

# management, leadership, AND employee empowerment



profile

## Getting to Know

**X** *Oprah Winfrey,*  
Businesswoman and  
TV Personality

**O**prah Winfrey is one of the most famous women in the world. She was born in Kosciusko, Mississippi. When she was young, she lived in a home with no electricity or running water. Her name was supposed to be Orpah, after the daughter-in-law of Naomi in the Bible. It turned out that her name was spelled wrong on her birth certificate, so it became Oprah. Now Oprah is much more famous than Orpah.

Oprah went to Tennessee State University and majored in speech communications. After some earlier work, she went to a TV station in Baltimore, Maryland. The station bosses wanted her to change her hair, nose, and just about everything else. Not surprisingly, she wanted to leave Baltimore and host the morning Chicago show. She applied for the job, and not only did they hire her, but they let Oprah be Oprah. The name of the show was changed from *A.M. Chicago* to *The Oprah Winfrey Show*. Oprah went on from there to become the nation's first female African American billionaire.

Oprah's biggest source of wealth is Harpo Inc. (*Harpo* is *Oprah* spelled backward.) *The Oprah Winfrey Show* reaches millions of viewers and is the number one daytime television

talk show in the United States. *O*, the Oprah magazine, was the most successful magazine launch ever. It is now in its fifth year.

So, what is Oprah's management style? How does she stay so successful? If you were to ask Oprah what her management style is, she would hesitate to say because she just tries to be herself and trusts others to manage her affairs. In many ways, Oprah displays the characteristics of today's progressive managers. She is more a leader than a manager. She sets the tone and direction of her enterprises. She is flexible and sees opportunities as they arise. For example, she was able to get Pontiac to donate 276 cars to give away at the beginning of her 19th season. Pontiac wanted to promote its new sports sedan, so Oprah struck a deal. Both Oprah and Pontiac got lots and lots of publicity because of this giveaway.

She doesn't believe much in long-range planning but is quick to seize an opportunity when it comes. Her message is "You are responsible for your own life." Few people model that belief system better than Oprah herself. Although Oprah tends to use a manage-by-instinct style herself, she works closely with others—like Jeff Jacobs, the president of

After you have read and studied this chapter, you should be able to

- 1 Explain how the changes that are occurring in the business environment are affecting the management function.
- 2 Describe the four functions of management.
- 3 Relate the planning process and decision making to the accomplishment of company goals.
- 4 Describe the organizing function of management.
- 5 Explain the differences between leaders and managers, and describe the various leadership styles.
- 6 Summarize the five steps of the control function of management.

Harpo—who have a more traditional managerial style. While Oprah enables others to make operational decisions, she is very involved in the content of her shows and her magazine. She reads every word in the magazine before it comes out and looks closely at every photo. That's why she was so harsh on James Frey whose book she had promoted. She forced Frey to tell the truth about *"A Million Little Pieces"* to restore integrity and honesty to her show.

Oprah has donated 10 percent of her annual income to charity most of her adult life. Most of her giving is done anonymously. She focuses on three causes: women, children, and education. In everything she does, Oprah's goal is to do better. Her rise to success has been so rapid that she hasn't had much time to sit down and create a vision for her future, but she has had an internal vision that has suited her well so far.

In this chapter, you will read about management and the changes occurring in that area. Like Oprah, most managers today are flexible and open to new ideas. They see opportunity and act much faster than they did in the past. They tend to give their workers more responsibility and authority and

act more like leaders (visionaries) than hands-on managers who tell people what to do and how to do it.

Sources: Patricia Sellers, "The Business of Being Oprah," *Fortune*, April 1, 2001, pp. 50 ff.; Tara Burghart, "Oprah's Car Giveaway Hailed as Marketing Coup," *Enquirer*, September 15, 2004; "Oprah Winfrey," [www.achievement.org/autodoc/page/winOpro-1](http://www.achievement.org/autodoc/page/winOpro-1), February 5, 2005; "Winfrey," *Television Week*, January 17, 2005; and Jonathan Darman, "The Wrath of Oprah," *Newsweek*, February 6, 2006, pp. 42-43.



## MANAGERS' ROLES ARE EVOLVING

Managers must practice the art of getting things done through organizational resources (e.g., workers, financial resources, information, and equipment). At one time, managers were called bosses, and their job consisted of telling people what to do and watching over them to be sure they did it. Bosses tended to reprimand those who didn't do things correctly and generally acted stern. Many managers still behave that way. Perhaps you've witnessed such behavior.<sup>1</sup>

Today, management is more progressive. Oprah Winfrey is just one example. Such managers are educated to guide, train, support, motivate, and coach employees rather than to tell them what to do.<sup>2</sup> There is much more emphasis on working in teams and team building. Managers of high-tech firms realize that workers often know much more about technology than they do. Thus, most modern managers emphasize teamwork and cooperation rather than discipline and order giving.<sup>3</sup> Managers in some high-tech firms and in progressive firms of all kinds tend to be friendly, and generally treat employees as partners rather than unruly workers.

In the past, a worker would expect to work for the same company for many years, maybe even a lifetime. Similarly, companies would hire people and keep them for a long time. Today, many companies don't hesitate to lay off employees, and employees don't hesitate to leave if their needs are not being met. Today's top leaders of Fortune 100 companies are younger, more of them are female, and fewer of them were educated at elite universities. They tend to move from one company to another as their careers unfold.<sup>4</sup> Traditional long-term contracts between management and employees—and the accompanying trust—are often no longer there. This increases the difficulty of the management task because managers must earn the trust of their employees, which includes listening to them, rewarding them, and finding ways to encourage them to stay in the firm.

In general, management is experiencing a revolution. Managers in the future are likely to be working in teams and to be assuming completely new roles in the firm. Furthermore, they will be doing more expansion overseas (see the Reaching Beyond Our Borders box). We'll discuss these roles and the differences between managers and leaders in detail later in the chapter.

What this means for you and other graduates of tomorrow is that management will demand a new kind of person: a skilled communicator and team player as well as a planner, coordinator, organizer, and supervisor. These trends will be addressed in the next few chapters to help you decide whether management is the kind of career you would like.

## FUNCTIONS OF MANAGEMENT

Managers give direction to their organizations, provide leadership, and decide how to use organizational resources to accomplish goals.<sup>5</sup> Such descriptions give you some idea of what managers do. In addition to those tasks, managers today must deal with conflict resolution, create trust in an atmosphere where trust has been badly shaken, and help create balance between work lives and family lives.<sup>6</sup> Managers look at the big picture, and their decisions make a major difference in organizations.<sup>7</sup> The following definition provides the outline of this chapter: **Management** is the process used to accomplish organizational goals through planning,

### management

The process used to accomplish organizational goals through planning, organizing, leading, and controlling people and other organizational resources.

Today's employees tend to be younger and more aware of job alternatives. Companies such as Yahoo! have adapted by making the workplace more open and comfortable for multitaskers. What kind of perks would appeal to you the most?





## Mickey Mouse Brings the Magic to China

Sometimes opportunities overseas seem very promising when compared with domestic growth. Take the Walt Disney Company, for example. There are 290 million people under the age of 14 in China—more potential Mousketeers than the entire U.S. population. You can see, then, why Disney president Robert Iger went to China to promote Winnie-the-Pooh books and Disney products in general. Part of the attraction was to take basketball star Yao Ming and other NBA stars with him. It is not easy doing business in China, however. American managers must deal with cultural, regulatory, and other barriers to succeed.

Despite the managerial obstacles, Disney opened its Hong Kong theme park in 2005 and hopes to open another one in Shanghai, China. Some 70 percent of overseas sales now come from slow-growing Europe, and Iger wants to expand into fast-growing regions like China and India. But the challenges are sometimes



daunting. For example, the Mickey Mouse Club must be called the Dragon Club and there are many other restrictions on the use of Chinese TV for American firms. To break into the culture, Disney has teamed up with the 70-million-member Communist Youth League to build reading skills and creativity. Disney performers tell stories and encourage children to draw pictures of Mickey Mouse and other Disney characters. Disney's *The Lion King* was the first foreign film released in China. Since then, the company has introduced many other films, including *Toy Story* and *Finding Nemo*. What other problems do you think Disney management might face when trying to introduce Disney theme parks and products in other countries?

Source: Clay Chandler, "Mickey Mao," *Fortune*, April 18, 2005, pp. 170–178; G. Pascal Zachary, "Making It in China," *Business 2.0*, August 2005, pp. 59–66; and Bay Fang, "Spending Spree," *U.S. News & World Report*, May 1, 2006, pp. 43–50.

organizing, leading, and controlling people and other organizational resources (see Figure 7.1).

**Planning** includes anticipating trends and determining the best strategies and tactics to achieve organizational goals and objectives. One of those

### Planning

- Setting organizational goals.
- Developing strategies to reach those goals.
- Determining resources needed.
- Setting precise standards.

### Organizing

- Allocating resources, assigning tasks, and establishing procedures for accomplishing goals.
- Preparing a structure (organization chart) showing lines of authority and responsibility.
- Recruiting, selecting, training, and developing employees.
- Placing employees where they'll be most effective.

### Leading

- Guiding and motivating employees to work effectively to accomplish organizational goals and objectives.
- Giving assignments.
- Explaining routines.
- Clarifying policies.
- Providing feedback on performance.

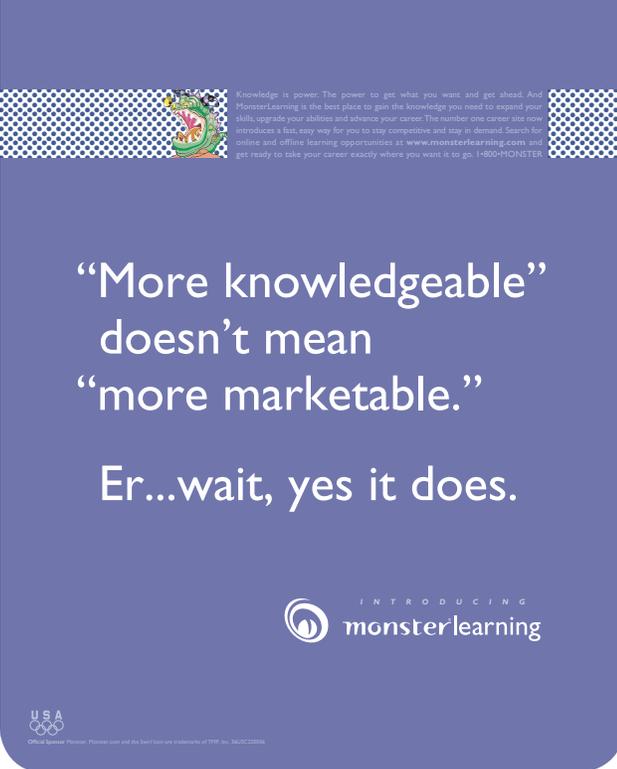
### Controlling

- Measuring results against corporate objectives.
- Monitoring performance relative to standards.
- Rewarding outstanding performance.
- Taking corrective action when necessary.

## figure 7.1

### WHAT MANAGERS DO

Some modern managers perform all of these tasks with the full cooperation and participation of workers. Empowering employees means allowing them to participate more fully in decision making.



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**“More knowledgeable”  
doesn’t mean  
“more marketable.”  
Er...wait, yes it does.**

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Many of today’s workers are called “knowledge workers” because they have the education and skill to compete with companies anywhere in the world. Much of that learning comes from community colleges, universities, and online learning centers of all kinds. What skills will make you more competitive in tomorrow’s job market?

#### planning

A management function that includes anticipating trends and determining the best strategies and tactics to achieve organizational goals and objectives.

#### organizing

A management function that includes designing the structure of the organization and creating conditions and systems in which everyone and everything work together to achieve the organization’s goals and objectives.

objectives is to please customers.<sup>8</sup> The trend today is to have *planning teams* to help monitor the environment, find business opportunities, and watch for challenges. Planning is a key management function because the other functions depend heavily on having a good plan.

**Organizing** includes designing the structure of the organization and creating conditions and systems in which everyone and everything work together to achieve the organization’s goals and objectives.<sup>9</sup> Many of today’s organizations are being designed around the customer. The idea is to design the firm so that everyone is working to please the customer at a profit. Thus, organizations must remain flexible and adaptable because customer needs change, and organizations must either change along with them or risk losing their business. General Motors, for example, has lost much of its customer base to manufacturers of more fuel-efficient cars.<sup>10</sup> It hopes to win back market share by offering hydrogen-powered vehicles that could save consumers much money for fuel.<sup>11</sup>

**Leading** means creating a vision for the organization and communicating, guiding, training, coaching, and motivating others to work effectively to achieve the organization’s goals and objectives. The trend is to empower employees, giving them as much freedom as possible to become self-directed and self-motivated. This function was once known as *directing*; that is, telling employees exactly what to do. In many smaller firms, that is still the role of managers. In most large modern firms, however, managers no longer tell people exactly what to do because knowledge workers and others often know how to do their jobs better than the manager does. Nonetheless, leadership is necessary to keep employees focused on the right tasks at the right time along with training, coaching, motivating, and the other leadership tasks.<sup>12</sup>

**Controlling** involves establishing clear standards to determine whether an organization is progressing toward its goals and objectives, rewarding people for doing a good job, and taking corrective action if they are not. Basically, it means measuring whether what actually occurs meets the organization’s goals.

The four functions just addressed—planning, organizing, leading, and controlling—are the heart of management, so let’s explore them in more detail. The process begins with planning; we’ll look at that right after the Progress Assessment.

#### progress assessment

- What are some of the changes happening in management today?
- What’s the definition of *management* used in this chapter?
- What are the four functions of management?

## PLANNING: CREATING A VISION BASED ON VALUES

Planning, the first managerial function, involves setting the organizational vision, goals, and objectives. Executives rate planning as the most valuable tool in their workbench. Part of the planning process involves the creation of a

vision for the organization. A **vision** is more than a goal; it's an encompassing explanation of why the organization exists and where it's trying to go. A vision gives the organization a sense of purpose and a set of values that, together, unite workers in a common destiny. Managing an organization without first establishing a vision can be counterproductive. It's like motivating everyone in a rowboat to get excited about going somewhere, but not telling them exactly where. As a result, the boat will just keep changing directions rather than speeding toward an agreed-on goal.

Usually employees work with managers to design a **mission statement**, which is an outline of the organization's fundamental purposes.<sup>13</sup> A meaningful mission statement should address:

- The organization's self-concept.
- Company philosophy and goals.
- Long-term survival.
- Customer needs.
- Social responsibility.
- The nature of the company's product or service.

Figure 7.2 contains Starbucks' mission statement. How well does Starbucks address all of the issues listed above?

The mission statement becomes the foundation for setting specific goals and selecting and motivating employees. **Goals** are the broad, long-term accomplishments an organization wishes to attain. Goals need to be mutually agreed on by workers and management. Thus, goal setting is often a team process.

**Objectives** are specific, short-term statements detailing how to achieve the organization's goals. One of your goals for reading this chapter, for example, may be to learn basic concepts of management. An objective you could use to achieve this goal is to answer correctly the chapter's Progress Assessment questions. Objectives must be measurable. For example, you can measure your progress in answering questions by determining what percentage you answer correctly over time.

Planning is a continuous process. It's unlikely that a plan that worked yesterday would be successful in today's market. Most planning follows a pattern. The procedure you would follow in planning your life and career is basically the same as that used by businesses for their plans. Planning answers several fundamental questions for businesses:

1. What is the situation now? What is the state of the economy and other environments? What opportunities exist for meeting people's needs? What products and customers are most profitable? Why do people buy

#### leading

Creating a vision for the organization and guiding, training, coaching, and motivating others to work effectively to achieve the organization's goals and objectives.

#### controlling

A management function that involves establishing clear standards to determine whether or not an organization is progressing toward its goals and objectives, rewarding people for doing a good job, and taking corrective action if they are not.

#### vision

An encompassing explanation of why the organization exists and where it's trying to head.

#### mission statement

An outline of the fundamental purposes of an organization.

#### goals

The broad, long-term accomplishments an organization wishes to attain.

#### objectives

Specific, short-term statements detailing how to achieve the organization's goals.

To establish Starbucks as the premier purveyor of the finest coffee in the world while maintaining our uncompromising principles as we grow. The following six guiding principles will help us measure the appropriateness of our decisions:

- Provide a great work environment and treat each other with dignity and respect.
- Embrace diversity as an essential component in the way we do business.
- Apply the highest of standards in excellence to the purchasing, roasting, and fresh delivery of our coffee.
- Develop enthusiastically satisfied customers all of the time.
- Contribute positively to our community and our environment.
- Recognize that profitability is essential to our future success.

## figure 7.2

### STARBUCKS' MISSION STATEMENT

## Hitting the Retail Bull's-Eye

Target is certainly one of the success stories of the recent past. It has the reputation that Sears, Kmart, and other large retailers once had. As the competition slows, Target management seems to be finding the right path to success. For one thing, Target managers have found a market niche for its on-line sales. Stores are good for buying items for yourself, but Web sites are often better for finding gifts for someone else. Therefore, management decided to go to the Web. Target.com aims at people who need to buy gifts. One fall, for example, Target.com sold thousands of Student Survival Kits to parents and other relatives of returning students. Some 22 percent of the site's sales come from bridal and baby registries. By responding quickly to such market opportunities, Target managers can keep the company in the vanguard. Soon management will add Target's sister store, Mervyn's, to its Web site. Target is also allied with Amazon.com. In short, Target seems to be on target when it comes to adapting to the Internet challenge. In this area, Target's success seems comparable to that of Wal-Mart.

What about the challenge of Wal-Mart in the area of superstores? Here Target management has been less successful. Target's superstores are less productive than its regular stores. Was it a mistake to go after Wal-Mart's supercenters? Wal-Mart has its own grocery warehouses, giving it a cost advantage. Target could create its own distribution centers to become more competitive, but that is dangerous ground.



Such centers are costly. Adapting to change is never easy, but adapting to Wal-Mart is truly daunting.

Target has its own image and its own customer base. Sometimes change is good and sometimes it's not. By listening to its customer base and responding appropriately, Target's managers should be able to expand and increase profits. That may mean sticking to what Target knows best and not venturing out into Wal-Mart's strengths. It may not. That's the future challenge for Target's managers.

Sources: Jim Collins, "Bigger, Better, Faster," *Fast Company*, June 2003, pp. 74-78; www.Target.com, 2006; and Michael Barbaro, "Pinch Me—Is That a Wal-Mart?," *Washington Post*, August 7, 2005, pp. F1 and F6.



### SWOT analysis

A planning tool used to analyze an organization's strengths, weaknesses, opportunities, and threats.

(or not buy) our products? Who are our major competitors? What threats are they to our business? These questions are part of what is called **SWOT analysis**, which is an analysis of the organization's strengths, weaknesses, opportunities, and threats. The company begins such a process with an analysis of the business environment in general. Then it identifies strengths and weaknesses. Finally, as a result of the environmental analysis, it identifies opportunities and threats. These are often external to the firm and cannot always be anticipated. The Dealing with Change box discusses one company's strengths and weaknesses, and Figure 7.3 lists some of the potential issues companies consider when conducting a SWOT analysis: Where do we want to go? How much growth do we want? What is our profit goal? What are our social objectives? What are our personal development objectives?

2. How can we get there from here? This is the most important part of planning. It takes four forms: strategic, tactical, operational, and contingency (see Figure 7.4).

### strategic planning

The process of determining the major goals of the organization and the policies and strategies for obtaining and using resources to achieve those goals.

**Strategic planning** determines the major goals of the organization. It provides the foundation for the policies, procedures, and strategies for obtaining and using resources to achieve those goals. In this definition, policies are broad guides to action, and strategies determine the best way to use resources. At the strategic planning stage, the company decides which customers to serve,

<p><b>Potential Internal STRENGTHS</b></p> <ul style="list-style-type: none"> <li>• Core competencies in key areas</li> <li>• An acknowledged market leader</li> <li>• Well-conceived functional area strategies</li> <li>• Proven management</li> <li>• Cost advantages</li> <li>• Better advertising campaigns</li> </ul>	<p><b>Potential Internal WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>• No clear strategic direction</li> <li>• Obsolete facilities</li> <li>• Subpar profitability</li> <li>• Lack of managerial depth and talent</li> <li>• Weak market image</li> <li>• Too narrow a product line</li> </ul>
<p><b>Potential External OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>• Ability to serve additional customer groups</li> <li>• Expand product lines</li> <li>• Ability to transfer skills/technology to new products</li> <li>• Falling trade barriers in attractive foreign markets</li> <li>• Complacency among rival firms</li> <li>• Ability to grow due to increases in market demand</li> </ul>	<p><b>Potential External THREATS</b></p> <ul style="list-style-type: none"> <li>• Entry of lower-cost foreign competitors</li> <li>• Rising sales of substitute products</li> <li>• Slower market growth</li> <li>• Costly regulatory requirements</li> <li>• Vulnerability to recession and business cycles</li> <li>• Changing buyer needs and tastes</li> </ul>

figure 7.3

**SWOT MATRIX**

This matrix identifies potential strengths, weaknesses, opportunities, and threats organizations may consider in a SWOT analysis.

what products or services to sell, and the geographic areas in which the firm will compete.<sup>14</sup> For example, GM is going through the painful process of deciding which products to keep and which to cut.<sup>15</sup> Its poor decision making in the past has had disastrous consequences.

In today’s rapidly changing environment, strategic planning is becoming more difficult because changes are occurring so fast that plans—even those set for just months into the future—may soon be obsolete.<sup>16</sup> Therefore, some companies are making shorter-term plans that allow for quick responses to customer needs and requests.<sup>17</sup> The goal is to be flexible and responsive to the market.

**Tactical planning** is the process of developing detailed, short-term statements about what is to be done, who is to do it, and how it is to be done. Tactical planning is normally done by managers or teams of managers at *lower* levels of the organization, whereas strategic planning is done by the *top* managers of the firm (e.g., the president and vice presidents of the organization). Tactical planning, for example, involves setting annual budgets and deciding on other details and activities necessary to meet the strategic objectives. If the strategic plan of a truck manufacturer, for example, is to sell more trucks in

**tactical planning**

The process of developing detailed, short-term statements about what is to be done, who is to do it, and how it is to be done.

**FORMS OF PLANNING**



figure 7.4

**PLANNING FUNCTIONS**

Very few firms bother to make contingency plans. If something changes the market, such companies may be slow to respond. Most organizations do strategic, tactical, and operational planning.



## On-the-Fly Decision Making after Hurricane Katrina

Julie Rodriguez bought her father's oil-field service business in Harvey, Louisiana, in 1991. The company, Epic Divers & Marine, repairs offshore pipelines and platforms, the kind that were destroyed by Hurricane Katrina. The company suffered severe damage from the storm, and many of the employees were left homeless. Working below water is always dangerous, but now the workers were stressed by their situations at home as well as at work.

Whether they worked or not the two weeks following Katrina, Rodriguez kept everyone on the payroll. Long-range planning was no longer an option for her. She faced many short-term issues: Would the office be torn down? When would employees be allowed to come back to Jefferson Parish? Where would she be working next week? Rodriguez needed a contingency plan to move to another building if her building could not be repaired in a reasonable amount of time.

Management is often like that. You think you have the situation under control, and suddenly the whole world has



changed. Rodriguez found that participative leadership was best under such circumstances. She had learned over time that managing a firm is more a matter of listening and responding to workers than telling them what to do. Change brings opportunities: Many companies were calling for Rodriguez's help. But change also brings tremendous challenges, especially for a small business. Rodriguez had to make employment decisions, building decisions, and other managerial decisions on the fly. She hopes that the tragedy will lead to more collaboration and camaraderie. She has long empowered employees to do what they feel best, and that is helping the company through this crisis. Such situations make managing a small business a challenging endeavor.

Source: Lucas Conley, "25 Top Women Business Leaders, #11: Julie Rodriguez," *Fast Company*, May 2005, p. 72; Chuck Salter, "It's Never Been This Hard," *Fast Company*, November 2005, pp. 72-79; and Jon Birger, "Man on a Mission," *Fortune*, April 3, 2006, pp. 86-92.

### operational planning

The process of setting work standards and schedules necessary to implement the company's tactical objectives.

### contingency planning

The process of preparing alternative courses of action that may be used if the primary plans don't achieve the organization's objectives.

the South, the tactical plan might be to fund more research of southern truck drivers' wants and needs, and to plan advertising to reach those people.

**Operational planning** is the process of setting work standards and schedules necessary to implement the company's tactical objectives. Whereas strategic planning looks at the organization as a whole, operational planning focuses on specific supervisors, department managers, and individual employees. The operational plan is the department manager's tool for daily and weekly operations. An operational plan may include, say, the specific dates for certain truck parts to be completed and the quality specifications those parts must meet.

**Contingency planning** is the process of preparing alternative courses of action that may be used if the primary plans don't achieve the organization's objectives. The economic and competitive environments change so rapidly that it's wise to have alternative plans of action ready in anticipation of such changes. For example, if an organization doesn't meet its sales goals by a certain date, the contingency plan may call for more advertising or a cut in prices at that time. Crisis planning is a part of contingency planning that involves reacting to sudden changes in the environment. For example, many cities and businesses are now developing plans to respond to potential terrorist attacks. You can imagine how important such plans would be to hospitals, the police, and other such organizations. You can read about responding to a crisis in the Spotlight on Small Business box.

Planning is a key management function because the other management functions depend on having good plans. Instead of creating detailed strategic plans, the leaders of market-based companies (companies that respond quickly to changes in competition or to other environmental changes) set direction. The idea is to stay flexible, listen to customers, and seize opportunities when they come, whether or not those opportunities were expected.<sup>18</sup> The opportunities, however, must fit into the company's overall goals and objectives or the company could lose its focus. Clearly, then, much of management and planning involves decision making.



All organizations need to have contingency plans for unexpected events. Note the chaos in New Orleans when hospitals and other organizations were not prepared for a major hurricane. This photo shows a hospital preparing for a terrorist attack. What responsibilities do you have, as a citizen, to prepare for a terrorist attack or some other major emergency?

## Decision Making: Finding the Best Alternative

All management functions involve some kind of decision making.<sup>19</sup> **Decision making** is choosing among two or more alternatives. It sounds easier here than it is in practice. In fact, decision making is the heart of all the management functions. The rational decision-making model is a series of steps managers often follow to make logical, intelligent, and well-founded decisions.<sup>20</sup> These steps can be thought of as the seven Ds of decision making:

1. Define the situation.
2. Describe and collect needed information.
3. Develop alternatives.
4. Develop agreement among those involved.
5. Decide which alternative is best.
6. Do what is indicated (begin implementation).
7. Determine whether the decision was a good one and follow up.

Managers don't always go through this seven-step process. Sometimes decisions have to be made *on the spot—with little information available*. Managers must make good decisions in all such circumstances. **Problem solving** is the process of solving the everyday problems that occur. It is less formal than the decision-making process and usually calls for quicker action. Problem-solving teams are made up of two or more workers who are given an assignment to solve a specific problem (e.g., Why are customers not using our service policies?). Problem-solving techniques that companies use include **brainstorming** (i.e., coming up with as many solutions as possible in a short period of time with no censoring of ideas) and **PMI** (i.e., listing all the **pluses** for a solution in one column, all the **minuses** in another, and the **implications** in a third column). You can practice using the PMI system on almost all of your decisions to get some practice. For example, should you stay home and study tonight? You would list all the benefits of your choice (pluses) in one column: better grades, more self-esteem, more responsible, and so on. In the other column, you would

### decision making

Choosing among two or more alternatives.

### problem solving

The process of solving the everyday problems that occur. Problem solving is less formal than decision making and usually calls for quicker action.

### brainstorming

Coming up with as many solutions to a problem as possible in a short period of time with no censoring of ideas.

### PMI

Listing all the pluses for a solution in one column, all the minuses in another, and the implications in a third column.

put the negatives (minuses): boredom, less fun, and so on. We hope that the pluses outweigh the minuses most of the time and that you study often. But sometimes it is best to go out and have some fun. In that case the implications would be that having fun would not hurt your grades or job prospects.

### progress assessment

- What's the difference between goals and objectives?
- What does a company analyze when it does a SWOT analysis?
- What's the difference between strategic, tactical, and operational planning?
- What are the seven Ds in decision making?

#### organization chart

A visual device that shows relationships among people and divides the organization's work; it shows who is accountable for the completion of specific work and who reports to whom.

#### top management

Highest level of management, consisting of the president and other key company executives who develop strategic plans.

## ORGANIZING: CREATING A UNIFIED SYSTEM

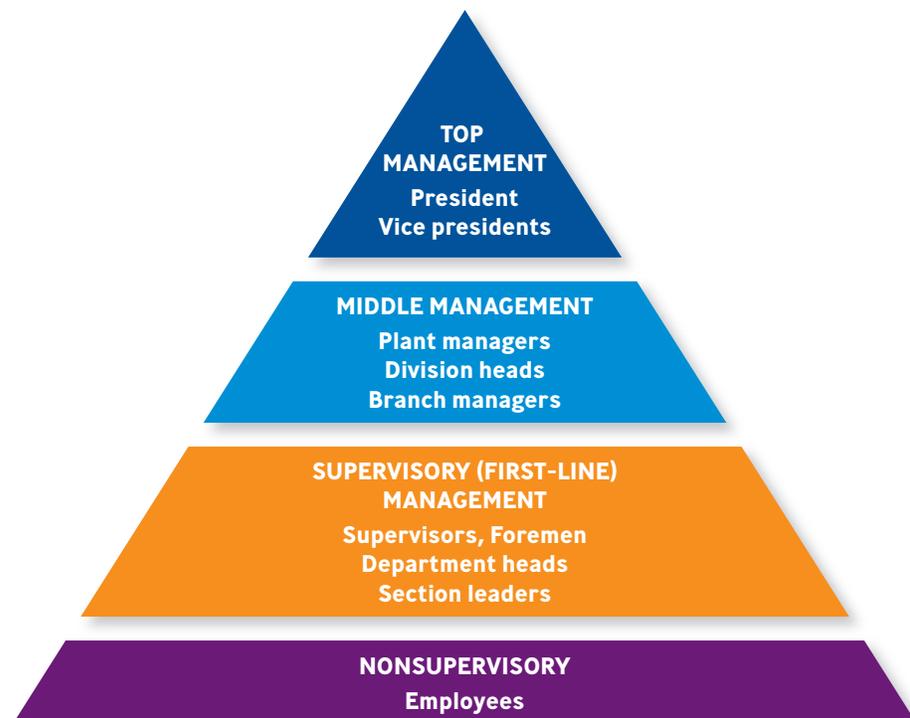
After managers have planned a course of action, they must organize the firm to accomplish their goals. Operationally, organizing means allocating resources (such as funds for various departments), assigning tasks, and establishing procedures for accomplishing the organizational objectives. An **organization chart** is a visual device that shows relationships among people and divides the organization's work; it shows who is accountable for the completion of specific work and who reports to whom (see Figure 7.5).

**Top management** (the highest level of management) consists of the president and other key company executives who develop strategic plans. Terms you're likely to see often are chief executive officer (CEO), chief operating officer (COO), chief financial officer (CFO), and chief information officer (CIO) or (in some companies) chief knowledge officer (CKO). The CEO is often the president of the firm and is responsible for all top-level decisions in the firm.

figure 7.5

#### LEVELS OF MANAGEMENT

This figure shows the three levels of management. In many firms, there are several levels of middle management. Recently, however, firms have been eliminating middle-level managers because fewer are needed to oversee self-managed teams of employees.



CEOs are responsible for introducing change into an organization. The COO is responsible for putting those changes into effect. His or her tasks include structuring work, controlling operations, and rewarding people to ensure that everyone strives to carry out the leader's vision. Many companies today are eliminating the COO function as a cost-cutting measure and are assigning that role to the CEO.<sup>21</sup> Often, the CFO participates in the decision to cut the COO position. The CFO is responsible for obtaining funds, planning budgets, collecting funds, and so on. The CIO or CKO is responsible for getting the right information to other managers so they can make correct decisions.

**Middle management** includes general managers, division managers, and branch and plant managers (in colleges, deans and department heads) who are responsible for tactical planning and controlling. Many firms have eliminated some middle managers through downsizing, and have given the remaining managers more employees to supervise.

**Supervisory management** includes those who are directly responsible for supervising workers and evaluating their daily performance; they're often known as first-line managers (or supervisors) because they're the first level above workers.<sup>22</sup>

#### middle management

The level of management that includes general managers, division managers, and branch and plant managers who are responsible for tactical planning and controlling.

#### supervisory management

Managers who are directly responsible for supervising workers and evaluating their daily performance.

## Tasks and Skills at Different Levels of Management

Few people are trained to be good managers. Usually a person learns how to be a skilled accountant or sales representative or production-line worker, and then—because of his or her skill—is selected to be a manager. The tendency is for such managers to become deeply involved in showing others how to do things, helping them, supervising them, and generally being very active in the operating task.

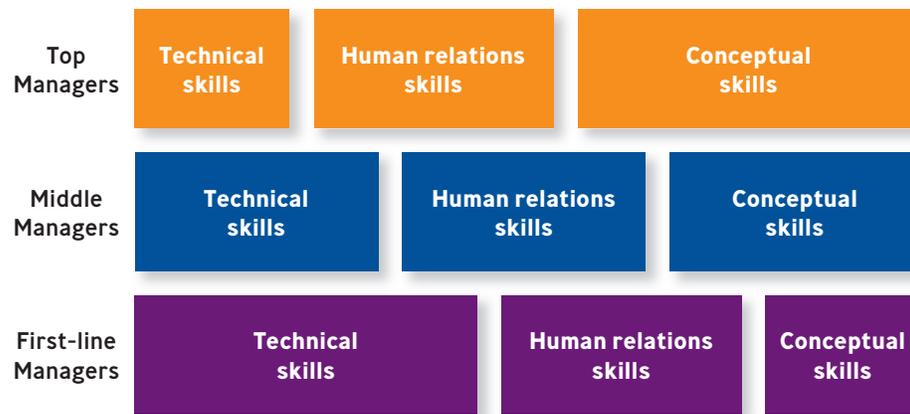
The further up the managerial ladder a person moves, the less important his or her original job skills become. At the top of the ladder, the need is for people who are visionaries, planners, organizers, coordinators, communicators,



figure 7.6

**SKILLS NEEDED AT VARIOUS LEVELS OF MANAGEMENT**

All managers need human relations skills. At the top, managers need strong conceptual skills and rely less on technical skills. First-line managers need strong technical skills and rely less on conceptual skills. Middle managers need to have a balance between technical and conceptual skills.

**technical skills**

Skills that involve the ability to perform tasks in a specific discipline or department.

**human relations skills**

Skills that involve communication and motivation; they enable managers to work through and with people.

**conceptual skills**

Skills that involve the ability to picture the organization as a whole and the relationship among its various parts.

morale builders, and motivators. Figure 7.6 shows that a manager must have three categories of skills:

1. **Technical skills** involve the ability to perform tasks in a specific discipline (such as selling a product or developing software) or department (such as marketing or information systems).
2. **Human relations skills** involve communication and motivation; they enable managers to work through and with people. Such skills also include those associated with leadership, coaching, morale building, delegating, training and development, and help and supportiveness.
3. **Conceptual skills** involve the ability to picture the organization as a whole and the relationships among its various parts. Conceptual skills are needed in planning, organizing, controlling, systems development, problem analysis, decision making, coordinating, and delegating.

Looking at Figure 7.6, you'll notice that first-line managers need to be skilled in all three areas. However, most of their time is spent on technical and human relations tasks (assisting operating personnel, giving directions, etc.). First-line managers spend little time on conceptual tasks. Top managers, in contrast, need to use few technical skills. Instead, almost all of their time is devoted to human relations and conceptual tasks. A person who is competent at a low level of management may not be competent at higher levels, and vice versa. The skills needed are different at different levels.

## The Stakeholder-Oriented Organization

A dominating question of the past 20 years or so has been how to best organize a firm to respond to the needs of customers and other stakeholders. Remember, stakeholders include anyone who's affected by the organization and its policies and products. That includes employees, customers, suppliers, dealers, environmental groups, and the surrounding communities. The consensus seems to be that smaller organizations are more responsive than larger organizations. Therefore, many large firms are being restructured into smaller, more customer-focused units.

The point is that companies are no longer organizing to make it easy for managers to have control. Instead, they're organizing so that customers have the greatest influence. The change to a customer orientation is being aided by technology. For example, establishing a dialogue with customers on the Internet enables some firms to work closely with customers and respond quickly to their wants and needs.

There's no way an organization can provide high-quality goods and services to customers unless suppliers provide world-class parts and materials with which to work. Thus, managers have to establish close relationships with suppliers, including close Internet ties.<sup>23</sup> To make the entire system work, similar relationships have to be established with those organizations that sell directly to consumers—retailers.

In the past, the goal of the organization function in the firm was to clearly specify who does what *within* the firm. Today, the organizational task is much more complex because firms are forming partnerships, joint ventures, and other arrangements that make it necessary to organize the *whole system*, that is, several firms working together, often across national boundaries.<sup>24</sup> One organization working alone is often not as effective as many organizations working together. Creating a unified system out of multiple organizations will be one of the greatest management challenges of the 21st century.

## Staffing: Getting and Keeping the Right People

**Staffing** involves recruiting, hiring, motivating, and retaining the best people available to accomplish the company's objectives. Recruiting good employees has always been an important part of organizational success. Today, however, it is critical, especially in the Internet and high-tech areas. At most high-tech companies, like IBM, Sony, and Microsoft, the primary capital equipment is brainpower. One day the company may be selling books (Amazon.com) and suddenly an employee comes up with the idea of selling music or having auctions online or whatever. Any of these opportunities may prove profitable in the long run. The opportunities seem almost limitless. Thus, the firms with the most innovative and creative workers can go from start-up to major competitor with leading companies in just a few years.

Once they are hired, good people must be retained. Many people are not willing to work at companies unless they are treated well and get fair pay. Employees may leave to find companies that offer them a better balance between work and home. Staffing is becoming a greater part of each manager's assignment, and all managers need to cooperate with human resource management to win and keep good workers.

Staffing is such an important subject that we cannot cover it fully in this chapter. It is enough for now to understand that staffing is becoming more and more important as companies search for skilled and talented workers. All of Chapter 11 is devoted to human resource issues, including staffing.

## LEADING: PROVIDING CONTINUOUS VISION AND VALUES

In business literature there's a trend toward separating the notion of management from that of leadership.<sup>25</sup> One person might be a good manager but not a good leader.<sup>26</sup> Another might be a good leader without being a good manager. One difference between managers and leaders is that managers strive to produce order and stability whereas leaders embrace and manage change. Leadership is creating a vision for others to follow, establishing corporate values and ethics, and transforming the way the organization does business in order to improve its effectiveness and efficiency.<sup>27</sup> Good leaders motivate workers and create the environment for workers to motivate themselves. *Management*



To get the right kind of people to staff an organization, the firm has to offer the right kind of incentives. Google's gourmet chefs cook up free lunch, dinner, and snacks for employees. Would such an incentive appeal to you? How important to you is pay relative to other incentives?

### staffing

A management function that includes hiring, motivating, and retaining the best people available to accomplish the company's objectives.

## To Share or Not to Share



First-line managers assist in the decisions made by their department heads. The department heads retain full responsibility for the decisions—if a plan succeeds, it's their success; if a plan fails, it's their failure. Now picture this: As a first-line manager, you have new information that your department head hasn't seen yet. The findings

in this report indicate that your manager's recent plans are sure to fail. If the plans do fail, the manager will probably be demoted and you're the most likely candidate to fill the vacancy. Will you give your department head the report? What is the ethical thing to do? What might be the consequences of your decision?

*is the carrying out of the leadership's vision.* Can you see how Oprah Winfrey (the subject of this chapter's Opening Profile) might be considered more of a leader than a manager?

Now and in the future, all organizations will need leaders who can supply the vision as well as the moral and ethical foundation for growth. You don't have to be a manager to be a leader. All employees can lead. That is, any employee can contribute to producing order and stability and can motivate others to work well. All employees can also add to a company's ethical environment and report ethical lapses when they occur.

Organizations will need workers and managers who share a vision and know how to get things done cooperatively. The workplace is changing from an environment in which a few dictate the rules to others to an environment in which all employees work together to accomplish common goals. Furthermore, managers must lead by doing, not just by saying.

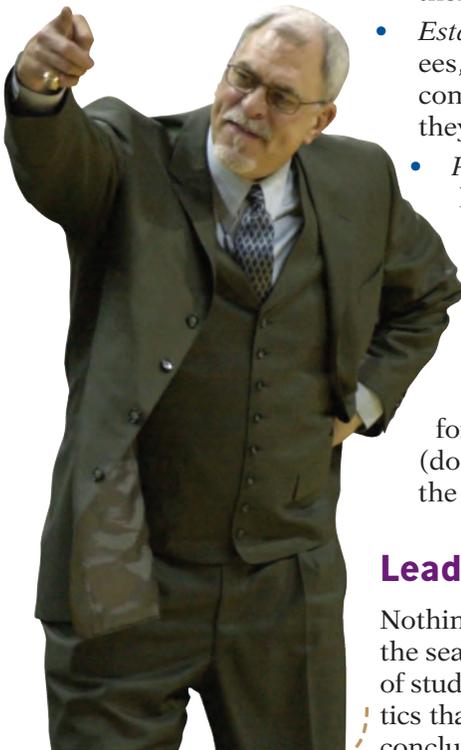
In summary, leaders must:

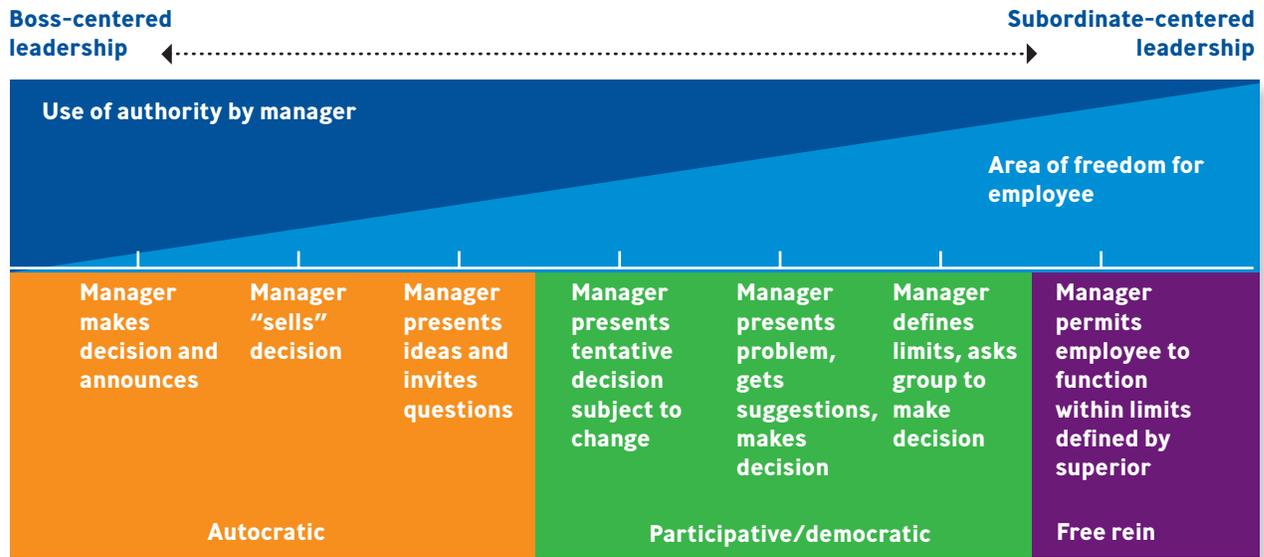
- *Communicate a vision and rally others around that vision.* In doing so, the leader should be openly sensitive to the concerns of followers, give them responsibility, and win their trust.<sup>28</sup>
- *Establish corporate values.* These values include a concern for employees, for customers, for the environment, and for the quality of the company's products. When companies set their business goals today, they're defining the values of the company as well.
- *Promote corporate ethics.* Ethics include an unfailing demand for honesty and an insistence that everyone in the company gets treated fairly. That's why we stress ethical decision making throughout this text. Many businesspeople are now making the news by giving away huge amounts to charity, thus setting a model of social concern for their employees and others (see the Making Ethical Decisions box).
  - *Embrace change.* A leader's most important job may be to transform the way the company does business so that it's more effective (does things better) and efficient (uses fewer resources to accomplish the same objectives).

## Leadership Styles

Nothing has challenged researchers in the area of management more than the search for the "best" leadership traits, behaviors, or styles. Thousands of studies have been made just to find leadership traits, that is, characteristics that make leaders different from other people.<sup>29</sup> Intuitively, you would conclude about the same thing that researchers have found: Leadership

Phil Jackson has been successful as an autocratic leader. That makes sense, since you don't want basketball players deciding whether or not to play as a team. On the other hand, can you see why it is not so good using autocratic leadership with doctors? What kind of leadership would you expect in a nonprofit agency full of volunteers?





**figure 7.7**  
**VARIOUS LEADERSHIP STYLES**

Source: Reprinted by permission of the *Harvard Business Review*. An exhibit from "How to Choose a Leadership Pattern" by Robert Tannenbaum and Warren Schmidt (May/June 1973). Copyright © 1973 by the Harvard Business School Publishing Corporation, all rights reserved.

traits are hard to pin down. In fact, results of most studies on leadership have been neither statistically significant nor reliable. Some leaders are well groomed and tactful, while others are unkempt and abrasive—yet the latter may be just as effective as the former.

Just as there’s no one set of traits that can describe a leader, there’s also no one style of leadership that works best in all situations.<sup>30</sup> Even so, we can look at a few of the most commonly recognized leadership styles and see how they may be effective (see Figure 7.7):

1. **Autocratic leadership** involves making managerial decisions without consulting others.<sup>31</sup> Such a style is effective in emergencies and when absolute followership is needed—for example, when fighting fires. Autocratic leadership is also effective sometimes with new, relatively unskilled workers who need clear direction and guidance. Coach Phil Jackson used an autocratic leadership style to take the Los Angeles Lakers to three consecutive National Basketball Association championships. By following his leadership, a group of highly skilled individuals became a winning team. How is the team doing now?

**autocratic leadership**  
Leadership style that involves making managerial decisions without consulting others.

2. **Participative (democratic) leadership** consists of managers and employees working together to make decisions. Research has found that employee participation in decisions may not always increase effectiveness, but it usually increases job satisfaction. Many progressive organizations are highly successful at using a democratic style of leadership that values traits such as flexibility, good listening skills, and empathy.

**participative (democratic) leadership**  
Leadership style that consists of managers and employees working together to make decisions.

Organizations that have successfully used this style include Wal-Mart, FedEx, IBM, Cisco, AT&T, and most smaller firms. At meetings in such firms, employees discuss management issues and resolve those issues together in a democratic manner. That is, everyone has some opportunity to contribute to decisions. Many firms have placed meeting rooms throughout the company and allow all employees the right to request a meeting.

**free-rein leadership**  
Leadership style that involves managers setting objectives and employees being relatively free to do whatever it takes to accomplish those objectives.

3. **Free-rein leadership** involves managers setting objectives and employees being relatively free to do whatever it takes to accomplish those objectives. In certain organizations, where managers deal with



doctors, engineers, or other professionals, often the most successful leadership style is free rein. The traits needed by managers in such organizations include warmth, friendliness, and understanding. More and more firms are adopting this style of leadership with at least some of their employees.

Individual leaders rarely fit neatly into just one of these categories. Researchers illustrate leadership as a continuum with varying amounts of employee participation, ranging from purely boss-centered leadership to subordinate-centered leadership.

Which leadership style is best? Research tells us that successful leadership depends largely on what the goals and values of the firm are, who's being led, and in what situations. It also supports the notion that any leadership style, ranging from autocratic to free-rein, may be successful depending on the people and the situation. In fact, a manager may use a variety of leadership styles, depending on a given situation. A manager may be autocratic but friendly with a new trainee; democratic with an experienced employee who has many good ideas that can only be fostered by a flexible manager who's a good listener; and free-rein with a trusted, long-term supervisor who probably knows more about operations than the manager does.

There's no such thing as a leadership trait that is effective in all situations, or a leadership style that always works best. A truly successful leader has the ability to use the leadership style most appropriate to the situation and the employees involved.

## Empowering Workers

Historically, many leaders gave explicit instructions to workers, telling them what to do to meet the goals and objectives of the organization. The term for such a process is *directing*. In traditional organizations, directing involves giving assignments, explaining routines, clarifying policies, and providing feedback on performance.<sup>32</sup> Many organizations still follow this model, especially in firms like fast-food restaurants and small retail establishments where the employees don't have the skill and experience needed to work on their own, at least at first.

Progressive leaders, such as those in many high-tech firms and Internet companies, are less likely than traditional leaders to give specific instructions to employees. Rather, they're more likely to empower employees to make decisions on their own. Empowerment means giving employees the authority (the right to make a decision without consulting the manager) and responsibility (the requirement to accept the consequences of one's actions) to respond quickly to customer requests. Managers are often reluctant to give up the power they have to make such decisions; thus, empowerment is often resisted. In those firms that are able to implement the concept, the manager's role is becoming less that of a boss and director and more that of a coach, assistant, counselor, or team member. **Enabling** is the term used to describe giving workers the education and tools they need to make decisions. Clearly, enabling is the key to the success of empowerment. Without the right education, training, coaching, and tools, workers cannot assume the responsibilities and decision-making roles that make empowerment work.

### enabling

Giving workers the education and tools they need to make decisions.

## Managing Knowledge

There's an old saying that still holds true today: "Knowledge is power." Empowering employees means giving them knowledge—that is, getting them the information they need to do the best job they can. Finding the right information, keeping

the information in a readily accessible place, and making the information known to everyone in the firm together constitute **knowledge management**.<sup>33</sup>

The first step to developing a knowledge management system is determining what knowledge is most important. Do you want to know more about your customers? Do you want to know more about competitors? What kind of information would make the company more effective or more efficient or more responsive to the marketplace? Once you have decided what you need to know, you set out to find answers to those questions.

Knowledge management tries to keep people from reinventing the wheel—that is, duplicating the work of gathering information—every time a decision needs to be made. A company really progresses when each person in the firm asks continually, “What do I still not know?” and “Whom should I be asking?” It’s as important to know what’s not working as what is working. Employees and managers now have e-mail, fax machines, intranets, and other means of keeping in touch with each other, with customers, and with other stakeholders. The key to success is learning how to process that information effectively and turn it into knowledge that everyone can use to improve processes and procedures. That is one way to enable workers to be more effective.

**knowledge management**  
Finding the right information, keeping the information in a readily accessible place, and making the information known to everyone in the firm.

## CONTROLLING: MAKING SURE IT WORKS

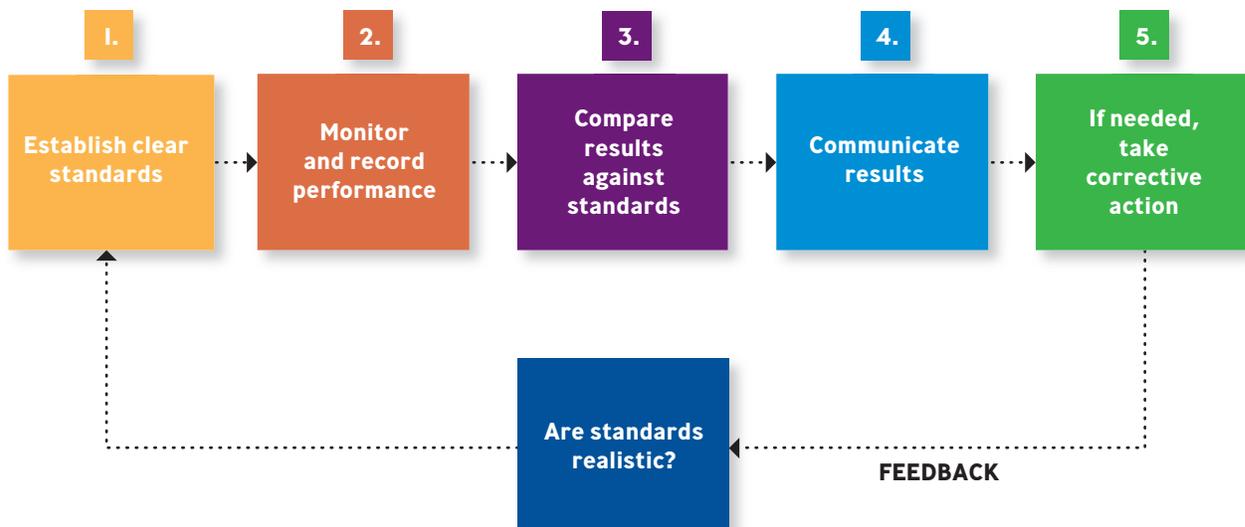
The control function involves measuring performance relative to the planned objectives and standards, rewarding people for work well done, and then taking corrective action when necessary. Thus, the control process (see Figure 7.8) is one key to a successful management system because it provides the feedback that enables managers and workers to adjust to any deviations from plans and to changes in the environment that have affected performance. Controlling consists of five steps:

1. Establishing clear performance standards. This ties the planning function to the control function. Without clear standards, control is impossible.
2. Monitoring and recording actual performance (results).
3. Comparing results against plans and standards.
4. Communicating results and deviations to the employees involved.
5. Taking corrective action when needed and providing positive feedback for work well done.

figure 7.8

### THE CONTROL PROCESS

The whole control process is based on clear standards. Without such standards, the other steps are difficult, if not impossible. With clear standards, performance measurement is relatively easy and the proper action can be taken.



As indicated, the control system's weakest link tends to be the setting of standards. To measure results against standards, the standards must be specific, attainable, and measurable. Setting such clear standards is part of the planning function. Vague goals and standards such as "better quality," "more efficiency," and "improved performance" aren't sufficient because they don't describe in enough detail what you're trying to achieve. For example, let's say you're a runner and you have made the following statement: "My goal is to improve my distance." When you started your improvement plan last year, you ran 2 miles a day; now you run 2.1 miles a day. Did you meet your goal? Well, you did increase your distance, but certainly not by very much. A more appropriate statement would be "My goal is to increase my running distance from two miles a day to four miles a day by January 1." It's important to establish a time period for reaching goals. The following examples of goals and standards meet these criteria:

- Cutting the number of finished product rejects from 10 per 1,000 to 5 per 1,000 by March 31.
- Increasing the number of times managers praise employees from 3 per week to 12 per week by the end of the quarter.
- Increasing sales of product X from 10,000 per month to 12,000 per month by July.

One way to make control systems work is to establish clear procedures for monitoring performance. Accounting and finance are often the foundations for control systems because they provide the numbers management needs to evaluate progress. We shall explore both accounting and finance in detail later in the text.

## A New Criterion for Measurement: Customer Satisfaction

The criterion for measuring success in a customer-oriented firm is customer satisfaction. This includes satisfaction of both external and internal customers. **External customers** include dealers, who buy products to sell to others, and ultimate customers (also known as end users) such as you and me, who buy products for their own personal use. **Internal customers** are individuals and units within the firm that receive services from other individuals or units. For example, the field salespeople are the internal customers of the marketing research people who prepare research reports for them. One goal today is to go beyond simply satisfying customers to "delighting" them with unexpectedly good products and services.

Other criteria of organizational effectiveness may include the firm's contribution to society and its environmental responsibility in the area surrounding the business.<sup>34</sup> The traditional measures of success are usually financial; that is, success is defined in terms of profits or return on investment. Certainly these measures are still important, but they're not the whole purpose of the firm. Other purposes may include pleasing employees, customers, and other stakeholders. Thus, measurements of success may take all these groups into account. Firms have to ask questions such as these: Do we have good relations with our employees, our suppliers, our dealers, our community leaders, the local media, our stockholders, and our bankers? What more could we do to please these groups? Are the corporate needs (such as making a profit) being met as well?

Management will be discussed in more detail in the next few chapters. Let's pause now, review, and do some exercises. Management is doing, not just reading.

### external customers

Dealers, who buy products to sell to others, and ultimate customers (or end users), who buy products for their own personal use.

### internal customers

Individuals and units within the firm that receive services from other individuals or units.

## progress assessment

- How does enabling help empowerment?
- What are the five steps in the control process?
- What's the difference between internal and external customers?

## summary

1. Many managers are changing their approach to corporate management.
    - **What reasons can you give to account for these changes in management?**  
Businesspeople are being challenged to be more ethical and to make their accounting practices more visible to investors and the general public. Change is now happening faster than ever; and global competition is just a click away. Managing change is an important element of success, particularly in light of today's emphasis on speed in the global marketplace. National borders mean much less now than ever before, and cooperation and integration among companies have greatly increased. Within companies, knowledge workers are demanding managerial styles that allow for freedom, and the workforce is becoming increasingly diverse, educated, and self-directed.
    - **How are managers' roles changing?**  
Managers are being educated to guide, train, support, and teach employees rather than tell them what to do. Before employees can be empowered, they must receive extensive training and development.
  2. Managers perform a variety of functions.
    - **What are the four primary functions of management?**  
The four primary functions are (1) planning, (2) organizing, (3) leading, and (4) controlling.
  3. The planning function involves the process of setting objectives to meet the organizational goals.
    - **What's the difference between goals and objectives?**  
Goals are broad, long-term achievements that organizations aim to accomplish, whereas objectives are specific, short-term plans made to help reach the goals.
    - **What is a SWOT analysis?**  
Managers look at the Strengths, Weaknesses, Opportunities, and Threats facing the firm.
    - **What are the four types of planning, and how are they related to the organization's goals and objectives?**  
Strategic planning is broad, long-range planning that outlines the goals of the organization. Tactical planning is specific, short-term planning that lists organizational objectives. Operational planning is part of tactical planning and involves setting specific timetables and standards. Contingency planning involves developing an alternative set of plans in case the first set doesn't work out.
    - **What are the steps involved in decision making?**  
The seven Ds of decision making are (1) define the situation, (2) describe and collect needed information, (3) develop alternatives, (4) develop agreement among those involved, (5) decide which alternative is best, (6) do
1. Explain how the changes that are occurring in the business environment are affecting the management function.
  2. Describe the four functions of management.
  3. Relate the planning process and decision making to the accomplishment of company goals.

what is indicated (begin implementation), and (7) determine whether the decision was a good one and follow up.

4. Describe the organizing function of management.

4. Organizing means allocating resources (such as funds for various departments), assigning tasks, and establishing procedures for accomplishing the organizational objectives.

- **What are the three levels of management in the corporate hierarchy?**

The three levels of management are (1) top management (highest level consisting of the president and other key company executives who develop strategic plans); (2) middle management (general managers, division managers, and plant managers who are responsible for tactical planning and controlling); and (3) supervisory management (first-line managers/supervisors who evaluate workers' daily performance).

- **What skills do managers need?**

Managers must have three categories of skills: (1) technical skills (ability to perform specific tasks such as selling products or developing software), (2) human relations skills (ability to communicate and motivate), and (3) conceptual skills (ability to see organizations as a whole and how all the parts fit together).

- **Are these skills equally important at all management levels?**

Managers at different levels need different skills. Top managers rely heavily on human relations and conceptual skills and rarely use technical skills, while first-line supervisors need strong technical and human relations skills but use conceptual skills less often. Middle managers need to have a balance of all three skills (see Figure 7.6).

- **What are some of the latest trends in organizational management?**

One trend is toward stakeholder-oriented management. In those cases, management tries to satisfy the needs of all stakeholders, including employees, customers, suppliers, dealers, environmental groups, and the surrounding communities.

- **What changes in the marketplace have made staffing more important?**

E-commerce CEOs must spend a lot of time recruiting because their companies grow so fast and run on the knowledge of mostly young workers. Keeping people is also critical because there are lots of companies seeking new talent and people feel free today to go where the action is fastest.

5. Explain the differences between leaders and managers, and describe the various leadership styles.

5. Executives today must be more than just managers; they must be leaders as well.

- **What's the difference between a manager and a leader?**

A manager plans, organizes, and controls functions within an organization. A leader has vision and inspires others to grasp that vision, establishes corporate values, emphasizes corporate ethics, and doesn't fear change.

- **Describe the various leadership styles.**

Figure 7.7 shows a continuum of leadership styles ranging from boss-centered to subordinate-centered leadership.

- **Which leadership style is best?**

The best (most effective) leadership style depends on the people being led and the situation. The challenge of the future will be to empower self-managed teams to manage themselves. This is a move away from autocratic leadership.

- **What does empowerment mean?**

Empowerment means giving employees the authority and responsibility to respond quickly to customer requests. Enabling is the term used to describe giving workers the education and tools they need to assume their

new decision-making powers. Knowledge management involves finding the right information, keeping the information in a readily accessible place, and making the information known to everyone in the firm.

6. The control function of management involves measuring employee performance against objectives and standards, rewarding people for a job well done, and taking corrective action if necessary.
- **What are the five steps of the control function?**  
Controlling incorporates (1) setting clear standards, (2) monitoring and recording performance, (3) comparing performance with plans and standards, (4) communicating results and deviations to employees, and (5) providing positive feedback for a job well done and taking corrective action if necessary.
  - **What qualities must standards possess to be used to measure performance results?**  
Standards must be specific, attainable, and measurable.
6. Summarize the five steps of the control function of management.

## key terms

<b>autocratic leadership</b> 195	<b>internal customers</b> 198	<b>planning</b> 184
<b>brainstorming</b> 189	<b>knowledge management</b> 197	<b>PMI</b> 189
<b>conceptual skills</b> 192	<b>leading</b> 185	<b>problem solving</b> 189
<b>contingency planning</b> 188	<b>management</b> 182	<b>staffing</b> 193
<b>controlling</b> 185	<b>middle management</b> 191	<b>strategic planning</b> 186
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<b>human relations skills</b> 192	<b>participative (democratic) leadership</b> 195	<b>vision</b> 185

## critical thinking questions

Many students say they would like to be a manager someday. Here are some questions to get you started thinking like a manager:

1. Would you like to work for a large firm or a small business? Private or public? In an office or out in the field?
2. What kind of leader would you be? Do you have evidence to show that?
3. Do you see any problems with a participative (democratic) leadership style? Can you see a manager getting frustrated when he or she can't control others?
4. Can someone who's trained to give orders (e.g., a military sergeant) be retrained to be a participative leader? What problems may emerge?

## developing workplace skills

1. Allocate some time to do some career planning by doing a SWOT analysis of your present situation. What does the marketplace for your chosen career(s) look like today? What skills do you have that will make you a winner in that type of career? What weaknesses might you target to improve? What are the threats to that career choice? What are the opportunities? Prepare a two-minute presentation to the class.
2. Bring several decks of cards to class and have the class break up into teams of four or so members. Each team should then elect a leader. Each leader should be assigned a leadership style: autocratic, participative (democratic), or free rein. Have each team try to build a house of cards by stacking them on top of each other. The team with the highest house wins. Each team member should then report his or her experience under that style of leadership.
3. In class, discuss the advantages and disadvantages of becoming a manager. Does the size of the business make a difference? What are the advantages of a career in a profit-seeking business versus a career in a nonprofit organization?
4. Review Figure 7.7 and discuss managers you have known, worked for, or read about who have practiced each style. Students from other countries may have interesting experiences to add. Which managerial style did you like best? Why? Which were most effective? Why?
5. Because of the illegal and unethical behavior of a few managers, managers in general are under suspicion for being greedy and dishonest. Discuss the fairness of such charges, given the thousands of honest and ethical managers, and what could be done to improve the opinion of managers among the students in your class.

## taking it to the net

### Purpose

To perform a simple SWOT analysis.

### Exercise

Go to [www.marketingteacher.com](http://www.marketingteacher.com), click on SWOT, and review the SWOT analysis for Toys “R” Us.

1. What are the store’s strengths, weaknesses, opportunities, and threats?
2. Analyze the store’s weaknesses. How do you think the company’s strengths might be used to overcome some of its weaknesses?
3. Analyze the store’s opportunities and threats. What additional opportunities can you suggest? What additional threats can you identify?

## casing the web

To access the case “*Leading in a Leaderless Company*,” visit [www.mhhe.com/ub8e](http://www.mhhe.com/ub8e)

## video case

### Bread Lines Are Back at Panera!

During the Great Depression, people sadly stood in long lines waiting to get bread. Today, people are eager to wait in lines (which are much shorter and faster) to get at the bread, soup, and sandwiches, at Panera Bread. The company started in 1981 and was known as Au Bon Pain. In 1991, the company went public (sold stock to people) and bought the St. Louis Bread Company. In 1994, Ron Shaich, the president of the organization, prepared a vision he called “Concept Essence” that described how the company should compete in the marketplace. Since then the company has been working diligently to apply the concepts from that original vision.

Based on the vision, Shaich developed long-term goals for the firm. Broad strategic plans led to tactical plans that would direct the company to the goals Shaich identified. Every step along the way called for decision making: Defining the situation, collecting information, developing alternatives, choosing the best alternative, and so forth. That process led to the company’s decision to focus solely on Panera Bread and to sell all other business units, including the original Au Bon Pain stores. The idea was to focus on the mission and keep that focus. That meant, among other things, placing the stores in the right locations, keeping the stores relatively small, maintaining the atmosphere of friendliness, and building a team of employees who enjoy the work and serve customers well. Of course, the whole enterprise was built upon offering quality products.

Periodically, the company has to examine its strengths, weaknesses, opportunities and threats. It’s always tempting to grow rapidly, but that might lead to poorer quality. Similarly, one may be tempted to look overseas for growth, but choosing to do so should not be at the expense of maintaining control over quality and personnel.

So, how do the managers at Panera Bread test how well they are doing? They listen to customers and then they listen again and again. They also listen to employees and anyone else who has interesting ideas and suggestions. The key question today for most firms is: “Would you recommend

us to others?” In Panera’s case, the answer is a resounding YES. What do they love? It depends. Some love the soups. Others the bagels. Others the coffee. And, clearly, some like it all.

First-line managers (supervisors) at Panera must have strong technical skills needed to keep the place running smoothly. They must also have great human relations skills to work successfully with employees. It takes a wise manager to step back and let the employees do the work and not step in and do it for them. The word to describe that process is empowerment. It is one of the more difficult managerial tasks to learn. But when people are given the freedom to make decisions on their own and they can respond to customer wants and needs without delay, the whole company benefits. Proof is in the rapid growth of the company.

The kind of leadership that works best for Panera is participative (democratic). While employees need goals, direction, and guidance, they also need to be able to give input on how to reach those goals. Employees are the front-line people who hear what customers have to say day after day. They know what’s working and what’s not. Working with management as a team, the store’s personnel enjoy the surroundings and create a great atmosphere for customers.

#### Thinking It Over

1. Who are the major competitors to Panera Bread in your area? What managerial differences, if any, do you see? Given the description of Panera Bread in this case, for which company would you rather work? Why?
2. Thus far Panera Bread has not gone international, nor does it open stores as fast as some franchises do. What do you see as the benefits and drawbacks of such a policy?
3. Ron Shaich has applied almost everything you learned in this chapter to the management of Panera Bread. Would these management skills be equally useful to him if he were to go to a different organization to work? What about a nonprofit organization?