

# MANAGEMENT

## What Is Management?



Management issues are fundamental to any organization: How do we plan to get things done, organize the company to be efficient and effective, lead and motivate employees,

and put in place controls to make sure our plans are followed and our goals are met? Good management is basic to starting a business, growing a business, and maintaining a business once it has achieved some measure of success.

So think about this: Mistake #1. A high-level bank manager reduces a marketing manager to tears by angrily criticizing her in front of others for a mistake that wasn't hers.<sup>1</sup> Mistake #2. Guidant waited for three years, forty-five device failures, and two patient deaths before recalling 50,000 defective heart defibrillators, 77 percent of which were already implanted in patients.<sup>2</sup>

Ah, bad managers and bad management. Is it any wonder that companies pay management consultants nearly \$150 billion a year for advice on basic management issues, such as how to lead people effectively, organize the company efficiently, and manage large-scale projects and processes?<sup>3</sup> This textbook will help you understand some of the basic issues that management consultants help companies resolve (and it won't cost you billions of dollars).



After reading the next two sections, you should be able to

- 1 describe what management is.
- 2 explain the four functions of management.



### Learning Outcomes

- 1 describe what management is.
- 2 explain the four functions of management.
- 3 describe different kinds of managers.
- 4 explain the major roles and subroles that managers perform in their jobs.
- 5 explain what companies look for in managers.
- 6 discuss the top mistakes that managers make in their jobs.
- 7 describe the transition that employees go through when they are promoted to management.
- 8 explain how and why companies can create competitive advantage through people.

# 1 Management Is ...

Many of today's managers got their start welding on the factory floor, clearing dishes off tables, helping customers fit a suit, or wiping up a spill in aisle 3. Similarly, lots of you will start at the bottom and work your way up. There's no better way to get to know your competition, your customers, and your business. But whether you begin your career at the entry level or as a supervisor, your job is not to do the work, but to help others do theirs. **Management** is getting work done through others. Pat Carrigan, a former elementary school principal who became a manager at a General Motors' car parts plant, says, "I've never made a part in my life, and I don't really have any plans to make one. That's not my job. My job

is to create an environment where people who do make them can make them right, can make them right the first time, can make them at a competitive cost, and can do so with some sense of responsibility and pride in what they're doing. I don't have to know how to make a part to do any of those things."<sup>4</sup>

Pat Carrigan's description of managerial responsibilities indicates that managers also have to be concerned with efficiency and effectiveness in the work process. **Efficiency** is getting work done with a minimum of effort, expense, or waste. For example,

**Management** getting work done through others  
**Efficiency** getting work done with a minimum of effort, expense, or waste



United Parcel Service, which delivers over 3.5 billion packages a year, has started saving 14 million gallons of fuel per year by using a completely computerized route and load planning system that shows truck loaders where to put packages on the delivery truck (to maximize the number of packages per truck), predetermines how many packages and stops a UPS driver has and what routes should be taken (to minimize travel time, distances, and fuel costs), and tells UPS drivers exactly where your package is on the truck when they stop in front of your house (to minimize search time at each stop).<sup>5</sup>

By itself, efficiency is not enough to ensure success. Managers must also strive for **effectiveness**, which is accomplishing tasks that help fulfill organizational objectives, such as customer service and satisfaction.

## 2 Management Functions

Henri Fayol, who was a managing director (CEO) of a large steel company, was one of the founders of the field of management. You'll learn more about Fayol and management's other key contributors when you read about the history of management in Chapter 2. Based on his 20 years of experience as a CEO, Fayol argued that "the success of an enterprise generally depends much more on the administrative ability of its



### Rolling Back Employee Schedules

**W**al-Mart's new computerized scheduling system measures trends in store sales and customer traffic so it can have more employees on the job whenever its stores are busy. Tests in 39 stores indicated that 70 percent of customers reported improved checkout times and service using this scheduling system. The computerized system also frees managers to manage instead of calculating schedules. Normally, it takes a Wal-Mart manager a full day to schedule the weekly shifts for a store. By contrast, the computerized scheduling system calculates the schedules for Wal-Mart's 1.3 million workers in one day.<sup>8</sup>

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perform these management functions well are better managers. For example, the more time that CEOs spend planning, the more profitable their companies are.<sup>9</sup> Over a 25-year period, AT&T found that employees with better planning and decision-making skills were more likely to be promoted into management jobs, to

eBay succeeds because of CEO Meg Whitman's capabilities as a manager and not because of her ability to write computer code.

leaders than on their technical ability."<sup>6</sup> In other words, eBay, the world's largest online auction company, succeeds because of CEO Meg Whitman's capabilities as a manager and not because of her ability to write computer code.

According to Fayol, to be successful, managers need to perform five managerial functions: planning, organizing, coordinating, commanding, and controlling.<sup>7</sup> Today, though, most management textbooks have

**Effectiveness** accomplishing tasks that help fulfill organizational objectives

**Planning (management functions)** determining organizational goals and a means for achieving them

dropped the coordinating function and refer to Fayol's commanding function as "leading." Consequently, Fayol's management functions are known today as planning, organizing, leading, and controlling. Studies indicate that managers who

be successful as managers, and to be promoted into upper levels of management.<sup>10</sup>

The evidence is clear. Managers serve their companies well when they plan, organize, lead, and control. (That's why this book is organized around the functions of management.)

Now let's take a closer look at each of the management functions: **2.1 planning, 2.2 organizing, 2.3 leading, and 2.4 controlling.**

### 2.1 Planning

**Planning** is determining organizational goals and a means for achieving them. As you'll learn in Chapter 5, planning is one of the best ways to improve performance. It encourages people to work harder, to work hard for extended periods, to engage in behaviors directly related to goal accomplishment, and to think of better ways to do their jobs. But most importantly,

companies that plan have larger profits and faster growth than companies that don't plan.

For example, the question, "What business are we in?" is at the heart of strategic planning, which you'll learn about in Chapter 6. If you can answer the question, "What business are you in?" in two sentences or less, chances are you have a very clear plan for your business.

Exxon CEO Rex Tillerson knows precisely what business his company is in—and not in—and he'll tell you so.<sup>11</sup> Same for Google. Even though the company makes money selling search-based Internet advertising, Google says that it is not in the advertising business, but in the business of organizing the world's information.<sup>12</sup> Even Google's \$1.65 billion purchase of YouTube adheres to the business Google is in. But, with YouTube, Google now helps users access and organize video content. *You'll learn more about planning in Chapter 5 on planning and decision making, Chapter 6 on organizational strategy, Chapter 7 on innovation and change, and Chapter 8 on global management.*

## 2.2 Organizing

**Organizing** is deciding where decisions will be made, who will do what jobs and tasks, and who will work for whom in the company. Go to Yahoo!'s home page and take a look at the vast number of topics, news, mail, messenger, shopping (from autos and finance to Hot Jobs, music, and real estate), small business, and featured services (downloads, mobile, voice, and per-

sonal websites). How would you organize this vast array of topics and activities? Yahoo! does it with two customer groups, audience and advertiser/publisher, and one technology group. The audience group has responsibility for Yahoo!'s products in search, media, communities, and communications. The advertising/publishing group helps large advertisers and agencies, small- and medium-sized businesses, local advertisers, resellers, and publishers connect with their target customers across the Internet. Finally, the technology

## What Business Are You...

	IN?		NOT IN?
<b>Exxon</b>	Conventional oil & gas		Crop-based renewable fuel sources
<b>Google</b>	 Organizing information		Advertising

group supports the entire organization by creating technological capabilities and platforms. Yahoo! CEO Terry Semel says, "We believe having a more customer-focused organization, supported by robust technology, will speed the development of leading-edge experiences for our most valuable audience segments."<sup>13</sup>

*You'll learn more about organizing in Chapter 9 on designing organizations, Chapter 10 on managing teams, Chapter 11 on managing human resources, and Chapter 12 on managing individuals and a diverse work force.*

## 2.3 Leading

Our third management function, **leading**, involves inspiring and motivating workers to work hard to achieve organizational goals. When Anne Mulcahy became Xerox's CEO, the company was on the brink of bankruptcy—it was \$17.1 billion in debt and had only \$154 million in cash. In addition, three years of steeply declining revenues and increasing losses had dropped the

## Not all managerial jobs are the same.

company's stock price from \$64 a share to just \$4.43. Mulcahy admits that the responsibility of turning the company around frightened her: "Nothing spooked me as much as waking up in the middle of the night and thinking about 96,000 people and

**Organizing** deciding where decisions will be made, who will do what jobs and tasks, and who will work for whom

**Leading** inspiring and motivating workers to work hard to achieve organizational goals

retirees and what would happen if this thing went south.”<sup>14</sup> Still, she took the job.

Mulcahy, who traveled to two and sometimes three cities a day to talk to Xerox managers and employees, implored them to “save each dollar as if it were your own.” And at each stop, she reminded them, “Remember, by my calculations, there are [she fills in the number] selling days left in the quarter.”<sup>15</sup> Mulcahy said, “One of the things I care most about at Xerox is the morale and motivation at the company. I think it is absolutely critical to being able to deliver results. People have to feel engaged, motivated and feel they are making a contribution to something that is important. I spend the vast majority of my time with customers and employees, and there is nothing more important for any of us to do as leaders than communicate and engage with our two most important constituencies.”<sup>16</sup>

Today, as a result of Mulcahy’s leadership and the hard work of dedicated Xerox employees, Xerox is back on its feet, having returned to profitability and financial stability.<sup>17</sup> *You’ll learn more about leading in Chapter 13 on motivation, Chapter 14 on leadership, and Chapter 15 on managing communication.*

## 2.4 Controlling

The last function of management, **controlling**, is monitoring progress toward goal achievement and then taking corrective action when progress isn’t being made. The basic control process involves setting standards to achieve goals, comparing actual performance to those standards, and then making changes to return performance to those standards.

Needing to cut costs (the standard) to restore profitability (the goal), Continental Airlines started giving passengers small cups of their soft drinks instead of an entire can (one corrective action, among many). Company spokesperson Rahsaan Johnson defended the move, saying, “Flight attendants have been telling us that the trash bags they carry were so heavy because of all the [wasted] liquid. We were pouring almost half away.”<sup>18</sup> Although Continental will still give entire soft drink cans to customers who request them, serving smaller drinks saves the company \$100,000 a year in costs.

*You’ll learn more about the control function in Chapter 16 on control, Chapter 17 on managing information, and Chapter 18 on managing service and manufacturing operations.*

**Controlling** monitoring progress toward goal achievement and taking corrective action when needed

**Top managers** executives responsible for the overall direction of the organization

# What Do Managers Do?



Not all managerial jobs are the same. The demands and requirements placed on the CEO of Sony are significantly different from those placed on the manager of your local Wendy’s restaurant.



After reading the next two sections, you should be able to

- 3 describe different kinds of managers.
- 4 explain the major roles and subroles that managers perform in their jobs.

## 3 Kinds of Managers

As shown in Exhibit 1.1, there are four kinds of managers, each with different jobs and responsibilities: **3.1 top managers**, **3.2 middle managers**, **3.3 first-line managers**, and **3.4 team leaders**.

### 3.1 Top Managers

**Top managers** hold positions like chief executive officer (CEO), chief operating officer (COO), chief financial officer (CFO), and chief information officer (CIO), and are responsible for the overall direction of the organization. Top managers have the following responsibilities.<sup>19</sup> First, they are responsible for creating a context for change. In fact, the CEOs of Walt Disney, Fannie Mae, Boeing, Morgan Stanley, American International Group, Merck, and Pfizer were all fired within a year’s time precisely because they had not moved fast enough to bring about significant changes in their companies. Indeed, in both Europe and the United States, 35 percent of all CEOs are eventually fired because of their failure to successfully change their companies.<sup>20</sup> Creating a context for change includes forming a long-range vision or mission for the company.

Once that vision or mission is set, then the second responsibility of top managers is to develop employees’ commitment to and ownership of the company’s performance. That is, top managers are responsible for getting employee buy-in. Third, top managers are responsible for creating a positive organizational culture through lan-

## Exhibit 1.1

### What the Four Kinds of Managers Do

Jobs		Responsibilities
<b>TOP Managers</b> CEO      CIO COO      Vice President CFO      Corporate Heads		change commitment culture environment
<b>Middle Managers</b> General Manager Plant Manager Regional Manager Divisional Manager		resources objectives coordination subunit performance strategy implementation
<b>First-Line Managers</b> Office Manager Shift Supervisor Department Manager		nonmanagerial worker supervision teaching and training scheduling facilitation
<b>Team Leaders</b> Team Leader Team Contact Group Facilitator		facilitation external relationships internal relationships

guage and action. Top managers impart company values, strategies, and lessons through what they do and say to others, both inside and outside the company. Above all, no matter what they communicate, it's critical for CEOs to send and reinforce clear, consistent messages.<sup>21</sup> A former *Fortune* 500 CEO said, "I tried to [use] exactly the same words every time so that I didn't produce a lot of, 'Last time you said this, this time you said that.' You've got to say the same thing over and over and over."<sup>22</sup>

Finally, top managers are responsible for monitoring their business environments. This means that top managers must closely monitor customer needs, competitors' moves, and long-term business, economic, and social trends.

### 3.2 Middle Managers

**Middle managers** hold positions like plant manager, regional manager, or divisional manager. They are re-

sponsible for setting objectives consistent with top management's goals and for planning and implementing subunit strategies for achieving those objectives.<sup>23</sup> One specific middle management responsibility is to plan and allocate resources to meet objectives. Another major responsibility is to coordinate and link groups, departments, and divisions within a company. After a hurricane destroyed five miles of railroad tracks outside New Orleans, Jeff McCracken, a chief engineer at Norfolk Southern, consulted with three bridge companies, and managed a team of 100 employees and dozens of engineers who, by sleeping in campers and working around the clock, rebuilt the tracks in less than a week. McCracken said, "It was a

**Middle managers** managers responsible for setting objectives consistent with top management's goals and for planning and implementing subunit strategies for achieving these objectives



## Feats of Daring Duet

**T**rusting that his 61,000 employees could dramatically increase product innovation at Whirlpool appliances, CEO David Whitman told them to come up with new ideas, tell their bosses about their ideas, and, if their bosses wouldn't listen, bring their new product ideas directly to him. Employees flocked to an in-house web site featuring a course on innovation and a list of all the new suggestions and ideas, racking up 300,000 "hits" on the site each month. Today, revenue from innovative products has quadrupled. And instead of cutting prices to maintain sales, Whirlpool's prices are now rising 5 percent per year because customers are willing to pay more for its innovative products, such as the Duet washer and dryer.<sup>24</sup>

colossal job that took more than 400 moves with heavy equipment." But, McCracken was happiest about "working with people from all parts of the company—and getting the job done without anyone getting hurt."<sup>25</sup>

A third responsibility of middle management is to monitor and manage the performance of the subunits and individual managers who report to them. Graeme Betts is the manager of the Southwest region for Lloyds Pharmacy in England. While Betts works with people at all levels, from healthcare assistants to board directors, he spends most of his time with the nine area managers who report to him. He monitors and manages the performance of his area managers and, in turn, the store managers who report to them.<sup>26</sup>

Finally, middle managers are also responsible for implementing the changes or strategies generated by top managers. Wal-Mart's strategy reflects its advertising slogan, "always the low price." When Wal-Mart began selling groceries in its new 200,000-square-foot supercenters, it made purchasing manager Brian Wilson responsible for buy-

ing perishable goods more cheaply than Wal-Mart's competitors. When small produce suppliers had trouble meeting Wal-Mart's needs, Wilson worked closely with them and connected them to RetailLink, Wal-Mart's computer network, "which allows our suppliers immediate access to all information needed to help run the business." Over time, these steps helped the produce suppliers lower costs and deliver the enormous quantities of fresh fruits and vegetables that Wal-Mart's supercenters need.<sup>27</sup> They also helped Wal-Mart become the world's largest grocer.<sup>28</sup>

## 3.3 First-Line Managers

**First-line managers** hold positions like office manager, shift supervisor, or department manager. The primary responsibility of first-line managers is to manage the performance of entry-level employees, who are directly responsible for producing a company's goods and services. Thus, first-line managers are the only managers who don't supervise other managers. First-line managers have the following responsibilities.

First-line managers encourage, monitor, and reward the performance of their workers. They also teach entry-level employees how to do their jobs. Damian Mogavero's company, Avero LLC, helps restaurants analyze sales data for each member of a restaurant's wait staff. Restaurant managers who use these data, says Mogavero, will often take their top-selling server to lunch each week as a reward. The best managers, however, will also take their poorest-selling servers out to lunch to talk about what they can do to improve their performance.<sup>29</sup>

First-line managers also make detailed schedules and operating plans based on middle management's intermediate-range plans. In fact, in contrast to the long-term plans of top managers (three to five years out) and the intermediate plans of middle managers (6 to 18 months out), first-line managers engage in plans and actions that typically produce results within two weeks.<sup>30</sup> For example, consider the typical convenience store manager (e.g., 7-Eleven) who starts the day by driving past competitors' stores to inspect their gasoline prices and then checks the outside of his or her store for anything that might need maintenance, such as burned-out lights or signs, or restocking, like windshield washer fluid and paper towels. Then comes an inside check, where the manager determines what needs to be done for that day (Will there be enough coffee and donuts for breakfast or enough sandwiches for lunch?). Once the day is planned, the manager turns to weekend orders. After accounting for the weather (hot or cold) and the sales trends at the same time last year, the manager makes sure the store will have enough beer, soft drinks, and Sunday

### First-line managers

managers who train and supervise the performance of nonmanagerial employees who are directly responsible for producing the company's products or services

papers on hand. Finally, the manager looks 7 to 10 days ahead for hiring needs. Because of strict hiring procedures (basic math tests, drug tests, and background checks), it can take that long to hire new employees. Said one convenience store manager, “I have to continually interview, even if I am fully staffed.”<sup>31</sup>

### 3.4 Team Leaders

The fourth kind of manager is a team leader. This relatively new kind of management job developed as companies shifted to self-managing teams, which, by definition, have no formal supervisor. In traditional management hierarchies, first-line managers are responsible for the performance of nonmanagerial employees and have the authority to hire and fire workers, make job assignments, and control resources. Team leaders play a very different role because in this new structure, teams now perform nearly all of the functions performed by first-line managers under traditional hierarchies.<sup>32</sup> Instead of directing individuals’ work, **team leaders** facilitate team activities toward goal accomplishment. Team leaders who fail to understand this key difference often struggle in their roles. A team leader at Texas Instruments said, “I didn’t buy into teams, partly because there was no clear plan on what I was supposed to do. . . . I never let the operators [team members] do any scheduling or any ordering of parts because that was mine. I figured as long as I had that, I had a job.”<sup>33</sup>

Team leaders fulfill the following responsibilities.<sup>34</sup> First, team leaders are responsible for facilitating team performance. This doesn’t mean team leaders are responsible for team performance. They aren’t. The team is. Team leaders help their team members plan and schedule work, learn to solve problems, and work effectively with each other. Management consultant Franklin Jonath says, “The idea is for the team leader to be at the service of the group. It should be clear that the team members own the outcome. The leader is there to bring intellectual, emotional, and spiritual resources to the team. Through his or her actions, the leader should be able to show the others how to think about the work that they’re doing in the context of their lives.”<sup>35</sup>

Second, team leaders are responsible for managing external relationships. Team leaders act as the bridge or liaison between their teams and other teams, departments, and divisions in a company. For example, if a member of Team A complains about the quality of Team B’s work, Team A’s leader needs to initiate a meeting with Team B’s leader. Together, these team leaders are responsible for getting members of both teams to work together to solve the problem. If it’s done right, the problem is solved without involving company management or blaming members of the other team.<sup>36</sup>

**Team leaders** managers responsible for facilitating team activities toward goal accomplishment





## More than anything else, management jobs are people-intensive.

Third, team leaders are responsible for internal team relationships. Getting along with others is much more important in team structures because team members can't get work done without the help of their teammates. You will learn more about teams in Chapter 10.

### 4 Managerial Roles

So far, we have described managerial work by focusing on the functions of management and by examining the four kinds of managerial jobs. Although those are valid and accurate ways of categorizing managerial work, if you followed managers around as they performed their jobs, you probably would not use the terms *planning*, *organizing*, *leading*, and *controlling* to describe what they do.

In fact, that's exactly the conclusion that management researcher Henry Mintzberg came to when he observed five American CEOs. Mintzberg spent a week "shadowing" each of the CEOs and analyzing their mail, their conversations, and their actions. Mintzberg concluded that managers fulfill three major roles while performing their jobs<sup>37</sup>:

- interpersonal roles
- informational roles
- decisional roles

In other words, managers talk to people, gather and give information, and make decisions. Furthermore, as shown in Exhibit 1.2, these three major roles can be subdivided into 10 subroles. *Let's examine each major role—4.1 interpersonal, 4.2 informational, and 4.3 decisional roles—and their 10 subroles.*

**Figurehead role** the interpersonal role managers play when they perform ceremonial duties

**Leader role** the interpersonal role managers play when they motivate and encourage workers to accomplish organizational objectives

**Liaison role** the interpersonal role managers play when they deal with people outside their units

#### 4.1 Interpersonal Roles

More than anything else, management jobs are people-intensive. Estimates vary with the level of management, but most managers spend between two-thirds and four-fifths of their time in face-to-face communication with others.<sup>38</sup> If you're a loner, or if you consider dealing with people a

"pain," then you may not be cut out for management work. In fulfilling the interpersonal role of management, managers perform three subroles: figurehead, leader, and liaison.

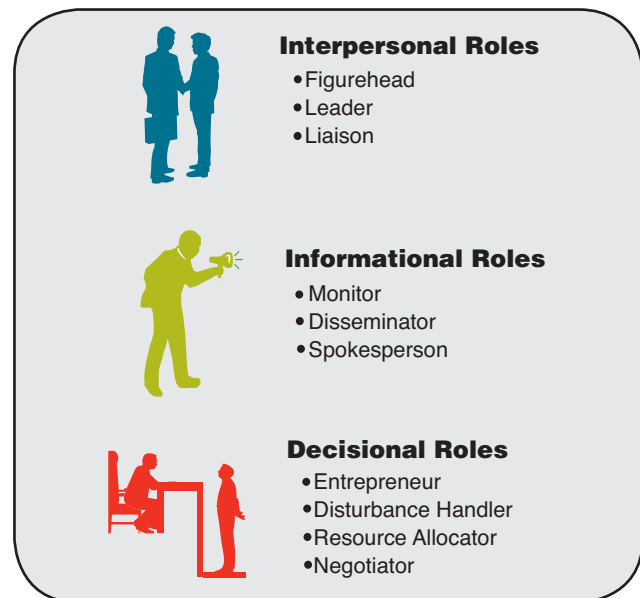
In the **figurehead role**, managers perform ceremonial duties like greeting company visitors, speaking at the opening of a new facility, or representing the company at a community luncheon to support local charities. In the **leader role**, managers motivate and encourage workers to accomplish organizational objectives. At J.M. Smucker, managers regularly thank employees with celebratory lunches and gift certificates. Tonie Williams, director of marketing for peanut butter, says "she's been thanked more in her two years at Smucker than she was in her nine years at Nestlé, Kraft, and Procter & Gamble combined."<sup>39</sup> Smucker's has been on *Fortune* magazine's list of the top 100 places to work in the United States since the list began.<sup>40</sup>

In the **liaison role**, managers deal with people outside their units. Studies consistently indicate that man-



### Exhibit 1.2

#### Mintzberg's Managerial Roles



agers spend as much time with “outsiders” as they do with their own subordinates and their own bosses.<sup>41</sup>

## 4.2 Informational Roles

Not only do managers spend most of their time in face-to-face contact with others, but they spend much of it obtaining and sharing information. Indeed, Mintzberg found that the managers in his study spent 40 percent of their time giving and getting information from others. In this regard, management can be viewed as processing information, gathering information by scanning the business environment and listening to others in face-to-face conversations, and then sharing that information with people inside and outside the company. Mintzberg described three informational subroles: monitor, disseminator, and spokesperson.

In the **monitor role**, managers scan their environment for information, actively contact others for information, and, because of their personal contacts, receive a great deal of unsolicited information. Besides receiving firsthand information, managers monitor their environment by reading local newspapers and *The Wall Street Journal* to keep track of customers, competitors, and technological changes that may affect their businesses. Now, managers can also take advantage of electronic monitoring and distribution services that track the news wires (Associated Press, Reuters, etc.) for stories related to their businesses.

Because of their numerous personal contacts and their access to subordinates, managers are often hubs for the distribution of critical information. In the **disseminator role**, managers share the information they have collected with their subordinates and others in the company. Although there will never be a complete substitute for face-to-face dissemination of information, the primary methods of communication in large companies are email and voice mail. John Chambers, Cisco’s CEO, says that 90 percent of his communication with employees is through email and voice mail. Says Chambers, “If you don’t have the ability to interface with customers, employees, and suppliers, you can’t manage your business.”<sup>42</sup>

In contrast to the disseminator role, in which managers distribute information to employees inside the company, in the **spokesperson role**, managers share information with people outside their departments and companies. One of the most common ways CEOs serve as spokespeople for their companies is at annual meetings with company shareholders or the board of directors. For example, at a Microsoft annual shareholder meeting, CEO Steve Ballmer told investors that Microsoft intended to offer its own Internet search service and that, although

## M G M T FACTS

### Connect to Your Business

These services deliver customized electronic newspapers that include only stories on topics the managers specify:

✓ **Business Wire** (<http://www.businesswire.com>) offers services such as IndustryTrak, which monitors and distributes daily news headlines from major industries (e.g., automotive, banking and financial, health, high tech).

✓ **CyberAlert** (<http://www.cyberalert.com>) keeps round-the-clock track of news stories in categories chosen by each subscriber.

✓ **FNS NewsClips Online** (<http://www.news-clips.com>) provides subscribers daily electronic news clips from more than 5,000 online news sites.<sup>43</sup>

Microsoft was late to the search engine business, “We will catch up, and we will surpass” Google and Yahoo in the Internet search and advertising business.<sup>44</sup>

## 4.3 Decisional Roles

According to Mintzberg, obtaining and sharing information is not an end in itself. Obtaining and sharing information with people inside and outside the company is useful to managers because it helps them make good decisions. According to Mintzberg, managers engage in four decisional subroles: entrepreneur, disturbance handler, resource allocator, and negotiator.

In the **entrepreneur role**, managers adapt themselves, their subordinates, and their units to change. Veterans Affairs (VA) hospitals have long had a reputation for red tape, inefficiency, and second class medical treatment, but today they rank as some of the best in the country. Fifteen years ago, the VA’s leadership instituted a culture of accountability and change aimed at improving its entire

**Monitor role** the informational role managers play when they scan their environment for information

**Disseminator role** the informational role managers play when they share information with others in their departments or companies

**Spokesperson role** the informational role managers play when they share information with people outside their departments or companies

**Entrepreneur role** the decisional role managers play when they adapt themselves, their subordinates, and their units to change

system. Doctors, nurses, staffers, and administrators met regularly to review possible improvements. After a VA nurse noticed that rental car companies used hand-held barcode scanners to check in returned cars, she suggested using barcodes on patients' ID bracelets and their bottled medicines. Today, the VA's barcode scanners are tied to an electronic records system that prevents nurses from handing out the wrong medicines and automatically alerts the hospital pharmacy to possibly harmful drug interactions or dangerous patient allergies.<sup>45</sup>

By contrast, in the **disturbance handler role**, managers respond to pressures and problems so severe that they demand immediate attention and action. Managers often play the role of disturbance handler when the board of a failing company hires a new CEO, who is charged with turning the company around. After Ford Motor Company's market share shrank from 25 to 16 percent and the company lost \$7 billion in nine months, Alan Mulally came from Boeing to become Ford's new

and how much of each resource they will get. For instance, E-Trade Financial, which is known for its online stock trading accounts, increased its marketing budget by \$46 million to make potential customers more aware of its additional banking, loan, and mortgage services.<sup>47</sup> At E-Trade, top managers acted as resource allocators by changing budgets.

In the **negotiator role**, managers negotiate schedules, projects, goals, outcomes, resources, and employee raises. When Sprint bought Nextel (another cell phone company), the Federal Communications Commission required it to buy new radios for police and firefighters because its cell phone tower transmissions were interfering with emergency service communications in hundreds of locations. Sprint, which will spend \$2.8 billion to fix the problem, has, for instance, been negotiating with law-enforcement agencies in Maryland and Washington to replace 35,000 radios. It took Sprint a year to negotiate a \$609,000 deal with the city of Fairfax,

# SOUTH-WESTERN

... MANAGERS DECIDE **WHO** WILL GET **WHAT** RESOURCES AND **HOW MUCH** OF EACH RESOURCE THEY WILL GET.

CEO. Mulally quickly arranged \$23.5 billion in financing to cover the losses. He plans to cut costs by reducing the number of cars Ford produces, standardizing the use

of shared parts across Ford vehicles, and laying off half of Ford's 82,000 factory workers. Mulally said, "I've seen this movie before [at Boeing]. Some very good and loyal people are going to leave this company between now and next summer, and that's going to be tough on everyone. [But,] As demoralizing as a slide down may be, the ride back up is infinitely more exhilarating."<sup>46</sup>

In the **resource allocator role**, managers decide who will get what resources

### Disturbance handler role

the decisional role managers play when they respond to severe problems that demand immediate action

### Resource allocator role

the decisional role managers play when they decide who gets what resources

### Negotiator role

the decisional role managers play when they negotiate schedules, projects, goals, outcomes, resources, and employee raises

## Resource Allocation



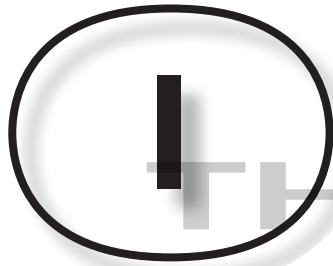
## Cadillac Style

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Hoping to revive sales of its luxury cars, top managers at General Motors acted as resource allocators by redirecting long-term investment of \$4 billion to the company's Cadillac brand. Put in perspective, that means that executives invested nearly 10 percent of GM's total capital budget in a division that accounts for only 4 percent of GM sales.<sup>48</sup>

Virginia, just to develop plans to replace its radios.<sup>49</sup> Negotiating, as you can see from Sprint's dilemma, is a key to success and a basic part of managerial work.

## What Does It Take to Be a Manager?



*I didn't have the slightest idea what my job was. I walked in giggling and laughing because I had been promoted and had no idea what principles or style to be guided by. After the first day, I felt like I had run into a brick wall. (Sales Representative #1)*

*representative #1)*

*Suddenly, I found myself saying, boy, I can't be responsible for getting all that revenue. I don't have the time. Suddenly you've got to go from [taking care of] yourself and say now I'm the manager, and what does a manager do? It takes a while thinking about it for it to really hit you . . . a manager gets things done through other people. That's a very, very hard transition to make.<sup>50</sup> (Sales Representative #2)*

The statements above come from two star sales representatives, who, on the basis of their superior performance, were promoted to the position of sales manager. As their comments indicate, at first they did not feel confident about their ability to do their jobs as managers. Like most new managers, these sales managers suddenly realized that the knowledge, skills, and abilities that led to success early in their careers (and were probably responsible for their promotion into the ranks of management) would not necessarily help them succeed as managers. As sales representatives, they were responsible only for managing their own performance. But as sales managers, they were now directly responsible for supervising all of the sales representatives in their sales territories. Furthermore, they were now directly accountable for whether those sales representatives achieved their sales goals.

If performance in nonmanagerial jobs doesn't necessarily prepare you for a managerial job, then what does it take to be a manager?



After reading the next three sections, you should be able to

5 explain what companies look for in managers.

6 discuss the top mistakes that managers make in their jobs.

7 describe the transition that employees go through when they are promoted to management.

## 5 What Companies Look for in Managers

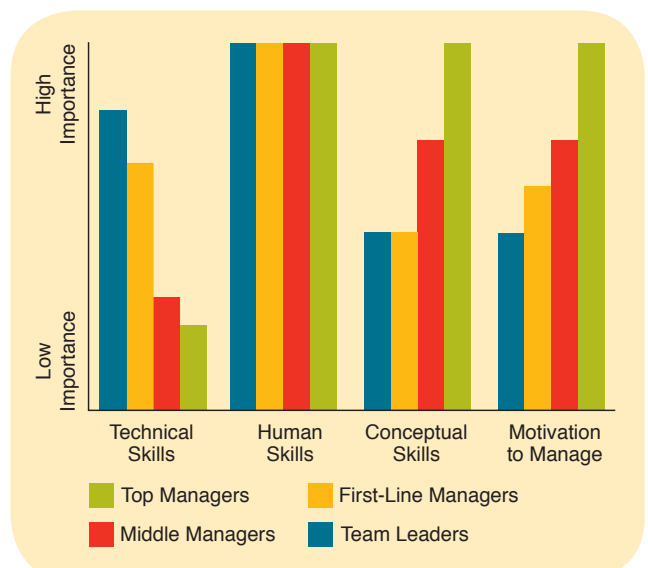
When companies look for employees who would be good managers, they look for individuals who have technical skills, human skills, conceptual skills, and the motivation to manage.<sup>51</sup> Exhibit 1.3 shows the relative importance of these four skills to the jobs of team leaders, first-line managers, middle managers, and top managers.

**Technical skills** are the ability to apply the specialized procedures, techniques, and knowledge required to get the job done. For the sales managers described above, technical skills are the ability to find new sales prospects, develop accurate sales pitches based on customer needs, and close the sale. For a nurse supervisor, technical skills include being able to insert an IV or operate a “crash cart” if a patient goes into cardiac arrest.

Technical skills are most important for team leaders and lower-level managers because they supervise the workers who produce products or serve customers. Team leaders and first-line managers need technical knowledge and skills to train new employees and help employees

**Technical skills** the ability to apply the specialized procedures, techniques, and knowledge required to get the job done

### Exhibit 1.3 Management Skills





solve problems. Technical knowledge and skills are also needed to troubleshoot problems that employees can't handle. Technical skills become less important as managers rise through the managerial ranks, but they are still important.

people, but that percentage increases to 63 percent for middle managers and 78 percent for top managers.<sup>52</sup>

**Conceptual skills** are the ability to see the organization as a whole, to understand how the different parts of the company affect each other, and to recognize how the company fits into or is affected by its external environment, such as the local community, social and economic forces, customers, and the competition. Good managers have to be able to recognize, understand, and reconcile multiple complex problems and perspectives. In other words, managers have to be smart! In fact, intelligence makes so much difference for managerial performance that managers with above-average intelligence typically outperform managers of average intelligence by approximately 48 percent.<sup>53</sup> Clearly, companies need to be careful to promote smart workers into management. Conceptual skills increase in importance as managers rise through the management hierarchy. <sup>TM</sup>

Good management involves much more than intelligence, however. For example, making the department genius a manager can be disastrous if that genius lacks technical skills, human skills, or one other factor known as the motivation to manage. **Motivation to manage** is an assessment of how motivated employees are to interact with superiors, participate in competitive situations, behave assertively toward others, tell others what to do, reward

Good management involves much more than intelligence.

**Human skills** can be summarized as the ability to work well with others. Managers with people skills work effectively within groups, encourage others to express their thoughts and feelings, are sensitive to others' needs and viewpoints, and are good listeners and communicators. Human skills are equally important at all levels of management, from first-line supervisors to CEOs. However, because lower-level managers spend much of their time solving technical problems, upper-level managers may actually spend more time dealing directly with people. On average, first-line managers spend 57 percent of their time with

**Human skills** the ability to work well with others

**Conceptual skills** the ability to see the organization as a whole, understand how the different parts affect each other, and recognize how the company fits into or is affected by its environment

**Motivation to manage** an assessment of how enthusiastic employees are about managing the work of others

good behavior and punish poor behavior, perform actions that are highly visible to others, and handle and organize administrative tasks. Managers typically have a stronger motivation to manage than their subordinates, and managers at higher levels usually have a stronger motivation to manage than managers at lower levels. Furthermore, managers with a stronger motivation to manage are promoted faster, are rated as better managers by their employees, and earn more money than managers with a weak motivation to manage.<sup>54</sup>

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## 6 Mistakes Managers Make

Another way to understand what it takes to be a manager is to look at the mistakes managers make. In other words, we can learn just as much from what managers shouldn't do as from what they should do.

Several studies of U.S. and British managers have compared "arrivers," or managers who made it all the

way to the top of their companies, with “derailers,” managers who were successful early in their careers but were knocked off the fast track by the time they reached the middle to upper levels of management.<sup>55</sup> The researchers found that there were only a few differences between arrivers and derailers. For the most part, both groups were talented and both groups had weaknesses. But what distinguished derailers from arrivers was that derailers possessed two or more “fatal flaws” with respect to the way that they managed people! Although arrivers were by no means perfect, they usually had no more than one fatal flaw or had found ways to minimize the effects of their flaws on the people with whom they worked.

The number one mistake made by derailers was that they were insensitive to others by virtue of their abrasive, intimidating, and bullying management style. The authors of one study described a manager who walked into his subordinate’s office and interrupted a meeting by saying, “I need to see you.” When the subordinate tried to explain that he was not available because he was in the middle of a meeting, the manager barked, “I don’t give a damn. I said I wanted to see you now.”<sup>56</sup> Not surprisingly, only 25 percent of derailers were rated by others as being good with people, compared to 75 percent of arrivers.

The second mistake was that derailers were often cold, aloof, or arrogant. Although

## Top Ten Mistakes That Managers Make

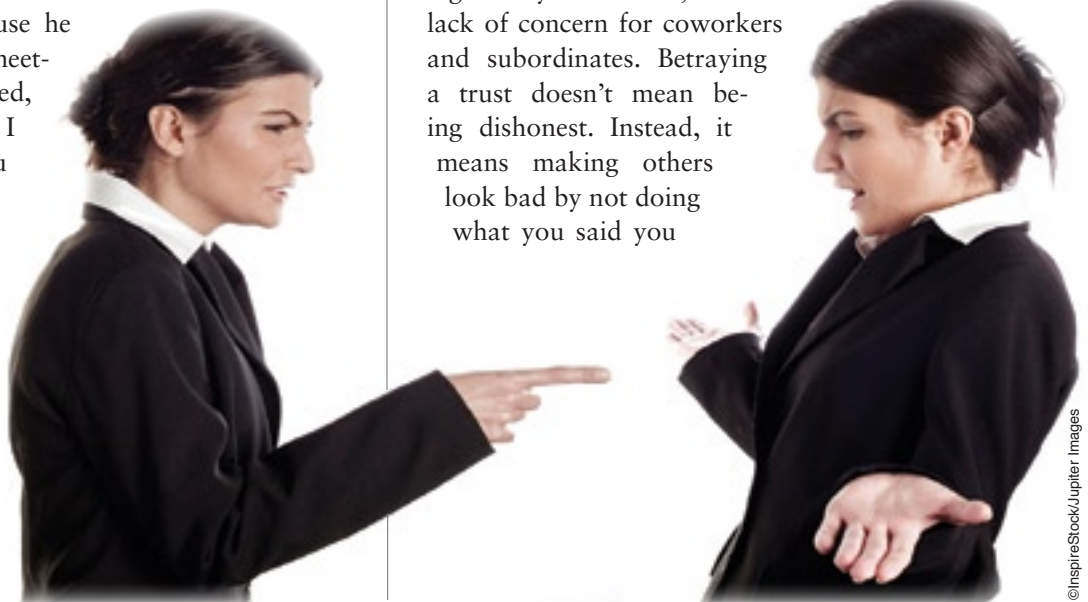
1. Insensitive to others: abrasive, intimidating, bullying style.
2. Cold, aloof, arrogant.
3. Betrayal of trust.
4. Overly ambitious: thinking of next job, playing politics.
5. Specific performance problems with the business.
6. Overmanaging: unable to delegate or build a team.
7. Unable to staff effectively.
8. Unable to think strategically.
9. Unable to adapt to boss with different style.
10. Overdependent on advocate or mentor.

Source: M. W. McCall, Jr. & M. M. Lombardo, “What Makes a Top Executive?” *Psychology Today*, February 1983, 26–31.

this sounds like insensitivity to others, it has more to do with derailed managers being so smart, so expert in their areas of knowledge, that they treated others with contempt because they weren’t experts, too. For example, the telecommunications company SBC called in an industrial psychologist to counsel its vice president of human resources because she had “been blamed for ruffling too many feathers at the company.”<sup>57</sup> Interviews with the vice president’s coworkers and subordinates revealed that they thought she was brilliant, was “smarter and

faster than other people,” “generates a lot of ideas,” and “loves to deal with complex issues.” Unfortunately, these smarts were accompanied by a cold, aloof, and arrogant management style. The people she worked with complained that she does “too much too fast,” treats coworkers with “disdain,” “impairs teamwork,” “doesn’t always show her warm side,” and has “burned too many bridges.”

The third and fourth mistakes made by the derailers, betraying a trust and being overly ambitious, reflect a lack of concern for coworkers and subordinates. Betraying a trust doesn’t mean being dishonest. Instead, it means making others look bad by not doing what you said you



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Managers who always have their eye on their next job rarely establish more than superficial relationships with peers and coworkers.

would do when you said you would do it. That mistake, in itself, is not fatal because managers and their workers aren't machines. Tasks go undone in every company every single business day. There's always too much to do and not enough time, people, money, or resources to do it. The fatal betrayal of trust is failing to inform others when things will not be done on time. This failure to admit mistakes, quickly inform others of the mistakes, take responsibility for the mistakes, and then fix them without blaming others distinguished the behavior of derailers from arrivers.

The fourth mistake, as mentioned above, was being overly political and ambitious. Managers who always have their eye on their next job rarely establish more than superficial relationships with peers and coworkers. In their haste to gain credit for successes that would be noticed by upper management, they make the fatal mistake of treating people as though they don't matter. An employee with an overly ambitious boss described him this way: "He gave me a new definition of shared risk: If something I did was successful, he took the credit. If it wasn't, I got the blame."<sup>58</sup>

The fatal mistakes of being unable to delegate, build a team, and staff effectively indicate that many derailed managers were unable to make the most basic transition to managerial work: to quit being hands-on doers and start getting work done through others. Two things go wrong when managers make these mistakes. First, when managers meddle in decisions that their subordinates should be making—when they can't stop being doers—they alienate the people who work for them. Ac-

ording to Richard Kilburg of Johns Hopkins University, when managers interfere with workers' decisions, "You . . . have a tendency to lose your most creative people. They're able to say, 'Screw this. I'm not staying here.'"<sup>59</sup> Second, because they are trying to do their subordinates' jobs in addition to their own, managers who fail to delegate will not have enough time to do anything well.

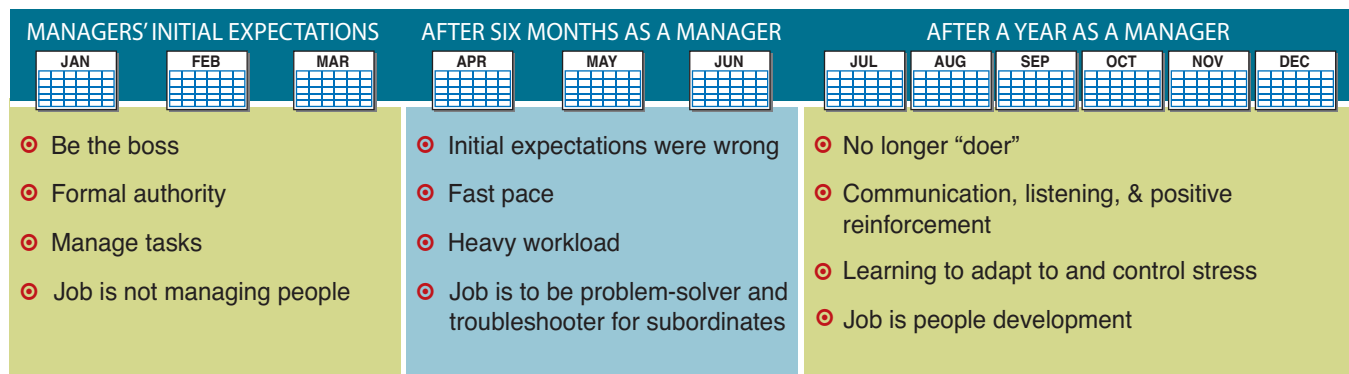
## 7 The Transition to Management: The First Year

In her book *Becoming a Manager: Mastery of a New Identity*, Harvard Business School professor Linda Hill followed the development of 19 people in their first year as managers. Her study found that becoming a manager produced a profound psychological transition that changed the way these managers viewed themselves and others. As shown in Exhibit 1.4, the evolution of the managers' thoughts, expectations, and realities over the course of their first year in management reveals the magnitude of the changes they experienced.

Initially, the managers in Hill's study believed that their job was to exercise formal authority and to manage tasks—basically being the boss, telling others what to do, making decisions, and getting things done. In fact, most of the new managers were attracted to management positions because they wanted to be "in charge." Surprisingly, the new managers did not believe that their job was to manage people. The only aspects of people management mentioned by the new managers were hiring and firing.

### Exhibit 1.4

#### Stages in the Transition to Management



After six months, most of the new managers had concluded that their initial expectations about managerial work were wrong. Management wasn't being "the boss." It wasn't just about making decisions and telling others what to do. The first surprise was the fast pace and heavy workload involved in being a manager. Said one manager, "This job is much harder than you think. It is 40 to 50 percent more work than being a producer! Who would have ever guessed?" The pace of managerial work was startling, too. Another manager said, "You have eight or nine people looking for your time . . . coming into and out of your office all day long." A somewhat frustrated manager declared that management was "a job that never ended," "a job you couldn't get your hands around."

©Stone/Getty Images

Informal descriptions like this are consistent with studies indicating that the average first-line manager spends no more than two minutes on a task before being interrupted by a request from a subordinate, a phone call, or an email. The pace is somewhat less hurried for top managers, who spend an average of approximately nine minutes on a task before having to switch to another. In practice, this means that supervisors may perform 30 different tasks per hour, while top managers perform seven different tasks per hour, with each task typically different from the one that preceded it. A manager described this frenetic level of activity by saying, "The only time you are in control is when you shut your door, and then I feel I am not doing the job I'm supposed to be doing, which is being with the people."

The other major surprise after six months on the job was that the managers' expectations about what they should do as managers were very different from their subordinates' expectations. Initially, the managers defined their jobs as helping their subordinates perform their jobs well. For the managers, who still defined themselves as doers rather than managers, assisting their subordinates meant going out on sales calls or handling customer complaints. But when the managers "assisted" in this way, their subordinates were resentful and viewed their help as interference. The subordinates wanted their managers to help them by solving problems that they couldn't solve. Once the managers realized this distinction, they embraced their role as problem-solver and

troubleshooter. Thus, they could help without interfering with their subordinates' jobs.

After a year on the job, most of the managers thought of themselves as managers and no longer as doers. In making the transition, they finally realized that people management was the most important part of their jobs. One manager summarized the lesson that had taken him a year to learn by saying, "As many demands as managers have on their time, I think their primary responsibility is people development. Not production, but people development." Another indication of how much their views had changed was that most of the managers now regretted the rather heavy-handed approach they had used in their early attempts to manage their subordinates. "I wasn't good at managing . . . , so I was bossy like a first-grade teacher." "Now I see that I started out as a drill sergeant. I was inflexible, just a lot of how-to's." By the end of the year, most of the managers had abandoned their authoritarian approach for one based on communication, listening, and positive reinforcement.

Finally, after beginning their year as managers in frustration, the managers came to feel comfortable with their subordinates, with the demands of their jobs, and with their emerging managerial styles. While being



**Top managers spend an average of 9 minutes on a given task before having to switch to another.**



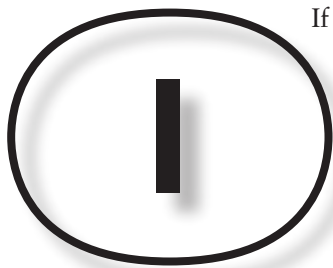
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# ONE THING THAT HASN'T CHANGED, THOUGH, IS THE IMPORTANCE OF GOOD PEOPLE AND GOOD MANAGEMENT.

managers had made them acutely aware of their limitations and their need to develop as people, it also provided them with an unexpected reward of coaching and developing the people who worked for them. One manager said, “I realize now that when I accepted the position of branch manager that it is truly an exciting vocation. It is truly awesome, even at this level; it can be terribly challenging and terribly exciting.”

## Why Management Matters



If you walk down the aisle of the business section in your local bookstore, you'll find hundreds of books that explain precisely what companies need to do to be successful. Unfortunately, the best-selling business books tend to be faddish, changing dramatically every few years. One thing that hasn't changed, though, is the importance of good people and good management: Companies can't succeed for long without them.



After reading this section, you should be able to

- 8 explain how and why companies can create competitive advantage through people.

## 8 Competitive Advantage through People

In his books *Competitive Advantage through People* and *The Human Equation: Building Profits by Putting People First*, Stanford University business professor Jeffrey Pfeffer contends that what separates top-performing companies from their competitors is the

way they treat their work forces—in other words, their management.<sup>60</sup>

Pfeffer found that managers in top performing companies used ideas like employment security, selective hiring, self-managed teams and decentralization, high pay contingent on company performance, extensive training, reduced status distinctions (between managers and employees), and extensive sharing of financial information to achieve financial performance that, on average, was 40 percent higher than that of other companies. These ideas, which are explained in detail in Exhibit 1.5, help organizations develop workforces that are smarter, better trained, more motivated, and more committed than their competitors' workforces. And, as indicated by the phenomenal growth and return on investment earned by these companies, smarter, better trained, and more committed workforces provide superior products and service to customers, who keep buying and, by telling others about their positive experiences, bring in new customers.

Pfeffer also argues that companies that invest in their people will create long-lasting competitive advantages that are difficult for other companies to duplicate. Indeed, other studies clearly demonstrate that sound management practices can produce substantial advantages in four critical areas of organizational performance: sales revenues, profits, stock market returns, and customer satisfaction.

In terms of sales revenues and profits, a study of nearly 1,000 U.S. firms found that companies that use *just some* of the ideas shown in Exhibit 1.5 had \$27,044 more sales per employee and \$3,814 more profit per employee than companies that didn't use any.<sup>61</sup> For a 100-person company, these differences amount to \$2.7 million more in sales and nearly \$400,000 more in annual profit! For a 1,000-person company, the difference grows to \$27 million more in sales and \$4 million more in annual profit!

Another study investigating the effect on company sales found that poorly performing companies that adopted management techniques as simple as setting performance expectations and coaching, reviewing, and rewarding employee performance were able to im-

## Exhibit 1.5

### Competitive Advantage through People: Management Practices

1. **Employment Security**—Employment security is the ultimate form of commitment that companies can make to their workers. Employees can innovate and increase company productivity without fearing the loss of their jobs.
2. **Selective Hiring**—If employees are the basis for a company's competitive advantage, and those employees have employment security, then the company needs to aggressively recruit and selectively screen applicants in order to hire the most talented employees available.
3. **Self-Managed Teams and Decentralization**—Self-managed teams are responsible for their own hiring, purchasing, job assignments, and production. Self-managed teams can often produce enormous increases in productivity through increased employee commitment and creativity. Decentralization allows employees who are closest to (and most knowledgeable about) problems, production, and customers to make timely decisions. Decentralization increases employee satisfaction and commitment.
4. **High Wages Contingent on Organizational Performance**—High wages are needed to attract and retain talented workers and to indicate that the organization values its workers. Employees, like company founders, shareholders, and managers, need to share in the financial rewards when the company is successful. Why? Because employees who have a financial stake in their companies are more likely to take a long-run view of the business and think like business owners.
5. **Training and Skill Development**—Like a high-tech company that spends millions of dollars to upgrade computers or research and development labs, a company whose competitive advantage is based on its people must invest in the training and skill development of its people.
6. **Reduction of Status Differences**—These are fancy words that indicate that the company treats everyone, no matter what the job, as equal. There are no reserved parking spaces. Everyone eats in the same cafeteria and has similar benefits. The result: Much improved communication as employees focus on problems and solutions rather than on how they are less valued than managers.
7. **Sharing Information**—If employees are to make decisions that are good for the long-run health and success of the company, they need to be given information about costs, finances, productivity, development times, and strategies that was previously known only by company managers.

Source: J. Pfeffer, *The Human Equation: Building Profits by Putting People First* (Boston: Harvard Business School Press, 1996).

prove their average return on investment from 5.1 percent to 19.7 percent and increase sales by \$94,000 per employee!<sup>62</sup> So, in addition to significantly improving the profitability of healthy companies, sound management practices can turn around failing companies.

To determine the effect on stock market performance, researchers matched companies on *Fortune* magazine's list of "100 Best Companies to Work for in America" with companies that were similar in industry, size, and—this is key—operating performance. In other words, both sets of companies were equally good performers; the key difference was how well they treated their employees. For both sets of companies, the researchers found that employee attitudes such as job satisfaction changed little from year to year. The people who worked for the "100 Best" companies were consistently much more satisfied with their jobs and employers year after year than were employees in the matched companies. More importantly, those stable differences in employee attitudes were strongly related to differences in stock market performance. Over a three-year period, an investment in the "100 Best Companies

to Work for" would have resulted in an 82 percent cumulative stock return compared to just 37 percent for the matched companies.<sup>63</sup> This difference is remarkable given that both sets of companies were equally good performers at the beginning of the period.

Finally, research also indicates that managers have an important effect on customer satisfaction. Many people find this surprising. They don't understand how managers, who are largely responsible for what goes on inside the company, can affect what goes on outside the company. They wonder how managers, who often interact with customers under negative conditions (when customers are angry or dissatisfied), can actually improve customer satisfaction. It turns out that managers influence customer satisfaction through employee satisfaction. When employees are satisfied with their jobs, their bosses, and the companies they work for, they provide much better service to customers.<sup>64</sup> In turn, customers are more satisfied, too. You will learn more about the service-profit chain in Chapter 18 on managing service and manufacturing operations.



*In 2007, Fortune ranked Google as America's Best Company to Work for. One of the perks at the Goggleplex: Free—and good—food at the cafeteria. And that includes a company sushi chef.*

©Getty Images News

## By the Numbers

**3.5 billion** packages shipped by UPS in a single year

**\$100,000**

amount of money Continental saves a year by not giving passengers a full can of soda.

**4** kinds of managers, kinds of skills it takes to be a manager

**35%** of CEOs eventually fired in a year

**30** number of tasks a supervisor does in an hour

**75%** of arrivers ranked as good with people

**3** number of major roles managers perform

