

Management levels

Managers are organizational members who are responsible for the work performance of other organizational members. Managers have formal authority to use organizational resources and to make decisions. In organizations, there are typically three levels of management: top-level, middle-level, and first-level. These three main levels of managers form a hierarchy, in which they are ranked in order of importance. In most organizations, the number of managers at each level is such that the hierarchy resembles a pyramid, with many more first-level managers, fewer middle managers, and the fewest managers at the top level. Each of these management levels is described below in terms of their possible job titles and their primary responsibilities and the paths taken to hold these positions. Additionally, there are differences across the management levels as to what types of management tasks each does and the roles that they take in their jobs. Finally, there are a number of changes that are occurring in many organizations that are changing the management hierarchies in them, such as the increasing use of teams, the prevalence of outsourcing, and the flattening of organizational structures.

Top-level managers

Top-level managers, or top managers, are also called senior management or executives. These individuals are at the top one or two levels in an organization, and hold titles such as: Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operational Officer (COO), Chief Information Officer (CIO), Chairperson of the Board, President, Vice president, Corporate head.

Often, a set of these managers will constitute the top management team, which is composed of the CEO, the COO, and other department heads. Top-level managers make decisions affecting the entirety of the firm. Top managers do not direct the day-to-day activities of the firm; rather, they set goals for the organization and direct the company to achieve them. Top managers are ultimately responsible for the performance of the organization, and often, these managers have very visible jobs.

Top managers in most organizations have a great deal of managerial experience and have moved up through the ranks of management within the company or in another firm. An exception to this is a top manager who is also an entrepreneur; such an individual may start a small company and manage it until it grows enough to support several levels of management. Many top managers possess an advanced degree, such as a Masters in Business Administration, but such a degree is not required.

Some CEOs are hired in from other top management positions in other companies. Conversely, they may be promoted from within and groomed for top management with management development activities, coaching, and mentoring. They may be tagged for promotion through succession planning, which identifies high potential managers.

Middle-level managers

Middle-level managers, or middle managers, are those in the levels below top managers. Middle managers' job titles include: General manager, Plant manager, Regional manager, and Divisional manager.

Middle-level managers are responsible for carrying out the goals set by top management. They do so by setting goals for their departments and other business units. Middle managers can motivate and assist first-line managers to achieve business objectives. Middle managers may also communicate upward, by offering suggestions and feedback to top managers. Because middle managers are more involved in the day-to-day workings of a company, they may provide valuable information to top managers to help improve the organization's bottom line.

Jobs in middle management vary widely in terms of responsibility and salary. Depending on the size of the company and the number of middle-level managers in the firm, middle managers may supervise only a small group of employees, or they may manage very large groups, such as an entire business location. Middle managers may be employees who were promoted from first-level manager positions within the organization, or they may have been hired from outside the firm. Some middle managers may have aspirations to hold positions in top management in the future.

First-level managers

First-level managers are also called first-line managers or supervisors. These managers have job titles such as: Office manager, Shift supervisor, Department manager, Foreperson, Crew leader, Store manager.

First-line managers are responsible for the daily management of line workers—the employees who actually produce the product or offer the service. There are first-line managers in every work unit in the organization. Although first-level managers typically do not set goals for the organization, they have a very strong influence on the company. These are the managers that most employees interact with on a daily basis, and if the managers perform poorly, employees may also perform poorly, may lack motivation, or may leave the company.

In the past, most first-line managers were employees who were promoted from line positions (such as production or clerical jobs). Rarely did these employees have formal education beyond the high school level. However, many first-line managers are now graduates of a trade school, or have a two-year associates or a four-year bachelor's degree from college.

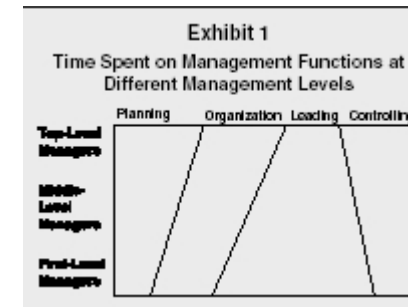
Management levels and the four managerial functions

Managers at different levels of the organization engage in different amounts of time on the four managerial functions of planning, organizing, leading, and controlling.

Planning is choosing appropriate organizational goals and the correct directions to achieve those goals. Organizing involves determining the tasks and the relationships that allow employees to work together to achieve the planned goals. With leading, managers motivate and coordinate employees to work together to achieve organizational goals. When controlling, managers monitor and measure the degree to which the organization has reached its goals.

The degree to which top, middle, and supervisory managers perform each of these functions is presented in Exhibit 1. Note that top managers do considerably more planning, organizing, and controlling than do managers at any other level. However, they do much less leading. Most of the leading is done by first-line manag-

ers. The amount of planning, organizing, and controlling decreases down the hierarchy of management; leading increases as you move down the hierarchy of management.



Management roles

In addition to the broad categories of management functions, managers in different levels of the hierarchy fill different managerial roles. These roles were categorized by researcher Henry Mintzberg, and they can be grouped into three major types: decisional, interpersonal, and informational.

Decisional roles. Decisional roles require managers to plan strategy and utilize resources. There are four specific roles that are decisional. The *entrepreneur* role requires the manager to assign resources to develop innovative goods and services, or to expand a business. Most of these roles will be held by top-level managers, although middle managers may be given some ability to make such decisions. The *disturbance handler* corrects unanticipated problems facing the organization from the internal or external environment. Managers at all levels may take this role. For example, first-line managers may correct a problem halting the assembly line or a middle level manager may attempt to address the aftermath of a store robbery. Top managers are more likely to deal with major crises, such as requiring a recall of defective products. The third decisional role, that of *resource allocator*, involves determining which work units will get which resources. Top managers are likely to make large, overall budget decisions, while middle managers may make more specific allocations. In some organizations, supervisory managers are responsible for determining allocation of salary

raises to employees. Finally, the *negotiator* works with others, such as suppliers, distributors, or labor unions, to reach agreements regarding products and services. First-level managers may negotiate with employees on issues of salary increases or overtime hours, or they may work with other supervisory managers when needed resources must be shared. Middle managers also negotiate with other managers and are likely to work to secure preferred prices from suppliers and distributors. Top managers negotiate on larger issues, such as labor contracts, or even on mergers and acquisitions of other companies.

Interpersonal roles. Interpersonal roles require managers to direct and supervise employees and the organization. The *figure-head* is typically a top or middle manager. This manager may communicate future organizational goals or ethical guidelines to employees at company meetings. A *leader* acts as an example for other employees to follow, gives commands and directions to subordinates, makes decisions, and mobilizes employee support. Managers must be leaders at all levels of the organization; often lower-level managers look to top management for this leadership example. In the role of *liaison*, a manager must coordinate the work of others in different work units, establish alliances between others, and work to share resources. This role is particularly critical for middle managers, who must often compete with other managers for important resources, yet must maintain successful working relationships with them for long time periods.

Informational roles. Informational roles are those in which managers obtain and transmit information. These roles have changed dramatically as technology has improved. The *monitor* evaluates the performance of others and takes corrective action to improve that performance. Monitors also watch for changes in the environment and within the company that may affect individual and organizational performance. Monitoring occurs at all levels of management, although managers at higher levels of the organization are more likely to monitor external threats to the environment than are middle or first-line managers. The role of *disseminator* requires that managers inform employees of changes that affect them and the organization. They also communicate the company's vision and purpose.

Managers at each level disseminate information to those below them, and much information of this nature trickles from the top down. Finally, a *spokesperson* communicates with the external

environment, from advertising the company's goods and services, to informing the community about the direction of the organization. The spokesperson for major announcements, such as a change in strategic direction, is likely to be a top manager. But, other, more routine information may be provided by a manager at any level of a company. For example, a middle manager may give a press release to a local newspaper, or a supervisor manager may give a presentation at a community meeting.

Management skills

Regardless of organizational level, all managers must have five critical skills: technical skill, interpersonal skill, conceptual skill, diagnostic skill, and political skill.

Technical skill. Technical skill involves understanding and demonstrating proficiency in a particular workplace activity. Technical skills are things such as using a computer word processing program, creating a budget, operating a piece of machinery, or preparing a presentation. The technical skills used will differ in each level of management. First-level managers may engage in the actual operations of the organization; they need to have an understanding of how production and service occur in the organization in order to direct and evaluate line employees. Additionally, first-line managers need skill in scheduling workers and preparing budgets. Middle managers use more technical skills related to planning and organizing, and top managers need to have skill to understand the complex financial workings of the organization.

Interpersonal skill. Interpersonal skill involves human relations, or the manager's ability to interact effectively with organizational members. Communication is a critical part of interpersonal skill, and an inability to communicate effectively can prevent career progression for managers. Managers who have excellent technical skill, but poor interpersonal skill are unlikely to succeed in their jobs. This skill is critical at all levels of management.

Conceptual skill. Conceptual skill is a manager's ability to see the organization as a whole, as a complete entity. It involves understanding how organizational units work together and how the organization fits into its competitive environment. Conceptual skill is crucial for top managers, whose ability to see "the big picture" can have major repercussions on the success of the business. Howev-

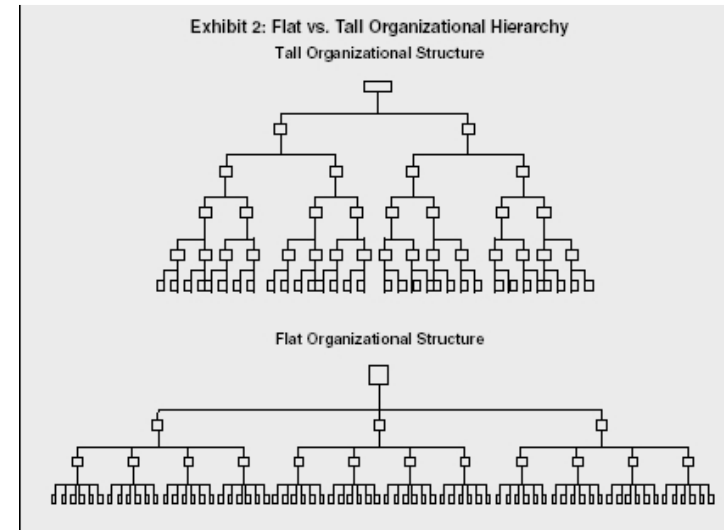
er, conceptual skill is still necessary for middle and supervisory managers, who must use this skill to envision, for example, how work units and teams are best organized.

Diagnostic skill. Diagnostic skill is used to investigate problems, decide on a remedy, and implement a solution. Diagnostic skill involves other skills—technical, interpersonal, conceptual, and politic. For instance, to determine the root of a problem, a manager may need to speak with many organizational members or understand a variety of informational documents. The difference in the use of diagnostic skill across the three levels of management is primarily due to the types of problems that must be addressed at each level. For example, first-level managers may deal primarily with issues of motivation and discipline, such as determining why a particular employee's performance is flagging and how to improve it. Middle managers are likely to deal with issues related to larger work units, such as a plant or sales office. For instance, a middle-level manager may have to diagnose why sales in a retail location have dipped. Top managers diagnose organization-wide problems, and may address issues such as strategic position, the possibility of outsourcing tasks, or opportunities for overseas expansion of a business.

Political skill. Political skill involves obtaining power and preventing other employees from taking away one's power. Managers use power to achieve organizational objectives, and this skill can often reach goals with less effort than others who lack political skill. Much like the other skills described, political skill cannot stand alone as a manager's skill; in particular, though, using political skill without appropriate levels of other skills can lead to promoting a manager's own career rather than reaching organizational goals. Managers at all levels require political skill; managers must avoid others taking control that they should have in their work positions. Top managers may find that they need higher levels of political skill in order to successfully operate in their environments. Interacting with competitors, suppliers, customers, shareholders, government, and the public may require political skill.

Changes in management hierarchies

There are a number of changes to organizational structures that influence how many managers are at each level of the organizational hierarchy, and what tasks they perform each day.



Flatter organizational structures. Organizational structures can be described by the number of levels of hierarchy; those with many levels are called “tall” organizations. They have numerous levels of middle management, and each manager supervises a small number of employees or other managers. That is, they have a small span of control. Conversely, “flat” organizations have fewer levels of middle management, and each manager has a much wider span of control. Examples of organization charts that show tall and flat organizational structures are presented in Exhibit 2.

Many organizational structures are now more flat than they were in previous decades. This is due to a number of factors. Many organizations want to be more flexible and increasingly responsive to complex environments. By becoming flatter, many organizations also become less centralized. Centralized organizational structures have most of the decisions and responsibility at the top of the organization, while decentralized organizations allow decision-making and authority at lower levels of the organization. Flat organizations

that make use of decentralization are often more able to efficiently respond to customer needs and the changing competitive environment.

As organizations move to flatter structures, the ranks of middle-level managers are diminishing. This means that there are fewer opportunities for promotion for first-level managers, but this also means that employees at all levels are likely to have more autonomy in their jobs, as flatter organizations promote decentralization. When organizations move from taller to flatter hierarchies, this may mean that middle managers lose their jobs, and are either laid off from the organization, or are demoted to lower-level management positions. This creates a surplus of labor of middle level managers, who may find themselves with fewer job opportunities at the same level.

Increased use of teams. A team is a group of individuals with complementary skills who work together to achieve a common goal. That is, each team member has different capabilities, yet they collaborate to perform tasks. Many organizations are now using teams more frequently to accomplish work because they may be capable of performing at a level higher than that of individual employees. Additionally, teams tend to be more successful when tasks require speed, innovation, integration of functions, and a complex and rapidly changing environment.

Another type of managerial position in an organization that uses teams is the team leader, who is sometimes called a project manager, a program manager, or task force leader. This person manages the team by acting as a facilitator and catalyst. He or she may also engage in work to help accomplish the team's goals. Some teams do not have leaders, but instead are self-managed. Members of self-managed teams hold each other accountable for the team's goals and manage one another without the presence of a specific leader.

Outsourcing. Outsourcing occurs when an organization contracts with another company to perform work that it previously performed itself. Outsourcing is intended to reduce costs and promote efficiency. Costs can be reduced through outsourcing, often because the work can be done in other countries, where labor and resources are less expensive than in the United States. Additionally, by having an out-sourcing company aid in production or service, the contracting company can devote more attention and resources to the company's core competencies. Through outsourcing, many

jobs that were previously performed by American workers are now performed overseas. Thus, this has reduced the need for many first-level and middle-level managers, who may not be able to find other similar jobs in another company.

There are three major levels of management: top-level, middle-level, and first-level. Managers at each of these levels have different responsibilities and different functions. Additionally, managers perform different roles within those managerial functions. Finally, many organizational hierarchies are changing, due to changes to organizational structures due to the increasing use of teams, the flattening of organizations, and outsourcing.

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Further reading:

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