## PART I

### THE GLOBAL MANAGEMENT ENVIRONMENT

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LEARNING COMPETENCIES

1.1 State how the study of management helps develop personal and professional skills.
1.2 Describe a manager’s responsibility.
1.3 List the three skills of effective managers.
1.4 State the four management functions.
1.5 Explain the three management role categories.
1.6 Describe the differences among the hierarchy of management levels in terms of skills needed and functions performed.

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

1.8 State the objectives of the book.

1.9 Discuss the latest issues and trends within the management field.

IDEAS ON MANAGEMENT AT IKEA

“Why are beautiful products only made for a few buyers? It must be possible to offer good design and function at low prices.”

Ingvar Kamprad, IKEA

IKEA, the Swedish furniture and housewares megastore known for its iconic big-box, blue and yellow stores, is arguably the world’s largest furniture retailer. With more than 425 stores across 50 global markets, it is hard to imagine the retailer’s humble beginnings in 1943, when Ingvar Kamprad, a young 17-year-old, founded a mail-order business from a small village in Sweden with a little bit of help from his dad. By 17, Kamprad was experienced in sales and moving merchandise. By 1948, recognizing the rising demand for inexpensive furniture in war-affected Sweden, he directed IKEA into furniture sales.

Kamprad both founded IKEA and led the company for 70 years with a deeply humanistic and entrepreneurial energy that brought the business through many critical transformations. Kamprad, who grew up in a time of economic hardship, learned early on from his family about resourcefulness and making the most of what one has. In those early years, he also cultivated appreciation for what people can achieve when they work together in a shared spirit of cooperation. Kamprad brought his insights to IKEA and infused the business with a perspective that thrift and beauty can be cultivated simultaneously in order to enrich the lives of others. This sentiment is captured in the company’s vision statement, “to create a better everyday life for the many people.”

A recipient of numerous medals, awards, and honors, including the King’s Medal from King Carl XVI Gustaf in 2004, Kamprad was recognized for “his efforts to create a better everyday life for the many people,” for his humane approach to business, for his unending search for new, better, and environmental friendly solutions, and for serving as a role model for entrepreneurs and workers all over the world.”

Kamprad, considered both a charismatic and a transformational leader, formalized IKEA’s value system in the 8 Key Values, which convey Kamprad’s management philosophy and reflect his great legacy. These values are:

1. A culture of togetherness, trust, and fun
2. Caring for the people in our communities and caring for the environment
3. Affordability for all people
4. Simplistically authentic
5. Reinvention and improvement to constantly move forward
6. Be different; questioning, experimental, daring, unconventional
7. Be responsible; demonstrate trust and positive forward thinking
8. Lead by your actions; “walk the talk”

You’ll find answers to these IOM questions throughout the chapter.

IOM 1: In what ways do IKEA’s values reflect good stewardship of resources that managers are commonly responsible for?
IOM 2: Kamprad learned early that when people cooperate, life is easier. How might this translate into qualities, skills, or competencies that made him successful as a leader?

IOM 3: How might Kamprad’s early life experiences of economic hardship have influenced his understanding of serving customers?

IOM 4: Which management roles might Kamprad have played in serving as IKEA’s CEO?

IOM 5: Do IKEA’s 8 Key Values align with the management theories explored in this text?

Case created by Dr. Kelly Nyhoff, Carthage College, Kenosha, Wisconsin.

**WHY STUDY MANAGEMENT?**

**LEARNING COMPETENCIES**

1.1 State how the study of management helps develop personal and professional skills.

It’s natural at this point to think, “What can I get from this book?” or “What’s in it for me?” Do you want to develop skills you can use in your personal and professional life? If so, this is the book for you. In this chapter, you will learn about the management skills and functions employers look for in all job recruits, and throughout the book you will be provided with opportunities to develop those skills. After you learn more about these skills and functions, we’ll provide details for developing your skills in the “Objectives of the Book” section of this chapter.

**Develop Skills You Can Use in Your Personal Life**

Do you want to be happy? Well, true happiness comes from our relationships, not things. Managing relationships is critical to life and career success. So, the better you can work with people, the more successful you will be, and that’s what this book is all about. Throughout this book, you can develop skills through prescriptive advice that can help you maintain and improve your personal relationships with family, friends, and coworkers.

American society tends to promote two *isms* that tend to lead to personal unhappiness, because they focus on short-term pleasure, rather than happiness. The first is individualism—be selfish, look out for yourself, take advantage of others for your own personal gain, only do things that have something in them for you. The second is hedonism—don’t do it if you don’t feel like doing it, just do whatever makes you feel good. The societal tendency is toward *ism* behavior, manipulating others to get what we want. But it doesn’t produce happiness, because the more we assert our self-interest, the more miserable we become.

It is a mistake to think happiness comes from something outside us (the pleasure of eating, drinking, drugs) and *isms*, rather than from the inside—we choose to be happy or sad. Our habits determine our happiness, success, and how we live our lives. We choose habits that make us happy or not. Sometimes we make bad choices that make us unhappy. If you don’t eat right and exercise, do you feel good and healthy, and feel good and happy about yourself? If you drink excessively, do you feel good and happy the next morning? Happiness arises from choosing to be happy, from not complaining and not dwelling on the negative things, and from being grateful for what you have and focusing on the positive things in your life.

Booker T. Washington said, “Those who are happiest are those who do the most for others.” The more happiness we bring to others, the more our own happiness expands. Do you know any selfish people? Do you like them? Are they really happy? Will they ever be happy? Are you happy? Are you content with the person you see in the mirror? Through this book, you can develop your people skills and be happier.

In just about every chapter, you can develop skills that can be used immediately in your personal lives. For example, in the Skill Builder 1.1 exercise at the end of this chapter, you will learn a technique...
to help you remember people’s names; in the next chapter you will find guides to ethical behavior; Chapter 4 presents a model that can help you make better decisions; Chapters 10 and 11, respectively, can improve your skills of resolving conflicts and managing your stress; and in Chapter 13 you can improve your communication skills.

**Develop Skills You Can Use as a Manager or Employee**

Organizations are social places where people develop relationships.17 LinkedIn cofounder Reid Hoffman says job satisfaction and success come from positive relationships at work.18 Mastercard CEO Ajay Banga says you have to care about the people who work with you.19 Relationships formed at work are the core of our lives and are reliable indicators of happiness for all ages.20 Do workplace relationships bring you happiness?

As management guru Henry Mintzberg said, “No job is more vital to our society than that of a manager.”21 Positive manager–subordinate relationships are invaluable to organizational success.22 How you manage people determines the firm’s success.23 Unfortunately, there are many bad managers.24 Ever had one? If you are a manager or want to be a manager someday, you need good management skills to be successful,25 and throughout this book, you will be given opportunities to develop these vital capabilities.

But even if you are not interested in being a manager, you still need management skills to succeed in today’s workplace. The old workplace, in which managers simply told employees what to do, is gone. Today, organizations are recruiting employees with people skills who can work effectively in teams and share in decision-making and other management tasks.26 At Zappos, they have even eliminated the term manager because they want employees to be self-managed.27 Unfortunately, it has been said that new college graduates lack the ability to manage or lead.28 This book can help you develop management skills you can apply in your personal and professional life. In this chapter, you will learn what management is all about, and we will begin the discussion of how you can develop your management skills.

**WORK APPLICATION 1.1**

**What are your expectations and goals for this course?**

**WHAT IS A MANAGER’S RESPONSIBILITY?**

**LEARNING COMPETENCIES**

1.2. Describe a manager’s responsibility.

A manager is responsible for achieving organizational objectives through efficient and effective utilization of resources. Efficient means doing things right so as to maximize the utilization of resources. Effective means doing the right thing in order to attain an objective.29 The manager’s resources are human, financial, physical, and informational. How managers accumulate and allocate these resources affects both efficient and effective performance.30 You can’t start a business without resources,31 and you need to optimize your resource bundle to succeed.32 Organizations are also dependent on other organizations for vital resources.33 The resources are listed in Figure 1.1.

**Human Resources**

Human resources are people, often referred to as human capital.34 Employees are the lifeblood of any business,35 because employees are vital to the success of organizations.36 Thus, successful organizations thrive by putting their employees first,37 including Wegmans,38 Cisco, and Qualcomm.39 Throughout this book, we will focus on how managers work with employees to accomplish organizational objectives.
Financial Resources

It takes money to make money, and without proper finances, you don’t have a business. Most managers have a budget stating the allocation of finances to operate their department or their store for a set period of time. A major factor in the Toys “R” Us bankruptcy was financial mismanagement.40

Physical Resources

Managers are responsible for making the products and delivering services; keeping equipment in working condition; and ensuring that necessary products, materials, and supplies are available when needed. Amazon stocks thousands of products in fulfillment centers around the world to provide fast delivery of its products.41

Informational Resources

You need information (including communication of information) to set objectives and make decisions on how to allocate and use your scarce resources to attain your objectives.42 Facebook chief information officer (CIO) Atish Banerjea says the job is to use information technology (IT) to enable the efficiency and effectiveness of the company.43

Resources and Performance

Managers have a profound impact on the performance of their organizations.44 So how you acquire and manage the four resources affects organizational performance.45 The level of organizational performance is based on how effectively and efficiently managers utilize resources to achieve objectives. Managers are responsible for setting and evaluating how well they meet organizational strategies and objectives through utilization and control of resources.46 Selecting the right resources—being effective—and using them efficiently results in creativity and high levels of performance.47

IKEA provides a strong example of the benefits accrued to a company and its performance through careful management and stewardship of organizational resources (IOM 1). Stewardship reflects an ethic that underscores the value of responsible planning and management of resources. Kamprad’s insistence on careful stewardship of organizational resources, including human resources, financial resources, physical resources, and informational resources, permitted IKEA to grow and expand while retaining the strong core values of the company. Kamprad is famous for promoting financial frugality and thriftiness,48 qualities cultivated in his youth in a rural area of southern Sweden that...
he incorporated into both his personal life and the organization he built. When he came to handling human resources, however, Kamprad pursued a culture that might be characterized as emotionally generous in its treatment and care of employees.\(^4\) In fact, IKEA’s laser focus on cultivating a spirit of equality and happiness among its employees is underscored by the 100% rating in the Corporate Equality Index that IKEA earned in 2021 for the sixth consecutive year.\(^5\) IKEA also places a strong emphasis on employee training and empowerment.\(^6\)

IKEA has sought to leverage the use of informational resources as it has aggressively pursued to expand its digital platform to accommodate meteoric growth in ecommerce globally.\(^7\) In the words of Barbara Martin Coppola, the chief data officer (CDO) for IKEA Retail, this transition has also resulted in critical changes to virtually every aspect of IKEA stores as well as the handling of physical resources at IKEA. In her words, “we have transformed our stores to also serve as fulfillment centers,”\(^8\) permitting the company to strengthen inventory turnover and ship out orders as efficiently as possible.

In sum, IKEA’s managerial focus on thriftiness, employee needs, and responsive and efficient use of informational and physical resources illustrate the impact that IKEA management has had on the outstanding performance of IKEA.

**A Manager Interview**

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

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

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

**Q:** Briefly describe your job.

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

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

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

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

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

**Q:** What advice would you give to college graduates without any full-time work experience who are interested in a management career after graduation?

**A:** You need to be dedicated and hardworking. You must take great pride in your work. You have to be willing to take on a lot of responsibility. Remember, your employees are always looking to you to set the example; when you make a mistake (which you will do), it affects your staff. You have to be a self-starter. As a store manager, you have to motivate employees, but your boss is not around much to motivate you.

**WORK APPLICATION 1.2**

Describe specific examples of the four resources used by a present or past boss. Give the manager’s job title and department.
WHAT DOES IT TAKE TO BE A SUCCESSFUL MANAGER?

LEARNING COMPETENCIES

1.3 List the three skills of effective managers.

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

Management Qualities

“What does it take to be a successful manager?” “What are the most important traits for success as a supervisor?” Self-awareness and self-assessment are the crucial first step for improvement. You can make use of self-assessments to help you identify skills to improve in your personal and professional lives (this text provides opportunities for self-assessments online).

Integrity, industriousness, and the ability to get along with people have been identified as three important traits for successful managers.

Management Skills

Skills involve the ability to perform some type of activity or task. Management skills include (1) technical, (2) interpersonal, and (3) decision-making skills. Technical skills can be referred to as hard skills, whereas interpersonal and decision-making skills are often called soft skills, and the most sought-after skills in the job market are soft skills because organizations look for employees at all levels and positions (including technology jobs) who can communicate clearly, problem solve, and get along with coworkers.

You can develop your management skills. Because management skills are so important, the focus of this book is on skill building. If you work at it, you can develop your management skills through this course.

Technical Skills

Technical skills involve the ability to use methods and techniques to perform a task. All employees need technical skills to perform their jobs. A manager may develop a budget (managerial job) using Microsoft Excel (technical skill). Technical skills are more important for employees than for managers, and they vary widely from job to job; therefore, this course does not focus on developing these skills. Although technology is advancing, it is people with interpersonal skills working effectively in teams who develop the technology.

Interpersonal Skills

Interpersonal skills involve the ability to understand, communicate with, and work well with individuals and groups through developing effective relationships. Interpersonal skills are sometimes also referred to as human or people skills, as well as soft skills. Our relationships and happiness are based on our interpersonal skills. They include the ability to communicate, motivate, and lead.

Recall that management expert Mintzberg urged organizations to identify and cultivate skilled managers, people able to get along with peers and subordinates alike, motivating them to act in ways that enhance organizational performance. Kamprad (IOM 2), used his role to advocate for people and he sought to cultivate an organizational culture that placed a premium on valuing people and working together. IKEA’s key values, listed at the start of the chapter, underscore this. Personal qualities needed by a manager seeking to cultivate an environment welcoming to people might include compassion, personal warmth, and approachability. Kamprad also endorsed the value of authenticity and research supports this perspective. Studies have affirmed that feelings of authenticity, or behaving in alignment with one’s values, bring psychological and social benefits, and also enhance work performance.

Managers able to build and maintain quality relationships also need strong listening skills and the
ability to coherently and constructively communicate when speaking and writing, reflecting empathy and an ability to handle conflict. If having good human relations are not very important, then why doesn't everyone at work get along, why do companies seek employees with good people skills, and why are companies spending millions of dollars to develop employees’ interpersonal skills? There is a call for colleges to provide more interpersonal skill development. Several chapters focus on developing your interpersonal skills, especially the leadership section (Chapters 10–13).

**Decision-Making Skills**

We make decisions every day of our lives. Clearly, the decisions you have made over your lifetime have affected you today. Organizations are seeking employees with critical thinking skills who can take initiative to solve problems and make decisions. Organizations are also training their people to improve their decision-making skills. Good decision-making skills are based on conceptual and cognitive abilities. Decision-making skills are based on the ability to conceptualize situations and select alternatives to solve problems and take advantage of opportunities.

An important part of problem solving and decision making is the ability to think critically. Critical thinking is the intellectually disciplined process of actively and skillfully conceptualizing, applying, analyzing, synthesizing, and/or evaluating information to solve problems and take advantage of opportunities through decision making. Kamprad’s (IOM 3) early life experiences of living with very limited financial resources cultivated within him an appreciation for resourcefulness, i.e., the ability to find solutions and create things in the face of obstacles and constraints. Kamprad understood the cost-conscious consumer and his desire to serve them well was a byproduct of his empathy for those who, by necessity, strive to maximize the value of their resources. Many of the innovations generated by Kamprad and his colleagues through their critical thinking and decision making at IKEA were focused on improving customer value, saving customer time, and conserving customer resources.

This skill is often considered even more important than job-specific technical skills, and critical thinking skills are in high demand in the workplace, but employers say they have a difficult time finding job candidates with this skill. For more information visit The Foundation for Critical Thinking (https://www.criticalthinking.org). You will develop your decision-making, including critical thinking, skills in Chapter 4 and throughout the book.

To summarize, technical skills are primarily concerned with things, interpersonal skills are primarily concerned with people, and decision-making skills are primarily concerned with conceptualizing ideas and concepts. We need to prioritize people above money and things. Remember to work well with people and use things, rather than value money and things and use people. Review the management skills in Figure 1.2.

**FIGURE 1.2  ■  Management Skills**

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<th>Technical Skills</th>
<th>Interpersonal Skills</th>
<th>Decision-Making Skills</th>
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AACSB Competencies

AACSB International (Association to Advance Collegiate Schools of Business) has established standards for accreditation of business schools; they are updated annually. AACSB focuses on competencies, and defines competencies as knowledge, abilities, and skills.
General Competency Areas to be developed include (identifies chapters developing this competency): A Global Mindset (Chapters 2, 3, 5, and all other chapters in the Trends and Issues section), Diversity and Inclusion and Multicultural Ability (Chapter 3 and all chapters in the Trends and Issues section), Ethics and Integrity (Chapter 2, plus all ethical dilemmas covered in each chapter), Written and Oral Communication (Chapter 13), Information Technology (Chapter 13), Interpersonal Relations and Teamwork (Chapter 8), Application of Knowledge (all chapters), and Integration of Real-World Business Experiences (your personal development of the competencies in all chapters).

This book includes Work Applications and Skill Builders within and at the end of each chapter to foster the development of your management competencies. Each exercise identifies the AACSB General Competency Areas.

In addition to AACSB, this book also meets the core professional components of ACBSP (Accreditation Council for Business Schools and Programs), and IACBE (International Assembly for Collegiate Business Education) standards. AACSB, ACBSP, and IACBE standards can be classified within the three management skills areas.

### Applying the Concept 1.1

**Management Skills**

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

A. technical  
B. interpersonal  
C. decision making  

1. The manager is trying to figure out a way to solve a problem.  
2. The manager is giving an employee praise for a job well done.  
3. The manager is working on fixing a broken machine.  
4. The manager is sending an email letting the employees know they exceeded the sales goal.  
5. The manager is scheduling which machines will produce each product next week.  
6. The manager is in a meeting making a presentation.

### WORK APPLICATION 1.3

Identify a specific manager, preferably one who is or was your boss, and assess the manager’s three skills. Give examples.

### MANAGEMENT FUNCTIONS

#### LEARNING COMPETENCIES

1.4 State the four management functions.

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

The four **management functions** are planning, organizing, leading, and controlling. Managers perform the management functions by using organizational resources to achieve organizational objectives.
Employers are seeking employees who can perform the management functions as managers and employees; it's a career competency. Why? Because this competency is a predictor of job performance. All of the Skill Builder exercises identify the management function skill being developed through the activity. Figure 1.3 lists the four functions of management.

**Planning—Based on Objectives**

Planning is typically the starting point in the management process, and you should begin with a clear objective. **Planning** is the process of setting objectives and determining in advance exactly how the objectives will be met. There is a relationship between planning and performance. So before we do anything, we should have an objective stating the end result and then develop a plan for how to complete it—means and ends. You should also realize that the four functions are interrelated, so the other three functions also focus on achieving your objectives. You will learn how to write effective objectives and plans in Part II: Planning (Chapters 4–6).

**Organizing**

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

**Leading**

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

**Controlling**

Objectives to achieve anything will not be met without consistent monitoring and measuring of your progress towards meeting the objectives, as well as overcoming obstacles to accomplish the objective.
Controlling is the process of monitoring and measuring progress and taking corrective action when needed to ensure that objectives are achieved. You will learn how to control in Part V: Controlling (Chapters 14 and 15).

Nonmanagement Functions

All managers perform the four functions of management as they get work done through employees. However, many managers perform nonmanagement, or employee, functions as well. At Taco Bell and Chick-fil-A it is common for store managers to cook or wait on customers at mealtimes, which is a nonmanagement function. Many managers are called working managers because they perform both management and employee functions.

The Transition to Management—Managing People

Going from being an employee to being a manager is not an easy transition because it requires more than just skills; it requires a change in identity.88 New managers often don't realize just how hard the job really is and how much more work managers do than employees, who constantly interrupt them, putting demands on their time. Because most new managers are used to doing nonmanagement functions, they often do the work for employees when their actual job is to train employees to do their job, help them improve their performance, and solve problems to make their jobs easier and less frustrating. Many large companies offer training, and the American Management Association (AMA) offers the online classes “Making the Transition from Staff Member to Supervisor” and “Management Skills for New Managers.”89

A current term for the transition is go suit, defined as getting promoted to management—and forgetting your basic job skills once installed in an office.90 This is because as a manager, you get the job done through employees, or your job is to manage people—using interpersonal skills. As a new manager, you will likely need to perform nonmanagement functions, but be sure to focus on planning, organizing, leading, and controlling to get the job done through people.

Applying the Concept 1.2

Management Functions

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

A. planning
B. organizing
C. leading
D. controlling
E. nonmanagement

7. The manager is disciplining an employee for coming in late for work again.
8. The manager is encouraging an employee to get a college degree so she can become a manager.
9. The manager is conducting a job interview to select a new employee for an open position in sales.
10. The manager is emptying his trash.
11. The manager is scheduling employee work hours for next week.
12. The manager is giving the workers a pep talk to motivate them to work hard to meet the production quota today with an absent employee.
13. The manager is conducting an employee’s annual performance evaluation.
14. The manager is checking how many new computers have been produced so far today.
15. The manager is greeting customers as they enter the retail store asking if she can be of assistance finding anything.
WORK APPLICATION 1.4

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

MANAGEMENT ROLES

LEARNING COMPETENCIES

1.5 Explain the three management role categories.

A role is a set of expectations of how one will behave in a given situation. Managers juggle multiple roles and duties, often simultaneously. Mintzberg identified 10 roles managers play as they accomplish management functions. He grouped these 10 roles into three management role categories: interpersonal, informational, and decisional roles (see Table 1.1).

<table>
<thead>
<tr>
<th>Management Role Categories</th>
<th>Management Roles within the Category</th>
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<tbody>
<tr>
<td>Interpersonal</td>
<td>Figurehead, leader, liaison</td>
</tr>
<tr>
<td>Informational</td>
<td>Monitor, disseminator, spokesperson</td>
</tr>
<tr>
<td>Decisional</td>
<td>Entrepreneur, disturbance handler, resource allocator, negotiator</td>
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Interpersonal Roles

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

Informational Roles

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

Decisional Roles

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

As IKEA’s CEO for more than 40 years, Kamprad performed all of these roles (IOM 4). Certainly as the founder of the business and as an entrepreneur and innovator in packable and self-assembly furniture and design, Kamprad embodied various decisional roles in his work. As the CEO for IKEA,
he also fulfilled informational roles, including acting as an important spokesperson for the company to both company employees inside the firm and to stakeholders external to the firm, both in his home country of Sweden and in other countries where IKEA established its business. Finally, as the senior executive manager for the firm, Kamprad was a central figurehead and leader for IKEA, and likely performed a liaison role continually as the business grew, expanded, and transformed itself over time.

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

The management skills are interrelated and interdependent,93 or have a systems effect.94 First-line supervisors’ technical skills will affect their interpersonal and decision-making skills and vice versa. A manager’s skills also affect the implementation of the management functions and roles.

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

How well managers play the various management roles is also affected by their management skills. The 10 management roles are also integrated with the management functions. Certain management roles are played when performing the different management functions.

Figure 1.4 illustrates the interrelationship of management skills, functions, and roles.
**Applying the Concept 1.3**

**Management Roles**

Identify each of the managerial activities as part of one of the three role categories and its role within each category:

A. interpersonal role (1 figurehead, 2 leader, 3 liaison)
B. informational role (1 monitor, 2 disseminator, 3 spokesperson)
C. decisional role (1 entrepreneur, 2 disturbance handler, 3 resource allocator, 4 negotiator)

16. The manager is meeting with two employees to resolve a conflict between them.
17. The sales manager is meeting with the production manager about a customer order.
18. The manager is sending an email with the new work schedule to employees for next week.
19. The manager discusses next year’s budget.
20. The mayor is cutting the ribbon at the groundbreaking for the new town hall.
21. The manager develops a new app that will be sold as an additional source of income.
22. The manager is reading the monthly budget report.
23. The manager shows a new employee how to record her working hours.

**WORK APPLICATION 1.5**

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

**DIFFERENCES AMONG MANAGERS**

**LEARNING COMPETENCIES**

1.6 Describe the differences among the hierarchy of management levels in terms of skills needed and functions performed.

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

**The Three Levels of Management**

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

The three levels of management are top managers, middle managers, and first-line managers. Job titles are given to help identify the level of management. The three levels relate to each other as described in this section. See Figure 1.5 for an illustration of the three levels of management and operative employees.
Top Management

Top managers—people in executive positions—have titles such as CEO, president, or vice president. Most organizations have relatively few top management positions. Large companies tend to have a top management team (TMT). Top managers are responsible for managing an entire organization or major parts of it. They develop and define the organization’s purpose, objectives, and strategies. They report to boards of directors or other executives and supervise the activities of middle managers.

Middle Management

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

First-Line Management

Examples of titles of first-line managers are sales and accounting supervisor and office manager. These managers are responsible for implementing middle managers’ operational plans. They generally report to middle managers. Unlike those at the other two levels of management, first-line managers do not supervise other managers; they supervise operative employees (nonmanagers).

Team Leader

Team leader is a management position needed in organizations that focus on a team-based structure. They are often called a project or program leader or task force or committee leader. The team leader facilitates team activities to achieve a goal rather than telling people what to do.

Nonmanagement Operative Employees

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

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

The four most common business functional areas include marketing (sell the products and services), operations/production (make the product or perform the service), finance/accounting (maintain financial records), and human resources/personnel management (hire and compensate employees), as shown in Figure 1.5. We will discuss these functional areas in Chapter 7.

A project manager coordinates employees and other resources across several functional departments to accomplish a specific goal or task, such as developing a new aircraft at Boeing.

Differences in Management Skills

All managers need technical, interpersonal, and decision-making skills. However, the relative importance of these types of skills varies with the level of management. At all three levels of management, the need for interpersonal skills remains fairly constant. However, top-level managers have a greater need for decision-making skills, whereas first-line managers have a greater need for technical skills. Middle managers tend to need all three skills, but the mix required differs somewhat from organization to organization.

Differences in Management Functions

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

Table 1.2 summarizes the primary skills needed and functions performed at each of the three management levels.

<table>
<thead>
<tr>
<th>Management Level</th>
<th>Primary Management Skills Needed</th>
<th>Primary Management Functions Performed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top</td>
<td>Decision-making and interpersonal skills</td>
<td>Planning and organizing</td>
</tr>
<tr>
<td>Middle</td>
<td>Balance of all three</td>
<td>Balance of all four</td>
</tr>
<tr>
<td>First-Line</td>
<td>Technical and interpersonal skills</td>
<td>Leading and controlling</td>
</tr>
</tbody>
</table>

JOIN THE DISCUSSION: ETHICS & SOCIAL RESPONSIBILITY

EXECUTIVE COMPENSATION

In 2020, the AFL-CIO Paywatch reported that CEOs of S&P 500 companies received, on average, $15.5 million in total compensation. The median compensation hit $13.7 million for leaders at 300 of the biggest companies. Founder and CEO Chad Richison of Paycom was the highest paid CEO listed in the report, valued at $221 million, which will add more than $2 billion to his fortune over the next decade. The average S&P 500 company CEO-to-worker pay ratio was 299-to-1.

Some say top executives are being overpaid. In one of the largest corporate paydays in history, Chinese smartphone maker Xiaomi gave its CEO Lei Jun $1.5 billion in stock with no strings attached.

However, not everyone agrees that top executives are overpaid, especially because some of the best performing CEOs aren’t the highest paid. In capitalist countries, talented CEOs, like athletes in pro sports, are entitled to fetch their price, because most compensation is geared toward results. Top executives should be paid multimillion-dollar compensation packages; after all, if it weren’t for...
effective CEOs, companies would not be making the millions of dollars of profits they make each year. CEOs deserve a piece of the pie they helped bake.

1. Do executives deserve to make 299 times more than the average worker?
2. Is it ethical for managers to take large pay increases when laying off employees?
3. Is it ethical for managers to get pay raises when their companies lose money?
4. Are companies being socially responsible when paying executives premium compensation?


Applying the Concept 1.4

Differences Among Management Levels

Identify the level of management in the following six instances:

A. top
B. middle
C. first-line

24. Managers who develop the long-term strategy for the organization.
25. Managers who report to executives.
26. Managers who need technical skills more than decision-making skills.
27. Managers who tend to spend more time planning and organizing.
28. Managers who have operative employees reporting to them.
29. Managers who take the long-term strategy and develop short-term operating plans.

Differences in Size

Managers in large and small firms need the same skills and perform the same functions. However, generally, the larger the company, the more specialized the job. Castonguay works for a large organization—Gap Inc. Her independent store resembles a small business, but it has the support of a large organization.

The Small Business Administration (SBA) reports that 99.9% of U.S. businesses are small, and they employ 59.9 million people, or 47.3% of the private workforce. According to the World Bank, small and medium enterprises (SME) represent about 90% of businesses globally and more than 50% of employment worldwide, and they contribute up to 40% of national income (gross domestic product, or GDP) in emerging economies. Table 1.3 lists some of the differences between large and small businesses. However, these are general statements; many large and small businesses share certain characteristics. Most entrepreneurs start new small businesses, and some grow to become large businesses, including Amazon, Apple, and Twitter.

**TABLE 1.3 Differences Between Large and Small Businesses**

<table>
<thead>
<tr>
<th>Functions and Roles</th>
<th>Large Business</th>
<th>Small Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning</td>
<td>Commonly have formal written objectives and plans with a global business focus.</td>
<td>Commonly have informal objectives and plans that are not written with a global focus.</td>
</tr>
<tr>
<td>Organizing</td>
<td>Tend to have formal organization structures with clear policies and procedures, with three levels of management. Jobs tend to be specialized.</td>
<td>Tend to have informal structures without clear policies and procedures, with fewer than three levels of management. Jobs tend to be more general.</td>
</tr>
</tbody>
</table>

(Continued)
Differences in Profits

Is the manager’s job the same in for-profit and not-for-profit organizations? Although some noteworthy differences exist (volunteers, donations, and fundraising), the answer is basically yes. All managers need management skills, perform management functions, and play management roles regardless of the organization type. Castonguary works for a for-profit business, Gap Inc. Employees of the American Red Cross, Caffe Lena, and the YMCA work for the public (not-for-profit) sector. Is the college you attend for profit or not?

Not-for-profit organizations are usually founded to achieve societal impact for people who can’t afford to pay the full price (or anything) for their products and services. Thus volunteers (workers), donations (food and other items), and fundraising (raffles), in addition to any sales revenue, are used to pay the organization’s expenses. Have you ever volunteered and/or given a donation to a not-for-profit?

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

Table 1.4 compares responses identifying some of the differences between for-profit and not-for-profit organizations.

### Table 1.4

<table>
<thead>
<tr>
<th>Functions and Roles</th>
<th>Large Business</th>
<th>Small Business</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Leading</strong></td>
<td>Managers tend to be more participative, giving employees more say in how they do their work and allowing them to make more decisions.</td>
<td>Entrepreneurs tend to be more autocratic and want things done their way, often wanting to make the decisions.</td>
</tr>
<tr>
<td><strong>Controlling</strong></td>
<td>Tend to have more sophisticated computerized control systems.</td>
<td>Tend to use less sophisticated control systems and to rely more on direct observation.</td>
</tr>
<tr>
<td><strong>Important management roles</strong></td>
<td>Resource allocator</td>
<td>Entrepreneur and spokesperson</td>
</tr>
</tbody>
</table>

### Table 1.4

<table>
<thead>
<tr>
<th>Statement</th>
<th>Small Business Response Percentage</th>
<th>Large Business Response Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>My immediate manager is flexible when I need to take care of a personal or family matter.</td>
<td>91%</td>
<td>81%</td>
</tr>
<tr>
<td>The company supports me in achieving a reasonable balance between work and my personal life.</td>
<td>65%</td>
<td>60%</td>
</tr>
<tr>
<td>I believe the company will be successful over the next two to three years.</td>
<td>63%</td>
<td>72%</td>
</tr>
<tr>
<td>I have trust and confidence in the company’s senior leadership team.</td>
<td>56%</td>
<td>63%</td>
</tr>
<tr>
<td>I believe my salary is fair, considering the pay of people doing similar work in other companies.</td>
<td>35%</td>
<td>49%</td>
</tr>
<tr>
<td>I plan to continue working for the company for more than five years.</td>
<td>36%</td>
<td>59%</td>
</tr>
</tbody>
</table>

* Percentage of employees who agreed with the statements

Source: Adapted from Korn Ferry’s Hay Group Survey, reported in INC, November 2016, 44.
A BRIEF HISTORY OF MANAGEMENT

LEARNING COMPETENCIES

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

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

Classical Theory

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

Scientific Management

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

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

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

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

Administrative Theory

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

Two other contributors to administrative management are Max Weber (1864–1920) and Chester Barnard (1886–1961). Weber was a German sociologist who developed the bureaucracy concept. The aim of his concept of bureaucracy was to develop a set of rules and procedures to ensure faster, consistent management practices. Ever hear anyone today complain about the government being a slow bureaucracy with too many rules and regulations? Barnard studied authority and power distributions in organizations. He raised awareness of the informal organization—cliques and naturally occurring social groupings within formal organizations.

Mary Parker Follett (1868–1933) stressed the importance of people rather than engineering techniques. Follett contributed to administrative theory by emphasizing the need for worker participation, conflict resolution, and shared goals. She is best known for integrative conflict resolution, which occurs when all parties agree to a conflict resolution rather than one person dominating and winning and the other losing, and when there is no compromise where one party gives up something to get something because all parties win. The trend today is toward increasingly higher levels of employee participation. Barnard’s and Follett’s contributions led to the development of behavioral theory.

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

Behavioral Theory

The behavioral theorists focus on people to determine the best way to manage in all organizations. In the 1920s, management writers began to question the classical approach to management and changed their focus from the job itself to the people who perform the job. Like the classicists, behaviorists were looking for the best way to manage in all organizations. However, the behavioral approach to management stressed the need for human skills rather than technical skills.
Elton Mayo (1880–1949) pioneered the human relations movement. Mayo headed a group of Harvard researchers in conducting the Hawthorne studies, a landmark series of studies of human behavior in Western Electric’s Hawthorne plant (Cicero, Illinois) from 1927 to 1932. Like Taylor, Mayo wanted to increase performance; however, he viewed determining the best work environment as the means to this end. Mayo’s research suggested that a manager’s treatment of people had an important impact on their performance. In other words, treating people well and meeting their needs frequently results in increased performance. The Hawthorne effect refers to the phenomenon that just studying people affects their performance.109

Abraham Maslow (1908–1970) developed the hierarchy of needs theory.110 Maslow is one of the earliest researchers to study motivation, and motivation is still a major area of research. You will learn more about Maslow’s hierarchy of needs and other motivation theories in Chapter 11.

Douglas McGregor (1906–1964) developed Theory X and Theory Y. McGregor contrasted the two theories based on the assumptions that managers make about workers. Theory X managers assume people dislike work and that only if managers plan, organize, and closely direct and control their work will workers perform at high levels. Theory Y managers assume people like to work and do not need close supervision. McGregor did not give specific details on how to manage; he suggested a reorientation in managerial thinking.111 Behaviorists believed happy employees would be productive. However, later research suggested that a happy worker is not necessarily a productive worker. As you can see, the classical and behavioral theories are very different, yet both kinds of theorists claim their approach is the best way to manage in all organizations.

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

Management Science

The management science theorists focus on the use of mathematics to aid in problem solving and decision making. During World War II, a research program began to investigate the applicability of quantitative methods to military and logistics problems. After the war, business managers began to use management science (math) in three areas.

- **Operations research** emphasizes mathematical model building. Today these models are commonly called algorithms and are used with big data to better understand customers and how to promote products to increase sales. We will be discussing big data in Chapter 4 and other chapters.

- **Operations management** is a form of applied management science that uses quantitative techniques to help managers make decisions that can produce and improve goods and services more efficiently. Operations are covered in Chapter 15.

- **Information management**, or management information systems (MIS) or information systems (IS), provides access to data and information in a timely manner to transact business and make decisions. We discuss information management in Chapter 13.

The use of computers has led to an increase in the use of quantitative methods by managers all over the globe. Because management science stresses decision-making skills and technical skills, it is more closely aligned with classical management theory than with behavioral theory. You will learn more about management science in Parts II and V. Management science is not commonly used in organizing and leading.

Integrative Perspective—Systems, Sociotechnical, and Contingency Theories

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

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

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

According to Russell Ackoff, the commonly used classical approach to problem solving is a reductionist process. Managers tend to break an organization into its basic parts (departments), understand the behavior and properties of the parts, and add the understanding of the parts together to understand the whole. They focus on making independent departments operate as efficiently as possible. According to systems theorists, the reductionist approach cannot yield an understanding of the organization, only knowledge of how it works. Because the parts of a system are interdependent, even if each part is independently made to perform as efficiently as possible, the organization as a whole may not perform as effectively as possible. For example, all-star athletic teams are made up of exceptional players. But because such players have not played together as a team before, the all-star team may not be able to beat an average team in the league. Systems theory stresses the need for conceptual skills in order to understand how an organization’s subsystems (departments) interrelate and contribute to the organization as a whole. For example, the actions of the marketing, operations, and financial departments (subsystems) affect each other; if the quality of the product goes down, sales may decrease, causing a decrease in finances. Before managers in one department make a decision, they should consider the interrelated effects it will have on the other departments. The organization is a system (departments), just as the management process is a system (planning, organizing, leading, and controlling), with subsystems (parts of departments) that affect each other. So, in other words, when you have a problem to solve, do not break it into pieces; focus on the whole.

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

Sociotechnical Theory

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

Contingency Theory

The contingency theorists focus on determining the best management approach for a given situation. In the 1960s and 1970s, management researchers wanted to determine how the environment and technology affected the organization.

Tom Burns and George Stalker conducted a study to determine how the environment affects a firm’s organization and management systems. They identified two different types of environments: stable (where there is little change) and innovative (great changes). The researchers also identified two types of management systems: mechanistic (similar to bureaucratic classical theory) and organic (nonbureaucratic, similar to behavioral theory). They concluded that in a stable environment, the mechanistic approach works well, whereas in an innovative environment, the organic approach works well.
Joan Woodward conducted a study to determine how technology (the means of producing products) affects organizational structure. She found that organizational structure did change with the type of technology. Woodward concluded that the mechanistic or classical approach worked well with mass-production technology (such as that of an automobile assembly line), whereas the organic or behavioral approach worked well with small-batch (custom-made) products and long-run process technology (such as that for refining crude oil).

A quick review of IKEA’s 8 Key Values provides an example of an integrative perspective on management. IKEA’s approach to management incorporates elements from several of the management theories addressed here (IOM 5). IKEA’s focus on employee satisfaction and employee well-being reflects an emphasis on behavioral management theory. The company’s emphasis on affordability underscores the need for efficiency, which aligns well with classical management and the ideas presented by Taylor and the Galbraiths. IKEA’s emphasis on organization reinvention and innovation to propel the business forward incorporates important ideas found in management science. IKEA embodies the general nature of contingency management, as it adopts and cultivates different approaches to management depending on the resource and business conditions in question.

These contingency theories may be historic, but they still influence present-day organizational structures and leadership. We will revisit them in Chapter 7, “Organizing and Delegating Work,” and review them as a current leadership theory in Chapter 12.

Comparing Theories

Table 1.5 reviews the theories covered in this chapter. Throughout this book, you will learn to take an integrative perspective using systems and contingency theories, combined with some management science, to ensure that you maximize development of your management skills. For example, Skill Builder 1.4 at the end of this chapter uses a contingency approach.

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Attempts to develop the best way to manage in all organizations by focusing on the jobs and structure of the firm.</td>
<td>Attempts to develop a single best way to manage in all organizations by focusing on people and making them productive.</td>
<td>Recommends using math (computers) to aid in problem solving and decision making.</td>
<td>Manages by focusing on the organization as a whole and the interrelationship of its departments rather than on individual parts.</td>
<td>Recommends focusing on the integration of people and technology.</td>
<td>Recommends using the theory or the combination of theories that meets the given situation.</td>
</tr>
</tbody>
</table>

Applying the Concept 1.5

Matching History of Management People and Theories

Identify the person or theory that helped develop the following six theory categories.

A. classical theory
B. behavioral theory
C. management science
D. systems theory
E. sociotechnical theory
F. contingency theory
Managing the Old Versus New Workplace

In old traditional hierarchy managers have all the power and command and control employees. People are told what to do, when to do it, and where; they have no power or control over how they do their jobs. Managers are not open to employee suggestions. In the old workplace, managers used an autocratic leadership style with a local domestic view, jobs were specialized and routinely performed by individuals, employees were homogeneous, and change was slow.

The dated management versus labor mentality has changed to a more cooperative approach; sharing the pie versus fighting over it. There is a shift to better and more personal relationships between bosses and workers. In the new workplace, managers use a more participative leadership style with a global view, jobs are more flexible and performed by teams, employees are diverse, and change is rapid. In today’s global economy, managers are responsible for resources and lead employees in other countries in a virtual world.

Knowledge Management and Learning Organizations

Today’s leaders focus on learning and knowledge management because the acquisition and use of practical knowledge and the ability to learn are important to organizational success. Knowledge workers process information rather than physical things. Knowledge management involves everyone in an organization in sharing knowledge and applying it to continuously improve products and processes. Learning is the process whereby knowledge is created through the transformation of experience. Knowledge sharing provides opportunities for mutual vicarious learning—individuals’ leaning from a process of absorbing and interpreting another’s knowledge and experiences. A key premise of organizational learning is that experience teaches firms lessons that help them improve performance.

Learning organizations have everyone engaged in identifying and solving problems, enabling change, and continuous improvement. Learning organizations also share knowledge through alliances with other organizations across boundaries. They share three characteristics: a team-based structure, participative management, and the sharing of information through knowledge management. Employers are recruiting candidates that can learn quickly and have critical thinking skills to solve problems.

High-Performance Organizations

High-performance organizations (HPO) are managed in a way that drives performance. They create links between high-performance work systems (HPWS) and organizational performance. HPOs are committed to success and treating all people right and over time continue to produce outstanding results. HPOs have servant leaders helping everyone do a good job at every level of the firm. Leadership emerges everywhere, as knowledge and leadership is shared. Individuals with expertise lead when their competences are needed to achieve a goal or task. People know when to lead and when to follow. HPO is the destination and servant leadership is the engine that drives performance.
In HPOs employees are self-directing by being empowered based on their knowledge, experience, and motivation to improve products and processes. Empowerment means letting employees think, solve problems, and make decisions to improve products and processes. Employees share risks and responsibilities and are held accountable for results. At HPOs, such as Trader Joe’s, empowerment is deemed a major element in its growing success.128

**Evidence-Based Management (EBMgt)**

Knowledge management is all about learning new things and applying the knowledge in order to improve. It goes hand in hand with evidence-based management (EBMgt). EBMgt is about replacing hunches and guesswork with management best practices that are supported through research. Evidence includes information, facts, or data supporting (or contradicting) a claim, assumption or hypothesis. EBMgt provides decision aids and routines in support of more mindful decision making.129 For more information on EBMgt, visit the Center for Evidence-Based Management (CEBMa; https://cebma.org).130

Throughout this book, you will learn about management and how to apply the knowledge to develop management skills based on EBMgt that you can use in your personal and professional lives.

### WORK APPLICATION 1.7

Describe your level of commitment to improving your competencies through this course? Will you practice and develop the skills as habits?

### OBJECTIVES OF THE BOOK

#### LEARNING COMPETENCIES

1.8 State the objectives of the book.

Now that you have learned about the management skills and function, here we discuss how you can develop skills you can use in your personal and professional lives. Recall that AACSB advocates learning, application of knowledge, and skill building.131 As indicated by its subtitle, “Concepts, Applications, and Skill Development,” this book uses a three-pronged approach, with these objectives:

- To teach you the important concepts of management—learning
- To develop your ability to apply the management concepts through critical thinking—application of knowledge
- To develop your management skills in your personal and professional lives—skill building

The book offers some unique features to further each of these three objectives, as summarized in Table 1.6 and discussed in this section. But let’s begin with a discussion of how you will be engaged as a student.

#### Student Engagement

Instead of just learning about management, you will develop your AACSB management competencies (knowledge, abilities, skills) through student engagement supporting assurance of learning (AoL).132 The book implements the wisdom of Benjamin Franklin who said, “Tell me, and I forget. Teach me, and I remember. Involve me, and I learn.” We take a student-centered learning (as opposed to teacher-centered) approach that is particularly conducive to student learning,133 we promote active learning and peer interaction,134 and we provide self-directed learning—doing to learn.135 So the book
is especially relevant for Generation Z and other students who enjoy interactive learning who want to develop skills they can use in their personal and professional lives.\textsuperscript{136}

**Management Concepts**

Some students complain they don’t want to learn theories. It has been said that there is nothing more valuable than a good theory. \textit{Why}? The goal of theories is to answer the questions of \textit{how}, \textit{when}, and \textit{why} (learning), which should lead to the goal of description, which is to answer the question of \textit{what} to do in a given situation (application of knowledge).\textsuperscript{137} The book focuses on giving you a good foundation of business concepts so you can put the management theory into practice to develop your management skills. Throughout this book, you will learn management concepts and theories based on EBMgt. So, we provide opportunities to apply EBMgt concepts and theories, rather than use gut reactions, to guide our behavior.\textsuperscript{138} This book offers the six features listed in Table 1.6 to help you learn management concepts.

**Application of Management Concepts**

Understanding theory and concepts is essential before moving to the next level: applying the concepts requires critical thinking. How can you apply concepts if you don’t understand them? Your application of knowledge of EBMgt concepts is vital to your success, because it provides you with tools (concepts, theories, and models) to use in your personal and professional lives to be successful. So the question isn’t are concepts and theory useful, it’s will you apply them? As shown in Table 1.6, this book offers

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seven features to help you develop critical-thinking skills by giving you the opportunity to apply the concepts to your personal and professional lives in every chapter.

**Development ofManagement Skills**

The third and highest-level objective is to develop the management skills you can use in your personal and professional lives as both a leader and a follower, and thus **AACS B** wants skill development in the business curriculum, and employers are seeking job candidates with interpersonal and decision-making skills. Think about the EBMgt models in this book like proven cooking recipes. If you follow the step-by-step instructions, you will get consistently better results, as opposed to winging it on your own and potentially making mistakes. This book offers four features to help you do so.

**Employer Versus Student Perception in Career Readiness**

Do you believe you have career readiness? Almost one-third (33%) of both students and employers believe college is not adequately preparing students for work. The majority of American adults do not have a college degree, while 96% of Americans say it is important for adults to have a degree or certificate beyond high school to get a good job. But according to a Gallup poll, only 13% of Americans strongly agreed that college graduates had the skills they needed for the workplace (87% said they are not prepared). Although students are confident in their skills, employers say they have difficulty finding skilled graduates. One study found the majority of students believe they are prepared, whereas the large majorities of employers (70%) do not feel recent college graduates are well prepared. The weaker areas include applying knowledge and skills in real-world settings, critical thinking skills, and written and oral communication skills. The good news is you can further develop all these skills throughout the book.

**Practice**

As with just about everything in life, you cannot become skilled by simply reading about or trying something once. Developing management skills takes persistence and practice. The great Green Bay Packers football coach **Vince Lombardi** said leaders are made by effort and hard work. It’s often not until the end of their academic careers or after graduation that students realize, “Wow, I should have taken advantage of skill development.” The objective of our book is to develop your skills. Our behavior is based on our habits, or we are what we do repeatedly, so our success is based on our habits. If you want to develop your management skills, you must not only learn the concepts in this book but also practice with the applications and skill-building exercises and make them a habit in your daily life.

Although management books offer prescriptive advice that is EBMgt and can improve people’s lives, as they attempt to impact practice, they often fail to do so. Why? A major reason is that we don’t want to change our habits because it takes time and effort, and we believe we are fine as we are now—so why take the time and effort to improve?

The question isn’t can you develop your skills through this book, it’s will you practice and make them a habit? I wrote this book for you. Are you willing to change some of your behavior to be happier, to have better relationships, and achieve career success by developing habits of using the EBMgt concepts? Will you commit today?

**Flexibility**

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

**Organization of the Book**

This book is organized into five parts, with Part I covering the introductory information and Parts II through V covering the four functions of management discussed in this chapter. Part II
covers planning, Part III covers organizing, Part IV covers leading, and Part V covers controlling. See Table 1.6 for the table of contents.

WORK APPLICATION 1.8

Describe your level of commitment to improving your competencies through this course? Will you practice and develop the skills as habits?

TRENDS AND ISSUES IN MANAGEMENT

LEARNING COMPETENCIES

1.9 Discuss the latest issues and trends within the management field.

Sorry, but there are no secrets to success. Research has shown that highly successful companies today can be the failures of tomorrow, such as Sears and BlackBerry. The highly successful companies are the ones that keep up with the latest trends and issues managers face, such as IBM transforming over the years from being a computer manufacturer (mainframes and PCs) to a technology services (cloud, security, Watson, IT infrastructure) company. So we will end every chapter with a section to discuss some of the challenges managers face today.

What are some of the current important trends and issues? We have selected AACSB curricular guides and challenges facing business today: Globalization; Diversity, Equity, and Inclusion; Ethics, Social Responsibility, and Sustainability; and Technology. Some of these topics are main sections of chapters, and others are less relevant to other chapters, so not all topics will be covered in this trend and issues section in all chapters.

Globalization

Businesses clearly compete in a global economy so managers need to develop a global mindset, because it is a core competency for career readiness. Even small local businesses may buy goods and services made in foreign countries, export products, and have foreign competitors next door. Today, with technology it is easy for a small business to sell globally.

There is one thing to keep in mind. Most of the EBMgt theories and concepts are built on research based in the United States and Western Europe, so you may need to adapt them in Eastern countries and especially Arab cultures. Globalization will be discussed in Chapters 2, 3, and 5.

Diversity, Equity, and Inclusion (DEI)

With globalization, multinational corporations need to adapt to a diversity of cultures, treat everyone with equity, and ensure everyone feels as though they belong. Even domestic companies have the challenge of diversity, equity, and inclusion (DEI) as the American workforce becomes increasingly diversified. DEI competency is a necessity for career readiness. All of Chapter 3 presents DEI initiatives.

Ethics, Corporate Social Responsibility (CSR), and Sustainability

Ethics is an important topic, and you may have to take an entire class in this area. Being ethical is a competency for career readiness. Also, society expects corporate social responsibility (CSR), and it is a growing field. Firms are also engaging in sustainability practices to preserve our natural environment. Because ethics and social responsibility are so important, we cover these issues in Chapter 2, and in every chapter you will find the boxed item titled “Join the Discussion: Ethics & Social Responsibility.”
Technology

There is no question that technology continues to change the way we live and do business globally. Artificial intelligence (AI) and the 5th generation mobile network (5G) are predicted to make major changes in the coming years. Companies, including at Amazon, are increasingly using software algorithms to manage the workforce. In Chapter 13, we discuss information technology.

CHAPTER SUMMARY

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

LC 1.1 State how the study of management helps develop personal and professional skills.

Management skills can help improve personal relationships which in turn can enhance happiness and feelings of gratitude. Your decision-making skills will improve in all aspects of your life and it will assist you in making better informed, more ethical decisions.

LC 1.2 Describe a manager’s responsibility.

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

LC 1.3 List the three skills of effective managers.

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

LC 1.4 State the four management functions.

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

LC 1.5 Explain the three management role categories.

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

LC 1.6 Describe the differences among the hierarchy of management levels in terms of skills needed and functions performed.

The three hierarchy levels are top managers (e.g., operations executive), middle managers (e.g., marketing manager), and first-line managers (e.g., accounting supervisor). Top managers have a greater need for decision-making skills than do first-line managers. Middle managers have a need for all three skills. First-line managers have a greater need for technical skills than do top managers.
LC 1.7  **Summarize the major similarities and differences between the classical and behavioral theorists.**

Both classical and behavioral theorists wanted to find the best way to manage in all organizations. However, the classicists focused on the job and management functions, whereas the behaviorists focused on people. Management science focuses on improving decision making based on facts and data. Systems theory focuses on the organization as a whole unit not just individual parts working within it. Sociotechnical theory focuses on the integration of people with technology, and the contingency theory combines many management theories based on what is best for a given situation.

LC 1.8  **State the objectives of the book.**

The objectives of the book are to teach management concepts, develop skills in application of those concepts, and further develop skills for implementation in your personal and professional life.

LC 1.9  **Discuss the latest issues and trends within the management field.**

Topics highlighted throughout the trends and issues in management will focus largely on challenges related to globalization, DEI, ethics, social responsibility, sustainability, and technology.

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**Key Terms**

- behavioral theorists (p. 22)
- classical theorists (p. 21)
- contingency theorists (p. 24)
- controlling (p. 13)
- critical thinking (p. 10)
- decision-making skills (p. 10)
- high-performance organizations (p. 26)
- interpersonal skills (p. 9)
- knowledge management (p. 26)
- leading (p. 12)
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- sociotechnical theorists (p. 24)
- systems theorists (p. 24)
- technical skills (p. 9)
- types of managers (p. 18)

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**KEY TERMS REVIEW**

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

1. A _____ is responsible for achieving organizational objectives through efficient and effective utilization of resources.

2. The _____ include human, financial, physical, and informational.

3. The level of organizational _____ is based on how effectively and efficiently managers utilize resources to achieve objectives.

4. _____ include technical, interpersonal, and decision-making skills.

5. _____ involve the ability to use methods and techniques to perform a task.

6. _____ involve the ability to understand, communicate, and work well with individuals and groups through developing effective relationships.

7. _____ are based on the ability to conceptualize situations and select alternatives to solve problems and take advantage of opportunities.
8. The four _____ include planning, organizing, leading, and controlling.
9. _____ is the process of setting objectives and determining in advance exactly how the objectives will be met.
10. _____ is the process of delegating and coordinating tasks and allocating resources to achieve objectives.
11. _____ is the process of influencing employees to work toward achieving objectives.
12. _____ is the process of monitoring progress and taking corrective action when needed to ensure that objectives are achieved.
13. The _____ include interpersonal, informational, and decisional.
14. There are three _____: top managers, middle managers, and first-line managers.
15. There are three _____: general, functional, and project.
16. The _____ focus on the job and management functions to determine the best way to manage in all organizations.
17. The _____ focus on people to determine the best way to manage in all organizations.
18. The _____ focus on the use of mathematics to aid in problem solving and decision making.
19. The _____ focus on viewing the organization as a whole and as the interrelationship of its parts.
20. The _____ focus on integrating people and technology.
21. The _____ focus on determining the best management approach for a given situation.
22. _____ involves everyone in an organization in sharing knowledge and applying it to continuously improve products and processes.

**REVIEW QUESTIONS**

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

**COMMUNICATION SKILLS**

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

1. Are you interested in being a manager?
2. Why is it important to take this course in management?
3. Is it more important for managers to be efficient or effective? Can you improve both at the same time?
4. Is management ability universal? In other words, can a good manager in one environment (e.g., computers) also be effective in another (e.g., banking)?
Part I • The Global Management Environment

5. Some people say the hard skills (technical, finance, quantitative analysis) are more important for managers than soft skills (interpersonal), and some say the opposite is true. What is your view?

6. Is your college professor a manager? Why or why not?

7. When a good employee is promoted to management, which management level is the promotion usually to, and how do the management skills and functions change with the job promotion?

8. When an employee is promoted to manager, do most organizations provide some type of training? Should they? Why or why not?

CASES

Case 1.1 Citizens Trust Bank—Then and Now

An Black-owned community bank operating in Georgia and Alabama, Citizens Trust Bank is one of the oldest and most firmly established community banks in the country. In August 2021, Citizens Trust Bank celebrated its 100th anniversary, marking the incredible resilience, skill, and managerial savvy of the bank’s leadership across the last century.

More than 100 years ago, in 1919, a visionary group of five Black businessmen, the “Fervent Five,” dreamed of building a bank in their community that would serve the Black citizens of Atlanta. At a time when racial discrimination was rampant and unrestrained, Black people were denied access to education, housing, and a multitude of services. These five men endeavored to found a bank that would facilitate financial stability and thriftiness within Atlanta’s Black community. They envisioned a bank that would strengthen the financial security of this Black community and enable it to flourish in Atlanta by providing financing for Black-owned enterprise and homeownership. The group was led by Heman E. Perry, a skilled and seasoned entrepreneur who had established and grown Standard Life, the largest Black insurance company in America at the time, as well as other subsidiary companies established to serve the Black community. On August 16, 1921, with $500,000 of bank stock, Citizens Trust Bank opened its doors for business the first time. To this day, Citizens Trust Bank has remained a Black-owned bank.

Citizens Trust Bank has numerous landmark achievements: In 1934, in the midst of the Great Depression, which brought the banking industry to its knees, Citizens Trust Bank was the first Black-owned bank in the United States to become a member of the Federal Deposit Insurance Corporation (FDIC). In 1947, Citizens Trust Company was the first Black-owned bank to be a member of the Federal Reserve System. Through careful fiscal planning and managerial flexibility, Citizens Trust Bank continued to advance its activities into community and housing development through the volatility and uncertainty of the Vietnam War and the Civil Rights Movement, and continued to grow during other crises within the banking industry, including the Great Recession, which resulted in demise for hundreds of financial institutions.

Today, Citizens Trust Bank has $429 million in assets and $373 million in deposits and is considered a midsized community bank. Building on its rich legacy of visionary leadership, Citizens Trust Bank is led today by Cynthia Day, the bank’s president and CEO. Day has served as president and CEO since 2012, after joining the bank in 2003 through an acquisition of Citizens Federal Savings Bank of Birmingham, where Day had served as executive vice president and chief operating officer. Day, who is a certified public accountant, established her professional foundation in public accounting at KPMG as an audit manager, overseeing financial audits for banking and insurance companies, among other types of businesses. This role provided her broad exposure to the inner workings of publicly traded and nonpublic financial services firms.

With Day at the helm, the bank has maintained its value-driven focus. It remains passionate about serving its communities well and continues to build on its legacy of providing capital to minorities and women to cultivate economic equality, economic access, and well-being—things that have been foundational to the bank’s mission since 1921. According to Day, the bank has been able to achieve this due to its persistent focus on adaptability and fiscal responsibility. Day is known for her visionary...
leadership and for her mentorship within Citizens Trust Bank as well as in various community and professional organizations. A common characteristic of visionary leaders is that they are able to mobilize those they lead to work toward a shared vision and this ability is central to Citizens Trust Bank’s ability to fulfill its long-term objective of advancing social justice and social equality through the bank’s activities. Under Day, the bank’s management also strives to acknowledge the contributions and sacrifices of bank employees and facilitate employee growth, and also seeks to retain the spirit of partnership with bank customers, businesses, and the community that has characterized the bank for decades.\textsuperscript{168}

\textbf{Discussion Questions}

1. What types of resources does Cynthia Day control as the president and CEO of Citizens Trust Bank?

2. In what ways does Day’s visionary leadership style advance the long-term mission of Citizens Trust Bank?

3. What types of management skills mentioned above likely contributed to Citizens Trust Bank’s ability to survive and thrive for more than 100 years?

4. In your opinion, how might the contingency theory of management apply to a 100-year-old organization like Citizens Trust Bank?

5. Financial conservatism involves careful planning regarding the use of resources. How does this skill fit into the four functions of management?

6. Day received technical training in her early years as an audit manager and bank manager that arguably strengthen her capabilities as a top-level manager. How might Day’s insights into the day-to-day operations of the bank strengthen her ability to lead and manage the bank?

Case created by Dr. Kelly Nyhoff, Carthage College, Kenosha, Wisconsin.

\textbf{Case 1.2 LG}

LG Corporation, known across the globe for its high quality, innovative consumer electronics and home appliances, is one of the largest South Korean multinational companies today, employing approximately 74,000 people.\textsuperscript{169} Less well known, however, is the leadership of Koo Bon-moo, or the “jeong-do” management philosophy that fueled LG’s efforts to cultivate this identity in the marketplace.

LG’s origins trace back to 1947, when the company was launched as the Lak Hui chemical company (later to be called Lucky Chemical Co), which produced face creams and other personal care products. In 1958, in the aftermath of the Korean War, Lak Hui launched GoldStar, the first domestically produced electronic company in Korea. Both companies, Lak Hui and Goldstar, emerged as leading companies in Korea, and laid the foundations of the conglomerate known as Lucky Goldstar.\textsuperscript{170} By the 1990s, changes in telecommunications and global trade found Lucky Goldstar at a crossroads. The company had built a reputation as a manufacturer of low-quality electronics and appliances. Koo, an innovator, pushed to dramatically revamp and reposition Lucky Goldstar. He wanted to create a global manufacturer of high-quality, sleek, consumer electronics and home appliances. In order to achieve such a remarkable transformation, Koo believed that virtually every aspect of the company needed to be reinvented: its corporate identity, its strategy, its branding, its corporate culture, and its name, which became LG. Koo even pushed for the company to adopt English as the corporate language, despite LG’s Korean origins, to strengthen its global orientation.\textsuperscript{171}

To sustain the changes introduced to LG, Koo promoted a management philosophy he called “jeong-do” or “right path” management (Figure 1.6). Over time, this philosophy, which emphasizes ethics, integrity, and fairness in business, has been deeply interwoven into LG’s corporate culture. Koo’s goal was to ensure all parties (i.e., employees, vendors, and customers) coming into contact with LG flourish.\textsuperscript{172} According to Koo, “If you are going to win first place in dishonesty, you should rather win second place.” He believed companies that fail to engender the trust of their employees and customers are bound to eventually fail.”\textsuperscript{173}
Koo joined LG in 1974 as an employee of the firm. Over time, he worked in various divisions of the company and assumed his first prominent leadership role in 1983, when he became senior manager for Lucky Goldstar’s Tokyo office. In 1995, he replaced his father as the chief executive and chair of the company and he served in this role until May 2018, when he was succeeded by his son, Koo-Kwang-mo. Though it is not commonly known outside of Korea, LG is a large, family-owned “chaebol,” or conglomerate, representing an ownership structure prevalent in South Korea. As is customary in family-owned chaebols, a company’s leadership is passed down and stays in the family. According to a Confucian tradition followed by chaebols, company succession goes to the current leader’s oldest son. When Koo Bon-moo died, Koo Kwang-mo, his adopted son, was appointed as chair and chief executive of LG; Koo Kwang-mo represents the fourth generation of Koo family leadership for the LG Group.

In his second year as chair and chief executive of LG, Koo Kwang-mo has already begun moving LG into a new season by introducing year-round hiring, and by disposing of and closing lines of business that lack profitability in an effort to enhance the organization’s adaptability and efficiency. Building on the legacy of jeong-do management, Koo Kwang-mo is bringing a culture of challenge to LG.

Discussion Questions

1. LG has a reputation as a high-performing organization. From your perspective, how might LG’s focus on customer-value creation and people-oriented management contribute to its ability to win in the markets it competes in?

2. How might Koo Bon-moo’s experiences working first as an employee of the firm and then as a middle manager of the firm at an office outside of Korea have contributed to his ability to perform well as a top manager of the organization?
3. Koo Bon-moo studied business in the United States before returning to Korea to join his family’s conglomerate. Later, as Koo launched an initiative to revamp the company’s identity and culture, he adopted English as LG’s corporate language, requiring many LG employees to study English, in order to strengthen LG’s global operations. In your opinion, how does this decision reflect the planning and leading functions of management? How might such a move have enhanced the company’s recruitment abilities?

4. Which management trends (mentioned earlier in the chapter) do you see exhibited by LG?

5. Consider the family-owned chaebol, an organizational structure prominent in Korean culture. How might this type of structure enable top managers to plan for the future of an organization? What might be some constraints or risks of this structure outside of Korea?

Case created by Dr. Kelly Nyhoff, Carthage College, Kenosha, Wisconsin.

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**SKILL BUILDER 1.1**

Getting to Know You

**OBJECTIVES**

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

**SKILLS**

The primary skills developed through this exercise are:

1. **Management skill**—interpersonal
2. **AACSB competency**—communication
3. **Management function**—leading

**PROCEDURE**

Break into groups of five or six, preferably with people you do not know. Have each member tell their name and two or three significant things about themself. Then ask each other questions to get to know one another better.

Can everyone in the group address every other person by name? If not, have each member repeat their name. Then each person in the group should repeat the names of all the group members until each person knows everyone’s first name.

**DISCUSSION**

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

1. Elect a spokesperson for your group. Look over the following categories and decide on some specific questions you would like your spokesperson to ask the instructor from one or more of the categories. The spokesperson will not identify who asked the questions. You do not have to have questions for each area.
   - Course expectations. What do you expect to cover or hope to learn from this course?
   - Doubts or concerns. Is there anything about the course that you don’t understand?
   - Questions about the instructor. List questions to ask the instructor in order to get to know them better.

2. Each spokesperson asks the instructor one question at a time until all questions have been answered. Spokespeople should skip questions already asked by other groups.

**APPLY IT**

What did I learn from this experience? How will I use this knowledge in the future?
SKILL BUILDER 1.2

Comparing Management Skills

Objective
To better understand the importance of good management skills and functions

Skills
The primary skills developed through this exercise are:
1. Management skill—decision making
2. AACSB competency—analytic and application of knowledge
3. Management function—planning

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

<table>
<thead>
<tr>
<th>Management Skills and Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Best Supervisor or Boss</strong></td>
</tr>
<tr>
<td>Interpersonal (your relationship with the boss)</td>
</tr>
<tr>
<td>Decision making</td>
</tr>
<tr>
<td>Planning</td>
</tr>
<tr>
<td>Organizing</td>
</tr>
<tr>
<td>Leading</td>
</tr>
<tr>
<td>Controlling</td>
</tr>
</tbody>
</table>

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

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

SKILL BUILDER 1.3

Careers

Objective
To think about your career

Skills
The primary skills developed through this exercise are:
1. Management skill—decision making
2. AACSB competency—reflective thinking
3. Management function—planning

Discussion Questions
1. When you graduate, do you want to work for a small or large business? In a for-profit or not-for-profit organization? As an employee, manager, or start you own business as an entrepreneur?
2. Regarding a career plan, do you believe your answer will change with time? If yes, how?


**APPLY IT**

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

---

**SKILL BUILDER 1.4**

**Management Styles**

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

**OBJECTIVES**

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

**SKILLS**

The primary skills developed through this exercise are:

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

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

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

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

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

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

- a. Listen to Jill’s side but be sure the job gets done right. S _____
- b. Tell Jill to do it again the right way and closely supervise the job. S _____
- c. Tell her the customer will not accept the job and let Jill handle it her way. S _____
- d. Discuss the problem and solutions to it. S _____

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

- a. Allow the group to decide the hours. S _____
- b. Decide on new hours, explain why you chose them, and invite questions. S _____
- c. Conduct a meeting to get the group members’ ideas. Select new hours together, with your approval. S _____
- d. Send out a memo stating the hours you want. S _____

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

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

C _____ 5. Padma has had an excellent performance record for the past five years. Recently you have noticed a drop in the quality and quantity of her work. She has a family problem. What do you do?
   a. Tell her to get back on track and closely supervise her. S _____
   b. Discuss the problem with Padma. Help her realize that her personal problem is affecting her work. Discuss ways to improve the situation. Be supportive and encourage her. S _____
   c. Tell Padma you’re aware of her productivity slip and that you’re sure she’ll work it out soon. S _____
   d. Discuss the problem and solution with Padma and supervise her closely. S _____

C _____ 6. Your organization does not allow smoking in certain areas. You just walked by a restricted area and saw Joan smoking. She has been with the organization for 10 years and is a very productive worker. Joan has never been caught smoking before. What action do you take?
   a. Ask her to put the cigarette out, and then leave. S _____
   b. Discuss why she is smoking and what she intends to do about it. S _____
   c. Give her a lecture about not smoking and check up on her in the future. S _____
   d. Tell her to put the cigarette out, watch her do it, and tell her you will check on her in the future. S _____

C _____ 7. Your employees usually work well together with little direction. Recently a conflict between Sue and Tom has caused problems. What action do you take?
   a. Call Sue and Tom together and make them realize how this conflict is affecting the department. Discuss how to resolve it and how you will check to make sure the problem is solved. S _____
   b. Let the group resolve the conflict. S _____
   c. Have Sue and Tom sit down and discuss their conflict and how to resolve it. Support their efforts to implement a solution. S _____
   d. Tell Sue and Tom how to resolve their conflict and closely supervise them. S _____

C _____ 8. Hector usually does his share of the work with some encouragement and direction. However, he has migraine headaches occasionally and doesn’t pull his weight when this happens. The others resent doing Hector’s work. What do you decide to do?
   a. Discuss his problem and help him come up with ideas for maintaining his work; be supportive. S _____
   b. Tell Hector to do his share of the work and closely watch his output. S _____
   c. Inform Hector that he is creating a hardship for the others and should resolve the problem by himself. S _____
   d. Be supportive but set minimum performance levels and ensure compliance. S _____

C _____ 9. Barbara, your most experienced and productive worker, came to you with a detailed idea that could increase your department’s productivity at a very low cost. She can do her present job and this new assignment. You think it’s an excellent idea. What do you do?
   a. Set some goals together. Encourage and support her efforts. S _____
   b. Set up goals for Barbara. Be sure she agrees with them and sees you as being supportive of her efforts. S _____
   c. Tell Barbara to keep you informed and to come to you if she needs any help. S _____
   d. Have Barbara check in with you frequently so that you can direct and supervise her activities. S _____

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C 10. Your boss asked you for a special report. Franco, a very capable worker who usually needs no direction or support, has all the necessary skills to do the job. However, Franco is reluctant because he has never done a report. What do you do?
   a. Tell Franco he has to do it. Give him direction and supervise him closely. S _____
   b. Describe the project to Franco and let him do it his own way. S _____
   c. Describe the benefits to Franco. Get his ideas on how to do it and check his progress. S _____
   d. Discuss possible ways of doing the job. Be supportive; encourage Franco. S _____

C 11. Jean is the top producer in your department. However, her monthly reports are constantly late and contain errors. You are puzzled because she does everything else with no direction or support. What do you decide to do?
   a. Go over past reports, explaining exactly what is expected of her. Schedule a meeting so that you can review the next report with her. S _____
   b. Discuss the problem with Jean and ask her what can be done about it; be supportive. S _____
   c. Explain the importance of the report. Ask her what the problem is. Tell her that you expect the next report to be on time and error free. S _____
   d. Remind Jean to get the next report in on time without errors. S _____

C 12. Your workers are very effective and like to participate in decision making. A consultant was hired to develop a new method for your department using the latest technology in the field. What do you do?
   a. Explain the consultant’s method and let the group decide how to implement it. S _____
   b. Teach the workers the new method and supervise them closely as they use it. S _____
   c. Explain to the workers the new method and the reasons it is important. Teach them the method and make sure the procedure is followed. Answer questions. S _____
   d. Explain the new method and get the group’s input on ways to improve and implement it. S _____

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

<table>
<thead>
<tr>
<th></th>
<th>Autocratic</th>
<th>Consultative</th>
<th>Participative</th>
<th>Empowering</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>c</td>
<td>b</td>
<td>d</td>
<td>a</td>
</tr>
<tr>
<td>2.</td>
<td>b</td>
<td>a</td>
<td>d</td>
<td>c</td>
</tr>
<tr>
<td>3.</td>
<td>d</td>
<td>b</td>
<td>c</td>
<td>a</td>
</tr>
<tr>
<td>4.</td>
<td>c</td>
<td>a</td>
<td>d</td>
<td>b</td>
</tr>
<tr>
<td>5.</td>
<td>a</td>
<td>d</td>
<td>b</td>
<td>c</td>
</tr>
<tr>
<td>6.</td>
<td>d</td>
<td>c</td>
<td>b</td>
<td>a</td>
</tr>
<tr>
<td>7.</td>
<td>d</td>
<td>a</td>
<td>c</td>
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<td>8.</td>
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<tr>
<td>9.</td>
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<td>10.</td>
<td>a</td>
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<tr>
<td>11.</td>
<td>a</td>
<td>c</td>
<td>b</td>
<td>d</td>
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<tr>
<td>12.</td>
<td>b</td>
<td>c</td>
<td>d</td>
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<tr>
<td>Totals</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Now add up the number of circled items per column. The column with the most items circled suggests your preferred management style. Is this the style you tend to use most often?

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

**Learn More About Management Styles**

According to contingency theorists, there is no best management style for all situations. Instead, effective managers adapt their styles to individual capabilities or group situations. Following is a discussion of how to use Model 1.1 (Situational Management); refer to it as you read about it.

**Model 1.1 Situational Management**

**Capability Level (C)**

**Employee Ability and Motivation to Perform the Task**

<table>
<thead>
<tr>
<th>Capability Level (C)</th>
<th>Management Style (S)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(C1) LOW ABILITY OR LOW MOTIVATION</td>
<td>(S1A) AUTOCRATIC</td>
</tr>
<tr>
<td>Employees are unable to perform the task without supervision or lack of motivation (unwillingness to perform).</td>
<td></td>
</tr>
<tr>
<td>(C2) MODERATE ABILITY/ HIGH MOTIVATION</td>
<td>(S2C) CONSULTATIVE</td>
</tr>
<tr>
<td>Employees have moderate ability and are motivated to do the task with supervision.</td>
<td></td>
</tr>
<tr>
<td>(C3) HIGH ABILITY/ LOWER MOTIVATION</td>
<td>(S3P) PARTICPATIVE</td>
</tr>
<tr>
<td>Employees have the ability to do the task but need some motivation (they are reluctant or need confidence buildup).</td>
<td></td>
</tr>
<tr>
<td>(C4) OUTSTANDING ABILITY/ HIGH MOTIVATION</td>
<td>(S4E) EMPOWERMENT</td>
</tr>
<tr>
<td>Employees have the ability and motivation to perform the task without direction or support.</td>
<td></td>
</tr>
</tbody>
</table>

**Management Style (S)**

**Directive and Supportive Behavior**

- **Manager’s needs to give employees to perform the task**
- **Needs to give employees to perform the task**

1. **Manager–Employee Interactions.** Managers’ interactions with employees can be classified into two distinct categories: directive and supportive.
   - **Directive behavior.** The manager focuses on directing and controlling behavior to ensure that tasks get done and closely oversees performance.
   - **Supportive behavior.** The manager focuses on encouraging and motivating behavior without telling the employee what to do. The manager explains things and listens to employee views, helping employees make their own decisions by building up confidence and self-esteem.
   - **As a manager, you can focus on directing (getting the task done), supporting (developing relationships), or both.**
2. **Employee Capability.** There are two distinct aspects of employee capability.

- **Ability.** Do employees have the knowledge, experience, education, skills, and training to do a particular task without direction?
- **Motivation.** Do the employees have the confidence to do the task? Do they want to do the task? Are they committed to performing the task? Will they perform the task without encouragement and support?
- Employee capability may be measured on a continuum from low to outstanding. As a manager, you assess each employee’s capability level and motivation.
- **Low.** The employees can’t do the task without detailed directions and close supervision. Employees in this category are either unable or unwilling to do the task.
- **Moderate.** The employees have moderate ability and need specific direction and support to get the task done properly. The employees may be highly motivated but still need direction.
- **High.** The employees have high ability but may lack the confidence to do the job. What they need most is support and encouragement to motivate them to get the task done.
- **Outstanding.** The employees are capable of doing the task without direction or support.
- Most people perform a variety of job tasks. It is important to realize that employee capability may vary depending on the specific task. For example, a bank teller may handle routine transactions easily but falter when opening new or special accounts. Employees tend to start working with low capability, needing close direction. As their ability to do the job increases, their managers can begin to be supportive and probably cease close supervision. As a manager, you must gradually develop your employees from low to outstanding levels over time.

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

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

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

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

C _____ 1. Your rookie crew members seem to be developing well. Their need for direction and close supervision is diminishing. What do you do?
   a. Stop directing and overseeing performance unless there is a problem. S _____
   b. Spend time getting to know them personally, but make sure they maintain performance levels. S _____
   c. Make sure things keep going well; continue to direct and oversee closely. S _____
   d. Begin to discuss new tasks of interest to them. S _____

- As a rookie crew, the employees’ capability started at a low level, but they have now developed to the moderate level. If you put the number 2 on the C line, you were correct.
- Alternative a is E, the empowering style, involving low direction and support. Alternative b is C, the consultative style, involving both high direction and high support. Alternative c is A, the autocratic style, involving high direction but low support. Alternative d is P, the participative style, involving low direction and high support (in discussing employee interests).
- If you selected b as the management style that best matches the situation, you were correct. However, in the business world, there is seldom only one way to handle a situation successfully. Therefore, in this exercise, you are given points based on how successful your behavior would be in each situation. In situation 1, b is the most successful alternative because it involves developing the employees gradually; answer b is worth 3 points. Alternative c is the next-best alternative, followed by d. It is better to keep things the way they are now than to try to rush employee development, which would probably cause problems. So c is a 2-point answer, and d gets 1 point. Alternative a is the least effective because you are going from one extreme of supervision to the other. This is a 0-point answer because the odds are great that this approach will cause problems that will diminish your management success.

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

APPLY IT

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

Your instructor may ask you to do Skill Builder 1.4 in class in a group. If so, the instructor will provide you with any necessary information or additional instructions.