, the introduction to the study of management has focused on discussing concepts such as the importance of management, the task of management, and the universality of management. This section continues the introduction to management by defining management skill and presenting both classic and more contemporary views of management skills thought to ensure management success.

1-3 An understanding of management skill as the key to management success

Defining Management Skill

No introduction to the field of management would be complete without a discussion of management skill. **Management skill** is the ability to carry out the process of reaching organizational goals by working with and through people and other organizational resources. Learning about management skill and focusing on developing it are of critical importance because possessing such skill is generally considered the prerequisite for management success.[23] Because management skills are so critical to the success of an organization, companies commonly focus on possible steps that can be taken to improve the skills of their managers.

Management Skill: A Classic View

Robert L. Katz has written perhaps the most widely accepted early article about management skill.[24] Katz states that managers' ability to perform is a result of their managerial skills. A manager with the necessary management skills will probably perform well and be relatively successful. One without the necessary skills will probably perform poorly and be relatively unsuccessful.

As an example illustrating how companies need to develop their managers' skills, consider the importance of preparing managers for working with people of other cultures. An increasingly global business world requires that managers who travel be aware of and grasp cultural differences in their dealings with coworkers, clients, and the public. Professionals at New York–based Dean Foster Associates, an intercultural consulting firm, provide cross-cultural training that helps businesspeople prepare for work overseas. For example, for a client heading to Japan, Foster conducted a five-hour session that included a traditional Japanese meal; coaching on Japanese dining etiquette; and information on business customs, socializing, and developing the proper mind-set for working outside one's native country.[25]

Katz indicates that three types of skills are important for successful management performance: technical, human, and conceptual skills.

- **Technical skills** involve the ability to apply specialized knowledge and expertise to work-related techniques and procedures. Examples of these skills are engineering, computer programming, and accounting. Technical skills are mostly related to working with "things"—processes or physical objects.
- **Human skills** build cooperation within the team being led. They involve working with attitudes and communication, individual and group interests—in short, working with people.
- **Conceptual skills** involve the ability to see the organization as a whole. A manager with conceptual skills is able to understand how various functions of the organization complement one another, how the organization relates to its environment, and how changes in one part of the organization affect the rest of the organization.

As one moves from lower-level management to upper-level management, conceptual skills become more important and technical skills less important (see **Figure 1.6**). The supportive rationale is that as managers advance in an organization, they become less involved with the actual production activity or technical areas, and more involved with guiding the organization as a whole. Human skills, however, are extremely important to managers at top, middle, and lower (or supervisory) levels.[26] The common denominator of all management levels, after all, is people.

Figure 1.6

As a manager moves from the supervisory to the top-management level, conceptual skills become more important than technical skills, but human skills remain equally important
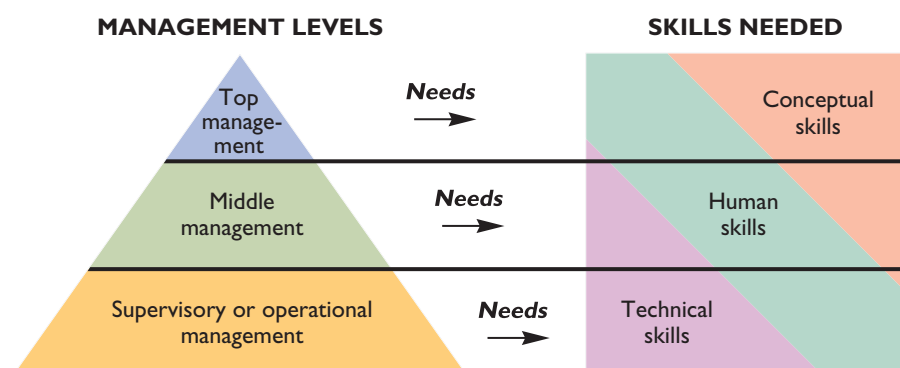
Developing Human Skills

At SAS America, Thomas Lynch's management career had stalled. Lynch, who specializes in sales support, had an excellent record of helping customers solve problems, but he was not getting key assignments or promotions. He brought the issue to his superiors, who pointed to his human skills: Although he was a great problem solver and well liked, he came across as lacking ambition. With coaching and practice, Lynch learned to pick opportunities to offer his expertise.

As Lynch discovered, many human skills are important. For example, employers say they are looking for the ability to set priorities, a positive attitude, and the ability to function well as part of a team. Here are some ways to build human skills:[27]

- Ask colleagues what you do well and what behaviors they would like to see improve.
- Learn to control your emotions. Notice what triggers a reaction, and practice ways to be calm in those situations.
- Get expert advice—seek help from a career coach, leadership programs at work, and books on emotional intelligence.

Management Skill: A Contemporary View

More current thought regarding management skills is essentially an expansion of the classic view of what skills managers need to be successful. This expansion is achieved logically through two steps:

1. Defining the major activities that managers typically perform
2. Listing the skills needed to carry out these activities successfully

The major activities that modern managers typically perform are of three basic types.[28]

1. **Task-related activities** are management efforts aimed at carrying out critical management-related duties in organizations. Such activities include short-term planning, clarifying objectives of jobs in the organization, and monitoring operations and performance.
2. **People-related activities** are management efforts aimed at managing people in organizations. Such activities include providing support and encouragement to others, providing recognition for achievements and contributions, developing the skills and confidence of organization members, consulting when making decisions, and empowering others to solve problems.
3. **Change-related activities** are management efforts aimed at modifying organizational components. Such activities include monitoring the organization's external environment, proposing new strategies and visions, encouraging innovative thinking, and taking risks to promote needed change.

Reflecting on management employability skills helps to us gain insight about what skills managers need to carry out these management activities. **Management employability skills** refer to a person's ability to gain and maintain a career as a manager.[29] These skills and their definitions are listed in **Figure 1.7**.[30] This figure pinpoints six such skills, ranging from knowledge application to social responsibility. Keep in mind that Figure 1.7 is not intended as a list of *all* skills managers need to be successful but as an important list containing many of the necessary skills. One might argue, for example, that skills such as building efficient operations or increasing cooperation among organization members are critical management skills and should have prominence in Figure 1.7.

Managers are involved in daily activities that include planning, organizing, influencing, and controlling company resources in order to achieve organizational goals.

Jim West/Alamy Stock Photo

Figure 1.7

Skills managers need to perform their tasks

Communication
Effectively sharing meaning with others.

Critical Thinking
Assessing situations to identify and solve problems.

Creativity
Generating new ideas that contribute to organizational success.

Collaboration
Understanding and working within the dynamics of a group.

Personal Ethics
Dealing with people, problems, and situations with honesty and integrity.

Adaptability
Working independently or as part of a team.

Socially Responsible
Contributing to the welfare of the community.

Management Skill: A Focus of This Book

The preceding sections discussed both classic and contemporary views of management skills in modern organizations. A number of critical management skills were presented and related to top, middle, and supervisory management positions.

One common criticism of such management skill discussions is that, although understanding such rationales about skills is important, skill categories—such as technical skill, human skill, and conceptual skill—are often too broad to be practical. Many management scholars believe that these broad skill categories should contain several, more narrowly focused skills that represent the more practical and essential abilities for successfully practicing management.[31] These more narrowly focused skills should not be seen as valuable in themselves but as "specialized tools" that help managers meet important challenges and successfully carry out the management functions of planning, organizing, influencing, and controlling.

Table 1.2 summarizes the management functions and challenges covered in this text and the corresponding management skills that help address them. You will find as you study this text—by reading and performing its learning activities—that its focus on skill development is quite thorough and systematic, and focuses on helping you to develop a broad array of valuable management skills.

Because management skill is generally a prerequisite for management success, aspiring managers should strive to develop such skill. When doing so, however, managers should keep in mind that the value of individual management skills tends to vary from manager to manager, depending on the specific organizational situations faced. For example, managers facing serious manufacturing challenges might find that the ability to encourage innovative thinking aimed at meeting these challenges is their most important skill. On the other hand, managers facing a disinterested workforce might find that the ability to recognize and reward positive performance is their most valuable skill. Overall, managers should spend time defining the most formidable tasks that they face and sharpening the skills that will help them to carry out these tasks successfully.

TABLE 1.2   **Management Functions and Challenges Covered in This Text and Corresponding Management Skills Emphasized to Help Address Them**

Introduction to Modern Management

Chapter 1—Management Skill: The ability to work with people and other organizational resources to accomplish organizational goals.

Chapter 2—Entrepreneurship Skill: Involves the identification, evaluation, and exploitation of opportunities.

Modern Management Challenges

Chapter 3—Social Responsibility Skill: The ability to take action that protects and improves both the welfare of society and the interests of the organization.

Chapter 4—Diversity Skill: The ability to establish and maintain an organizational workforce that represents a combination of assorted human characteristics appropriate for achieving organizational success.

Chapter 5—Global Management Skill: The ability to manage global factors as components of organizational operations.

Chapter 6 —Creativity and Innovation Skill: The ability to generate original ideas or new perspectives on existing ideas and to take steps to implement these new ideas.

Planning

Chapter 7—Planning Skill: The ability to take action to determine the objectives of the organization as well as what is necessary to accomplish these objectives.

Chapter 8—Decision-Making Skill: The ability to choose alternatives that increase the likelihood of accomplishing objectives.

Chapter 9—Strategic Planning Skill: The ability to engage in long-range planning that focuses on the organization as a whole.

Organizing

Chapter 10—Organizing Skill: The ability to establish orderly uses for resources within the management system.

Chapter 11—Responsibility and Delegation Skill: The ability to understand one's obligation to perform assigned activities and to enlist the help of others to complete those activities.

Chapter 12—Human Resources Management Skill: The ability to take actions that increase the contributions of individuals within the organization.

Chapter 13—Organizational Change Skill: The ability to modify an organization in order to enhance its contribution to reaching company goals.

Influencing

Chapter 14—Communication Skill: The ability to share information with other individuals.

Chapter 15—Leadership Skill: The ability to direct the behavior of others toward the accomplishment of objectives.

Chapter 16—Motivation Skill: The ability to create organizational situations in which individuals performing organizational activities are simultaneously satisfying personal needs and helping the organization attain its goals.

Chapter 17—Team Skill: The ability to manage a collection of people so that they influence one another toward the accomplishment of an organizational objective or objectives.

Chapter 18—Organization Culture Skill: The ability to establish a set of shared values among organization members regarding the functioning and existence of their organization to enhance the probability of organizational success.

Controlling

Chapter 19—Controlling Skill: The ability to use information and technology to ensure that an event occurs as it was planned to occur.

Chapter 20—Production Skill: The ability to transform organizational resources into products.

Appendix 1—Comprehensive Management Skill: The ability to collectively apply concepts from various major management approaches to perform a manager's job.

Management Careers

Thus far, this chapter has focused on outlining the importance of management to society, presenting a definition of management and the management process, and explaining the universality of management. Individuals commonly study such topics because they are interested in pursuing a management career. This section presents information that will help you preview your own management career. It also describes some of the issues you may face in attempting to manage the careers of others within an organization. The specific focus is on career definition, career and life stages and performance, and career promotion.

1-4   Insights concerning what management careers are and how they evolve

A Definition of Career

A **career** is a sequence of work-related positions occupied by a person over the course of a lifetime.[32] As the definition implies, a career is cumulative in nature: As people accumulate successful experiences in one position, they generally develop abilities and attitudes that qualify

them to hold more advanced positions. In general, management positions at one level tend to be stepping-stones to management positions at the next-higher level. In building a career, an individual should be focused on developing the skills necessary to qualify for the next planned job and not simply taking a job with the highest salary.[33]

Career Stages, Life Stages, and Performance

Careers are generally viewed as evolving through a series of stages.[34] These evolutionary stages—exploration, establishment, maintenance, and decline—are shown in **Figure 1.8**, which highlights the performance levels and age ranges commonly associated with each stage. Note that the levels and ranges in the figure indicate what has been more traditional at each stage, not what is inevitable. According to the Census Bureau, the proportion of men in the U.S. population age 65 and older who participated in the labor force in 2008 reached 17.8 percent. This participation rate was the highest since 1985. The proportion of women in this age group was 9.1 percent, the highest since 1975.[35] As more workers beyond age 65 exist in the workforce, more careers will be maintained beyond the traditional benchmark of age 65, as depicted in Figure 1.8.

Exploration Stage   The first stage in career evolution is the **exploration stage**, which occurs at the beginning of a career and is characterized by self-analysis and the exploration of different types of available jobs. Individuals at this stage are generally about 15 to 25 years old and are involved in some type of formal training, such as college or vocational education. They often pursue part-time employment to gain a richer understanding of what a career in a particular organization or industry might be like. Typical jobs held during this stage include cooking at Burger King, stocking at a Federated Department Store, and working as an office assistant at a Nationwide Insurance office.

Establishment Stage   The second stage in career evolution is the **establishment stage**, during which individuals about 25 to 45 years old start to become more productive, or higher performers (as Figure 1.8 indicates by the upturn in the dotted line and its continuance as a solid line). Employment sought during this stage is guided by what was learned during the exploration stage. In addition, the jobs sought are usually full-time jobs. Individuals at this stage commonly move to different jobs within the same company, to different companies, or even to different industries.

Figure 1.8

The relationships among career stages, life stages, and performance
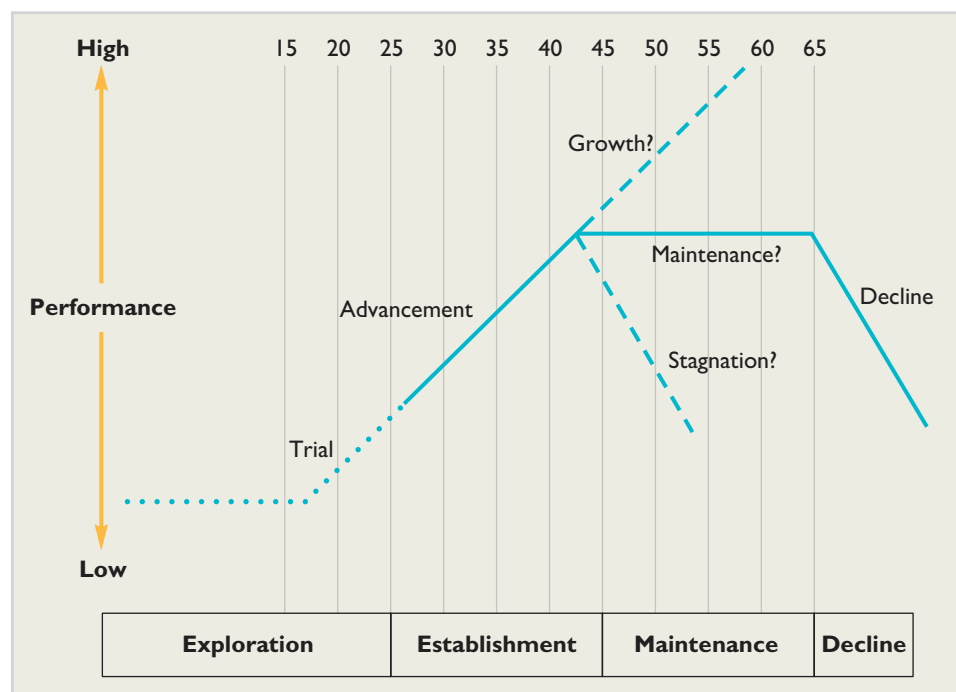
Maintenance Stage   The third stage in career evolution is the **maintenance stage**. In this stage, individuals who are 45 to 65 years old show either increased performance (career growth), stabilized performance (career maintenance), or decreased performance (career stagnation).

From the organization's viewpoint, it is better for managers to experience career growth than maintenance or stagnation. For this reason, some companies such as IBM, Monsanto, and Brooklyn Union Gas have attempted to eliminate **career plateauing**—defined as a period of little or no apparent progress in a career.[36]

Decline Stage   The last stage in career evolution is the **decline stage**, which involves people about 65 years old whose productivity is declining. These individuals are either close to retirement, semi-retired, or fully retired. People in the decline stage may find it difficult to maintain prior performance levels, perhaps because they have lost interest in their careers or have failed to keep their job skills up to date.

As Americans live longer and stay healthier into late middle age, many of them choose to become part-time workers in businesses, such as Publix supermarkets and McDonald's or in volunteer groups, such as the March of Dimes and the American Heart Association. Some retired executives put their career experience to good social use by working with the government-sponsored organization Service Corps of Retired Executives (SCORE) to offer management advice and consultation to small businesses trying to gain a foothold in their market.

Promoting Your Own Career

Both practicing managers and management scholars agree that careful formulation and implementation of appropriate tactics can enhance the success of a management career.[37] Planning your career path—the sequence of jobs that you will fill in the course of your working life—is the first step to take in promoting your career. For some people, a career path entails ascending the hierarchy of a particular organization. Others plan a career path within a particular profession or series of professions. Everyone needs to recognize, however, that career planning is an ongoing process, beginning with the career's early phases and continuing throughout the career.

In promoting your own career, you must be proactive and see yourself as a business that you are responsible for developing. You should not view your plan as limiting your options. First consider both your strengths and your liabilities and assess what you need from a career. Then explore all the avenues of opportunity open to you, both inside and outside the organization. Set your career goals, continually revise and update these goals as your career progresses, and take the steps necessary to accomplish these goals.

TIPS FOR MANAGING AROUND THE GLOBE

Making the Most of International Experience

People assume that international experience will open up opportunities for managers. Certainly, if employees and customers live in different countries, familiarity with those cultures should be a big plus. For example, Andrew Gamertsfelder credited his marketing internships in Brazil with helping him land a job working for Stryker Orthopaedics in Brazil after he graduated from the University of Pittsburgh. And when the staffing firm Robert Half surveyed chief financial officers in the United States, almost 70 percent said international experience would be important for accounting and finance employees in future years.

However, researchers at the IE Business School in Spain conducted a study that raises questions about the value of international experience. Reviewing the careers of chief executive officers at large corporations, the researchers found that the longer the managers had worked overseas, the longer they took to reach the top jobs. Apparently, executives should balance overseas experience against staying in contact with decision makers at headquarters. To do this, executives should take shorter assignments, participate in cross-border teamwork, and make a point of staying in touch with colleagues back home.[38]

TABLE 1.3   **Manager and Employee Roles in Enhancing Employee Career Development**

Dimension	Professional Employee	Manager
Responsibility	Assumes responsibility for individual career development	Assumes responsibility for employee development
Information	Obtains career information through self-evaluation and data collection: What do I enjoy doing? Where do I want to go?	Provides information by holding up a mirror of reality: How manager views the employee How others view the employee How "things work around here"
Planning	Develops an individual plan to reach objectives	Helps employee assess plan
Follow-through	Invites management support through high performance on the current job by understanding the scope of the job and taking appropriate initiative	Provides coaching and relevant information on opportunities

Another important tactic in promoting your own career is to work for managers who carry out realistic and constructive roles in the career development of their employees.[39] **Table 1.3** outlines what career development responsibility, information, planning, and follow-through generally include. It also outlines the complementary career development role for a professional employee.

To enhance your career success, you must learn to be *proactive* rather than *reactive*.[40] That is, you must take specific actions to demonstrate your abilities and accomplishments. You must also have a clear idea of the next several positions you should seek, the skills you need to acquire to function appropriately in those positions, and plans for acquiring those skills. Finally, you need to think about the ultimate position you want and the sequence of positions you must hold in order to gain the skills and attitudes necessary to qualify for that position.

Special Career Issues

In today's business world, countless special issues significantly affect how careers actually develop. Two issues that have had a significant impact on career development in recent years are the following:

1. Women managers
2. Dual-career couples

The following sections discuss each of these factors.

Women Managers   Women in their roles as managers must meet the same challenges in their work environments as men. Because they have joined the ranks of management more recently in large numbers, however, women often lack the social contacts that are so important in the development of a management career. Another problem for women is that, traditionally, they have been expected to manage families and households while simultaneously handling the pressures and competition of paid employment. Finally, women are more likely than men to encounter sexual harassment in the workplace.

Some management theorists believe that women may have an enormous advantage over men in future management situations.[41] They predict that networks of relationships will replace rigid organizational structures and that star workers will be replaced by teams made up of workers at all levels who are empowered to make decisions. Detailed rules and procedures will be replaced by a flexible system that calls for judgments based on key values and a constant search for new ways to get the job done. Strengths often attributed to women—emphasizing interrelationships, listening, and motivating others—will be the dominant virtues in the corporation of the future.

Despite this optimism, however, some reports indicate that the proportion of men to women in management ranks seems to have changed little in the last 10 years.[42] This stabilized

proportion can probably be explained by a number of factors. For example, perhaps women are not opting to move into management positions at a greater pace than men because of trade-offs they have to make, such as not having or delaying the birth of a baby. In addition, women often indicate that it's more difficult for them to move into management positions than men because of the lack of female mentors and role models in the corporate world. **Table 1.4** lists seven steps that management can take to help ready employees with potential for advancement in an organization.[43]

Dual-Career Couples   With an increasing number of dual-career couples, organizations who want to attract and retain the best performers have found it necessary to consider how dual-career couples affect the workforce. Those in dual-career relationships even have a Facebook community devoted to their concerns.[44] The traditional scenario in which a woman takes a supporting role in the development of her spouse's career is being replaced by one of equal work and shared responsibilities of spouses. This arrangement requires a certain amount of flexibility on the part of the couple as well as the organizations for which they work. Today, burning issues such as whose career takes precedence if a spouse is offered a transfer to another city and who takes the ultimate responsibility for family concerns point to the fact that dual-career relationships involve trade-offs and that it is difficult to "have it all."

Kris Tripplaar/Tripplaar Kristoffer/SIPA/Newscom
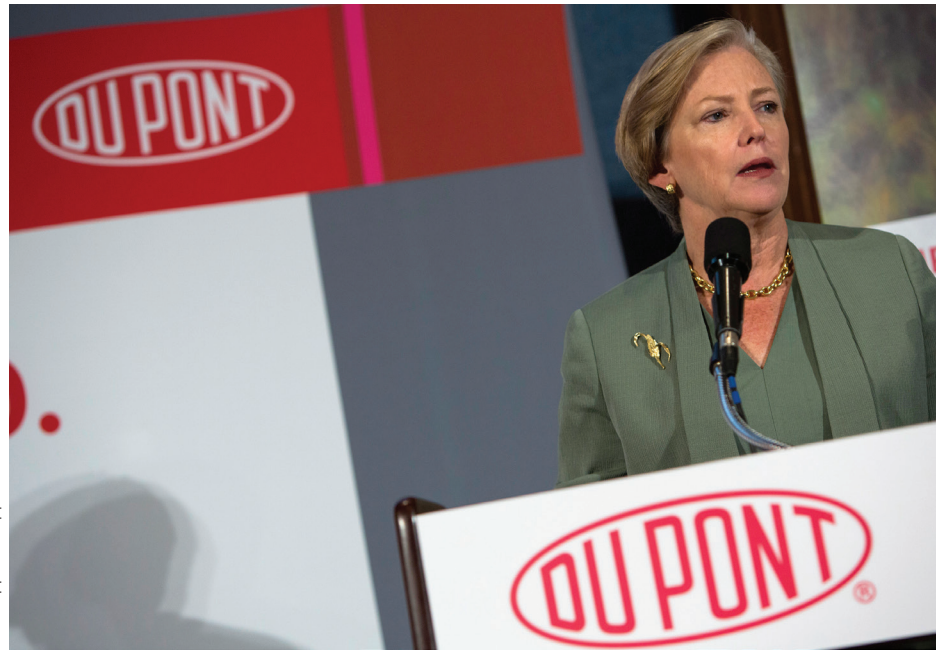
DuPont CEO Ellen Kullman, an engineer, most likely faced challenges in her managerial roles because employers and employees sometimes see women managers as a novelty.

TABLE 1.4   **Seven Steps Management Can Take to Encourage the Advancement of Employees with Potential in Organizations**

1. *Make sure that people with potential know the top three strategic goals for the company.* Knowing these goals will help people focus their efforts on important issues. As a result, they'll be better able to make a meaningful contribution to goal attainment and become more likely candidates for promotion.

2. *Make sure that people with potential have a worthwhile understanding of career planning.* Having a vision for their careers and a career planning tool at their disposal will likely enhance the advancement of these individuals in an organization.

3. *Teach people with potential how to better manage their time.* The most effective managers are obsessed with using their time in the most valuable way possible. Helping people with potential know where their time is being invested and how to make a better investment should better ready them for promotion.

4. *Assign outstanding mentors to people with potential in the organization.* Mentors are important in readying individuals for promotion. Assigning outstanding leaders in an organization to people with potential should accelerate the process of readying these individuals for promotion.

5. *Have career discussions with people who have potential as managers.* Career discussions involving both managers and people with the potential to be managers should be held regularly. Helping these individuals to continually focus on their careers and their potential for upward mobility should help them to keep progressing toward management positions.

6. *Provide opportunities for organization members with potential to make contributions to the community.* In today's environment, managers must be aware of and contribute to the community in which the organization exists. Experience within the community should help ready these organization members for management positions.

7. *Encourage people with potential to take the initiative in obtaining management positions.* These individuals must be proactive in building the skills necessary to become a manager or be promoted to the next level of management. They should set career goals, outline a plan to achieve those goals, and then move forward with their plans.

How Dual-Career Couples Cope   Studies of dual-career couples reveal that many cope with their career difficulties in one of the following ways.[45] The couple might develop a commitment to both spouses' careers so that when a decision is made, the right of each spouse to pursue a career is taken into consideration. Both spouses are flexible about handling home- and job-oriented issues. They work out coping mechanisms, such as negotiating child care or scheduling shared activities in advance, to better manage their work and their family responsibilities. Often, dual-career couples find that they must limit their social lives and their volunteer responsibilities in order to slow their lives to a manageable pace. Finally, many couples find that they must take steps to consciously facilitate their mutual career advancement. An organization that wants to retain an employee may find that it needs to assist that employee's spouse in his or her career development as well.

CHALLENGE CASE SUMMARY

This chapter emphasizes what management is and what managers do. As a manager, James Quincey is engaged in processes that help Coca-Cola reach organizational goals. Quincey, as CEO of a major corporation, must focus on how the company can deliver top quality at a competitive price and develop new products that will keep the company abreast of the latest consumer trends. He cannot possibly develop, make, and sell all the products; rather, he leads the efforts within his group, keeping them aligned with the company's goals.

Quincey engages in planning, organizing, influencing, and controlling the work of the people at Coca-Cola. He uses human resources, as well as money, raw materials, and machinery (capital equipment). These efforts succeed when his group is both effective (successful in achieving goals) and efficient (minimizes the use of resources).

Quincey has risen in the ranks at Coca-Cola because he has demonstrated that he has management skill—the ability to carry out the process of reaching organizational goals by working with and through people and other organizational resources. According to the classic understanding, management skill is the combination of three different kinds of skills: technical, human, and conceptual skills. In this understanding of management, technical skills were especially important for Quincey when he first took on lower-management jobs. As he rose through Coca-Cola's hierarchy, Quincey depended less on the use of technical skills and more on the use of conceptual skills. However, human skills, such as communicating and building cooperation, are important at all levels of management.

More recently, management skills have been viewed in terms of the activities carried out by managers. Quincey and other managers typically perform task-related, people-related, and change-related activities. Task-related activities require skills in short-term planning, clarifying objectives, and monitoring performance. People-related activities require skills in encouraging employees, providing recognition for accomplishments, developing skills in others, consulting others when making decisions, and empowering employees to solve problems. Change-related activities require skills in monitoring the organization's environment, proposing new ideas, encouraging innovation, and taking necessary risks.

The Challenge Case described how John Quincey has progressed through his career in management and the challenges of being a top manager. A career is a sequence of work-related positions over the course of a person's life. Also, in his progression to the top position at Coke, he has embodied the six management employability skills. He has demonstrated his expertise in communication, critical thinking, creativity, collaboration, knowledge application, and ethics and social responsibility. We have not yet seen the end of Quincey's career, but his path so far illustrates how a hardworking, goal-oriented person can develop skills by successfully taking on challenging positions that offer opportunities to learn more about a company's products, customers, and functions.

MyLab Management Assessing Your Management Skill

If your instructor has assigned this activity, go to www.pearson.com/mylab/management to complete the exercise related to the Challenge Case.

This section is specially designed to help you develop management skills. An individual's management skill is based on an understanding of the concepts and the ability to apply those concepts. The following activities will help to enhance your management skills in various organizational situations.

Class Preparation and Personal Study

To help you to prepare for class, perform the activities outlined in this section. Performing these activities will help you enhance your classroom performance significantly.

Reflecting on Target Skill

On page 31, this chapter opens by presenting a target management skill along with a list of related objectives outlining knowledge and understanding that you should aim to acquire related to this skill. Review this target skill and the list of objectives to make sure that you've acquired all pertinent information within the chapter. If you do not feel that you've reached a particular objective(s), study related chapter coverage until you do.

Know Key Terms

Understanding the following key terms is critical to your preparing for class. Define each of these terms. Refer to the page(s) referenced after a term to check your definition or to gain further insight regarding the term.

management   **35**
management functions   **35**
organizational resources   **37**
managerial effectiveness   **38**
managerial efficiency   **38**
management skill   **40**
technical skills   **40**
human skills   **40**
conceptual skills   **40**
task-related activities   **41**
people-related activities   **41**
change-related activities   **41**
management employability skills   **41**
career   **43**
exploration stage   **44**
establishment stage   **44**
maintenance stage   **45**
career plateauing   **45**
decline stage   **45**

Know How Management Concepts Relate

This section comprises activities that will further sharpen your understanding of management concepts. Answer essay questions as completely as possible.

1-1 How can influencing ensure that managers are as efficient as possible?

1-2 What do task-related activities mean to you? Suggest examples of task-related activities that are regularly undertaken by managers and are essential skills to perform.

1-3 Discuss your personal philosophy for promoting the careers of women managers within an organization. Why do you hold this philosophy? Explain any challenges that you foresee in implementing this philosophy within a modern organization. How will you overcome these challenges?

MyLab Management Personal Inventory Assessments

Go to www.pearson.com/mylab/management to complete the Personal Inventory Assessment related to this chapter.

P I A PERSONAL INVENTORY ASSESSMENT

Management Skills Exercises

Learning activities in this section are aimed at helping you develop management skills.

> ## MyLab Management
> ### Discussion Questions
> Go to www.pearson.com/mylab/management to complete the problems marked with this icon ✪.

✪ Cases

Coke's New CEO Battles a Changing Market

"Coke's New CEO Battles a Changing Market" and its related Challenge Case Summary were written to help you understand the management concepts contained in this chapter. Answer the following discussion questions about the introductory case to explore how fundamental management concepts can be applied to a company such as Coca-Cola.

1-4 How would you describe the significance of James Quincey's work as a manager? Who benefits from his abilities and efforts?

1-5 In terms of the contemporary view of management skill, which activities and skills do you see Quincey using in his role as CEO of Coke? How do you think he acquired those skills?

1-6 Explain how Quincey has demonstrated the six management employability skills. Which employability skills are most important for becoming a CEO? Explain your answer.

College Students Revolutionize the Mattress Industry

Read the case and answer the questions that follow. Studying this case will help you better understand how concepts relating to the four functions of management can be applied in a company such as Doze Beds.

Many college students dream of one day starting a business such as opening a thriving restaurant or a high-tech start-up, or even selling the best chocolate chip cookie ever. However, two students, Brendan Rice and Russell Suskind, decided they wanted to start a mattress company. Rice, who graduated from the University of Wisconsin and loves extreme sports, and Suskind, a graduate of Syracuse University who enjoys hockey, started Doze Beds with just $10,000. And their company is changing the way consumers purchase mattresses.

Rice and Suskind teamed up when they were introduced at Venture for America: a two-year fellowship where recent college grads hone their entrepreneurial skills in cities where jobs desperately need to be created. As students, both men discovered how difficult and confusing mattress buying could be with so many options, styles, and prices.

They wanted something simpler and Doze Beds was born. The company operates on the principle that if a firm offers a basic product at a reasonable price, makes delivery a cinch, and has a transparent return policy, it will be successful.

Doze sells a 10-inch memory gel foam mattress that is ordered online, packed in a small FedEx box, and sent right to the customer's door. Without a brick-and-mortar retail store, Doze Beds avoids substantial overhead costs and the consumer enjoys buying direct from the manufacturer without heavy markups. Doze Beds has a very liberal return policy for those who decide they don't like the bed that they have purchased: They receive a full refund, and the company helps the customer find a needy venue to donate the bed. The founders of the company as well as other employees visit college campuses and music festivals all over the country to show off their product. "We find that when people are able to feel the product and interact with the brand, they are much more likely to purchase," Suskind said.[46]

Like the founders of any start-up, Rice and Suskind have had to handle the difficult challenge of taking a business from a vague concept to a tangible, smooth-running enterprise. Rice got his start at helping other young entrepreneurs while he was at the University of Wisconsin working in a business incubator. He spent most of his time on "trying to support students that had business ideas and wanted to launch their own company."[47] He found it energizing that other students were pursuing their dreams and bringing their business ideas to fruition. His affiliation with these budding entrepreneurs drove home the realization that he could start a business, too.

When Rice met Suskind at the Venture for America fellowship, the mattress business was at the forefront of their thoughts. Both had dealt with the exhausting endeavor of visiting mattress stores, being confused by the hundreds of choices, and finally having to figure out how to strap the mattress to the top of their car! They knew there had to be a better way, and that's when they developed their idea to build an online business that would involve a simple, fairly priced mattress. Because it does not have springs or any other rigid structure, it can be folded into a tight package and mailed directly to the consumer in a small box. The reviews from customers have been outstanding, and many echo Rice's sentiments when he says, "I can't wait to jump into my bed at the end of every day."[48]

Questions

1-7 In starting their business, how have Rice and Suskind used the four functions of management?

1-8 Discuss the use of organizational resources (human, monetary, raw materials, and capital) in a start-up like Doze Beds. What challenges would an entrepreneur face with each one?

1-9 Which of Katz's managerial skills (technical, human, and conceptual) do Rice and Suskind use most often? Why?

Experiential Exercises

Developing Your Conceptual Skills

Directions. Read the following scenario and then perform the listed activities. Your instructor may want you to perform the activities as an individual or within groups. Follow all of your instructor's directions carefully.

Assume you're the president of a small, regional restaurant specializing in Tex-Mex cuisine that was founded in 2007. There are six locations in the Columbus, Ohio, area, and each is doing reasonably well financially. Fortunately, the last few years have shown incredible growth, and the sixth location opened six months ago.

Now you have an opportunity before you. A rival chain of similar size is closing its doors. All of its locations are within the same geographic region as all of yours: central Ohio. Because the owner of this rival chain is anxious to be rid of the assets of his company, he has approached you about buying all six of his stores. You have the finances to make the acquisition, but you will need to borrow funds to remodel and revamp these existing structures.

Apply conceptual skills to answer these questions. If you were to buy this rival chain, what would you do with these new locations? Convert them to your brand of Tex-Mex, or open them as something different? Develop three alternatives you could do with this rival chain's stores.

You and Your Career

Upon graduation, you may find yourself in a managerial position right away. Though it is not common, it does happen for some recent graduates. One challenge you may experience is that you will be managing a team where every member is older than you. What steps can you take to ease your transition into a managerial role, especially in light of your age and inexperience? What is the best way to establish yourself as the manager of the team and earn the team's respect?

Building Your Management Skills Portfolio

Your management skills portfolio is a collection of activities specially designed to demonstrate your management knowledge and skill. Be sure to save your work. You can use this material when you are preparing for an interview.
The portfolio activity for this chapter is managing the tourist information and experience booth at a local airport.

The government is keen for local and regional airports in your country to open a tourist information and assistance booth as the first tourism-related contact point for visitors. Visitors may be international visitors or residents of your own country or region traveling on internal flights. You have been appointed as manager of the booth at your local airport with eight employees. You start the job in two weeks. There will be a wide variety of brochures, and information will be available through apps and mobile sites that are being developed. You will have to act as a liaison

and booking agent for many local attractions and businesses. The primary tasks are to improve the experience for visitors and to increase tourism spending per head. The booth will be funded for one year, after which it will have to cover its own costs through booking fees.

Fill out the following form to indicate issues related to each of the management functions when you start your job as manager at the airport.

Planning Issues to Inspect

Example: The booth must be manned to cover all incoming flights.

1-10 _____
1-11 _____
1-12 _____
1-13 _____
1-14 _____

Organizing Issues to Inspect

1-15 _____
1-16 _____
1-17 _____
1-18 _____
1-19 _____

Influencing Issues to Inspect

1-20 _____
1-21 _____
1-22 _____
1-23 _____
1-24 _____

Controlling Issues to Inspect

1-25 _____
1-26 _____
1-27 _____
1-28 _____
1-29 _____

Assume that you have to ensure that an English speaker is available to cover the suggested 18-hours-a-day opening times. Explain how that change affects your organizing, influencing, and controlling activities.

_____
_____

_____

_____

_____

_____

_____

_____

_____

MyLab Management
Writing Assignments

If your instructor has assigned this activity, go to www.pearson.com/mylab/management for the following assisted-graded writing assignments:

Assisted-Grading Questions

1-30 Explain the relationships among the four functions of management.

1-31 List and define five skills that you think you'll need as CEO of a company. Why will these skills be important in your CEO position?

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2 Management and Entrepreneurship: Handling Start-Ups and New Ventures

Entrepreneurship Skill: involves the identification, evaluation, and exploitation of opportunities

ENTREPRENEURSHIP SKILL AND YOUR CAREER

Entrepreneurship skill will be of great value to you in enhancing your career. This skill can help you identify and exploit new market opportunities. The ability to identify and exploit opportunities will contribute to organizational success, build your image as a competent manager, make you valuable to your organization, and support promotions as you build your career.

OBJECTIVES

To help build my *entrepreneurship skill,* when studying this chapter, I will attempt to acquire:

2-1 An understanding of the three stages of entrepreneurship

2-2 An overall appreciation for the opportunity concept and an understanding of the primary types of entrepreneurial opportunities

2-3 An understanding of how to identify opportunities

2-4 Insights regarding the key components of opportunity evaluation

2-5 An appreciation for the role of opportunity exploitation in the entrepreneurship process

2-6 Insights regarding the various types of financing available to entrepreneurs

2-7 An appreciation for how existing organizations use corporate entrepreneurship

2-8 An understanding of and appreciation for the role of social entrepreneurship in society

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MyLab Management Chapter Warm Up

If your instructor has assigned this activity, go to www.pearson.com/mylab/management to complete the chapter warm up.

CHALLENGE CASE

Professor Becomes Restaurateur

Wilmington College professor Steven Austin Stovall took his course on entrepreneurship one step further by creating a business plan alongside his students for a restaurant in the small Ohio town of Wilmington, a town of 12,000 people. A seventh-generation Texan, Stovall moved to Ohio to become a management professor at Wilmington College in 2002. Along the way, he provided consulting to the restaurant industry and learned what worked and what didn't. "Some restaurants have some fantastic ideas," he said, "but don't understand all the business aspects. Others understand the business, but can't go beyond copying what everyone else does."

In 2012, Stovall taught the college's only section of entrepreneurship to 20 students. During that class, students crafted business plans for their fictitious businesses in order to earn credit for the course, but Stovall did every step with the students. When they were conducting feasibility analyses, he conducted one, too. When they were thinking about marketing, so was he. By the end of the semester, he had written a business plan for a new entrepreneurial venture. He put the finishing touches on his business plan, he realized that he had a viable idea for a restaurant—he called it Austin's Casual Eatery, after his middle name as well as the vibrant college town in the heart of Texas. He wanted something different than what already existed, which was several chain restaurants and many competitors offering overly processed dishes or frozen ones that were simply heated up when the customer ordered one of them.

In August 2013, Austin's Casual Eatery, a 150-seat restaurant with a full-service bar, opened. After months of work turning the 140-year-old building into a modern restaurant, Stovall discovered that owning a restaurant is a lot different than consulting with one. "We thought we were prepared," he admitted, "but we weren't." The first night the store opened, a line of people went around the block, all of them waiting impatiently for a table at the newest restaurant in town. "We ran out of food on the first day," he said. "We literally only had half the menu available by 5 p.m." But the half that did remain wasn't quite what customers were wanting.

It was a learning experience for Stovall. His forecasting and food preparation were not meeting the demands of the market. After the first week, Stovall closed early one night and met with his team. "I told them we need to rethink this business. We had to ask ourselves why some things were selling beyond imagination and others weren't moving at all." Originally, Austin's opened as a tapas restaurant: small

Kasey Lynch/Dr. Steven Austin Stovall

Dr. Steven Austin Stovall standing outside his 150-seat namesake restaurant in Wilmington, Ohio, faced several challenges in seeing his dream become a reality.

plates of a wide variety of food offerings that are meant to be shared. "People liked our food and the outstanding customer service, but they weren't really willing to share their order with others at the table!" So the tapas idea was gone after that first week, and Stovall and his team developed a menu of 35 appetizer and entrée items that would change seasonally. Collaboration is important for an entrepreneurial venture because when the business is small, relying on the team provides more ideas than the owner can possibly provide on his or her own. Every three months, Stovall and his general manager would sit down and determine what the top 10 selling items for the previous quarter were. Those top 10 items would remain, and 25 new menu items would appear that would feature that season's freshest offerings. A typical menu might include crab cakes, chicken empanadas, stuffed bell peppers, and a variety of handmade desserts.[1]

"As we researched and developed new menu items," said Stovall referring to his collaboration with the general manager, "our mantra became, 'ok, if our grandmothers read the list of ingredients for this dish, would they be able to pronounce and recognize each of those ingredients?'

If they wouldn't, that menu idea was gone." This philosophy of offering "real food" became the driving force of operating the business. Certainly, Stovall could have utilized more pre-processed and frozen dishes that would have been less costly to make, but his clientele was clamoring for something different than what was already available in the local restaurant market.

After the first year, Austin's Casual Eatery made close to $1 million in revenue. With a team of 32 full- and part-time staff members, Stovall's lessons in management and entrepreneurship were discovered through trial and error. "It was the mistakes we made that made us better," Stovall offered. "I'm glad we made big mistakes early so we could correct them and I'm glad we were small enough to be able to do so quickly." After several years of operations, Stovall continues to collaborate with the general manager and other employees in the restaurant to change the menu every three months and has developed a loyal following. One thing almost every customer mentions is that he or she enjoys ordering and tasting "real food."

THE ENTREPRENEURSHIP CHALLENGE

The Challenge Case illustrates the different entrepreneurship challenges that Steven Austin Stovall and Austin's Casual Eatery had to overcome. The remaining material in this chapter explains entrepreneurship concepts and helps develop the corresponding entrepreneurship skill you will need to meet such challenges throughout your career. After studying the chapter concepts, read the Challenge Case Summary at the end of the chapter to help you relate chapter content to meeting entrepreneurship challenges at Austin's Casual Eatery.

Fundamentals of Entrepreneurship

2-1 An understanding of the three stages of entrepreneurship

Entrepreneurship can be defined in a variety of ways. Most people believe that entrepreneurship entails an individual starting a new business to make money, but the meaning of the term is actually much broader. For our purposes, **entrepreneurship** refers to the identification, evaluation, and exploitation of opportunities.[2] **Figure 2.1** illustrates this process. Opportunities, in a general sense, are appropriate or favorable occasions.[3] In the entrepreneurship sense, however, the definition of *opportunity* is slightly different. Specifically, an **entrepreneurial opportunity** is an occasion to bring into existence new products and services that allow outputs to be sold at a price greater than their cost of production.[4] In other words, entrepreneurial opportunities exist when individuals are able to sell new products and services at a price that produces a profit.

Although *entrepreneurship* has a wide-ranging definition, the process still involves starting new businesses. Understanding entrepreneurship is important; one survey reports that, on average, 550,000 people start new businesses in the United States each month.[5] Other studies suggest that somewhere between 20 and 50 percent of all individuals engage in entrepreneurial behaviors.[6] Despite these new businesses, evidence also suggests that entrepreneurs find it difficult to keep their businesses going. Research reports, for example, that approximately 20 percent of new businesses do not make it past the first two years, 40 percent do not make it past four years, and 50 percent do not make it past six years.[8] **Table 2.1** displays the results of studies examining the failure rates of some new businesses. Note, however, that research also suggests that new

Figure 2.1

Stages of the entrepreneurship process

Opportunity Identification → Opportunity Evaluation → Opportunity Exploitation

TABLE 2.1   **A Summary of Entrepreneurial Failure Rates[7]**

Operation	Failure Rate
New Restaurants	Approximately 51% of new restaurants fail within the first 5 years.
New Businesses	Approximately 60% of new businesses fail within the first 6 years.
New Chemical Plants	Approximately 80% of new chemical plants fail within the first 10 years.

businesses may improve the productivity of existing businesses because existing businesses improve processes to compete with new rivals entering the competitive arena.[9]

Consistent with our framework, an **entrepreneur** is an individual who identifies, evaluates, and exploits opportunities. Many associate the term *entrepreneur* with one individual starting a new business, but research suggests that approximately 75 percent of new organizations are started by entrepreneurial teams.[10] In other words, many entrepreneurs work with other people when identifying, evaluating, and exploiting entrepreneurial opportunities. Research also suggests that organizations started by entrepreneurial teams tend to perform better than those started by individual entrepreneurs working by themselves.[11] Many attribute this "team advantage" to the combination of diverse skills, experiences, and relationships of the entrepreneurial team members.[12] In addition, as new organizations develop, they require leaders with new skills. Consequently, assembling a team makes it easier for entrepreneurs to add team members with these new skills as the venture expands.[13]

It is clear that entrepreneurship represents an important piece of society. Taken together, then, these high business formation rates and high failure rates suggest that understanding the fundamentals of entrepreneurship is important. In the following sections, we highlight the primary issues that pertain to identifying, evaluating, and exploiting entrepreneurial opportunities.

Types of Opportunities

In his classic formulation of entrepreneurial opportunities, Schumpeter described five different types.[14] First, opportunities arise from the creation of new products or services. When a new type of medical device is created, for example, an opportunity exists in the form of convincing doctors to use the new device in their practices. The invention of the heart stent became an entrepreneurial opportunity for companies like Boston Scientific and Abbott Laboratories. Stents help doctors open a patient's arteries and keep them open, which in some cases enables the patient to avoid open-heart surgery altogether. Today, an estimated 1 million Americans per year undergo the stent procedure.[15]

Second, opportunities arise from the discovery of new geographical markets in which new customers will appreciate the new product or service. As an example, suppose an individual has the exclusive rights to produce and distribute within the United States action figures based on a popular movie. After saturating the domestic market, the individual might begin to distribute the action figures in China. This scenario would represent an opportunity arising from the discovery of a new geographical market.

Third, opportunities may arise from the creation or discovery of new raw materials or after discovering alternative uses for existing raw materials. For example, ethanol, which can be produced from corn, represents a new use for corn. Although farmers typically sell corn to the manufacturers of food products, ethanol provides farmers with another use for the corn they grow.

Fourth, opportunities may emerge from the discovery of new methods of production. According to Schumpeter, new methods of production allow entrepreneurs to produce goods or services at lower costs, which allows the entrepreneurs to satisfy the needs of customers more effectively. Finally, opportunities may arise from new methods of organizing. The emergence of the Internet provides an example of such an opportunity. Specifically, the Internet allows entrepreneurs to reach consumers without the need of brick-and-mortar retail locations.[16] For example, the Internet allows Netflix to offer customers a new way to rent DVDs and video games. Instead of driving to a retail outlet like Blockbuster, Netflix users order their DVDs and video games online.

In sum, five different types of opportunities arise from the creation of new products or services, the discovery of new geographic markets, the discovery of new raw materials, the discovery of new methods of production, and the discovery of new methods of organizing. **Table 2.2** summarizes and provides examples of each of these different types of opportunities. In the following sections, we describe in detail how entrepreneurs identify, evaluate, and exploit these opportunities.

2-2   An overall appreciation for the opportunity concept and an understanding of the primary types of entrepreneurial opportunities